AIR CHINA
中国国际航空公司
A STAR ALLIANCE MEMBER

2024 Annual Report

Air China Limited

Stock code: 00753 Hong Kong 601111 Shanghai AIRC London

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), Shandong Aviation Group Company Limited (including Shandong Airlines Co., Ltd.), 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 Sichuan Services Aero-Engine Maintenance Co., Ltd, Beijing Aero-Engine Services Co., Ltd. and GA Innovation China Co., Ltd. Moreover, the associates of Air China include Cathay Pacific Airways Limited and Tibet Airlines Co., Ltd.

With the goal of becoming "the world's leading airline", Air China remains committed to the mission of "put safety first, serve passengers with credibility, convenience, comfort and choice, maintain stable development, help employees achieve success and fulfill corporate responsibilities", advocates the values of "people-oriented, accountable, excelling efforts and enjoyable flights" and positions the brand as "professional and reliable with both international quality and Chinese temperament". The "Air China Miles" programme of Air China is the oldest frequent flier programme in China, under which all members of the frequent flier programmes of Air China family carriers have been consolidated into the brand of "Phoenix Miles".

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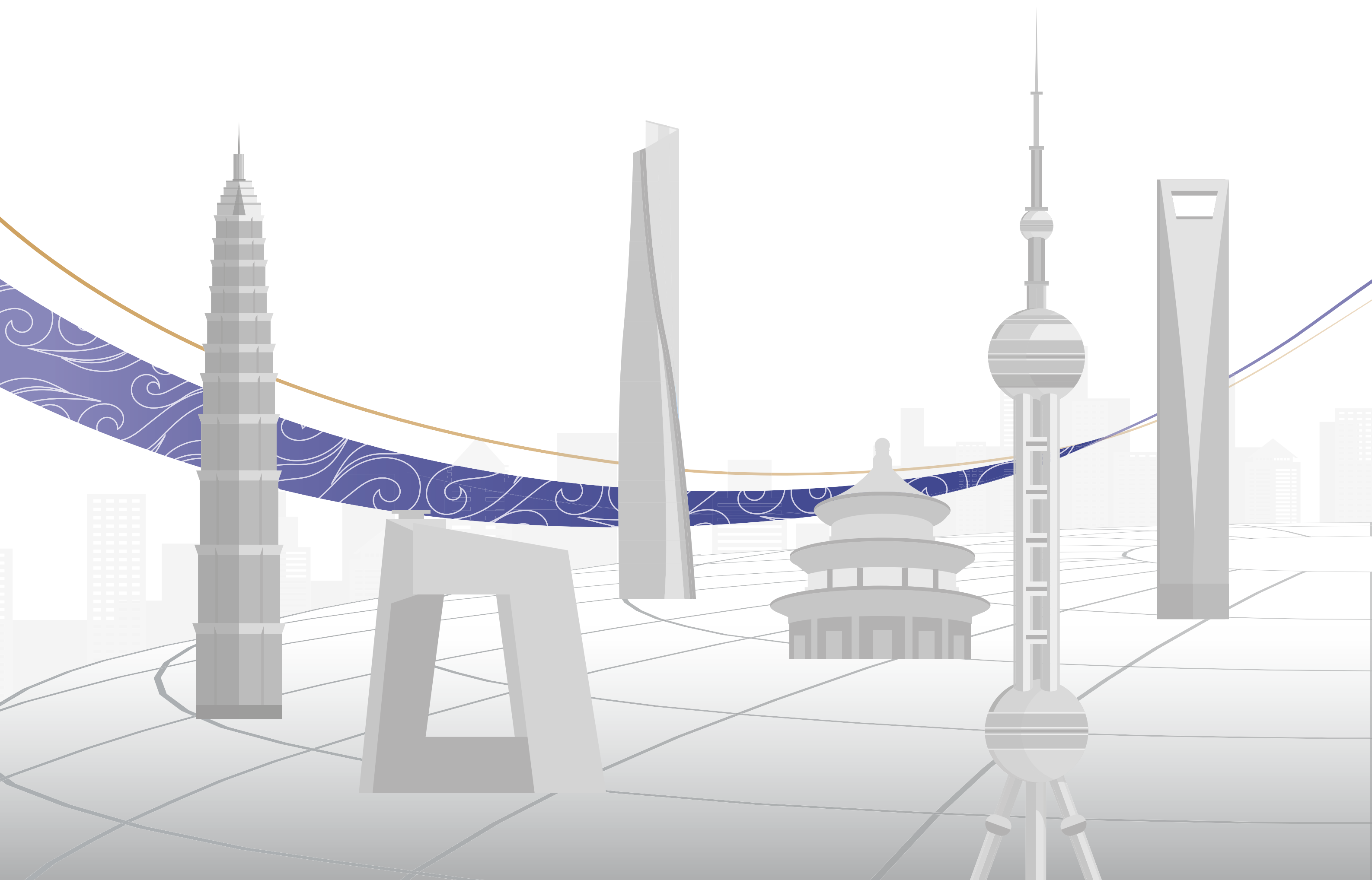


Corporate Information

REGISTERED CHINESE NAME:

中國國際航空股份有限公司

ENGLISH NAME:

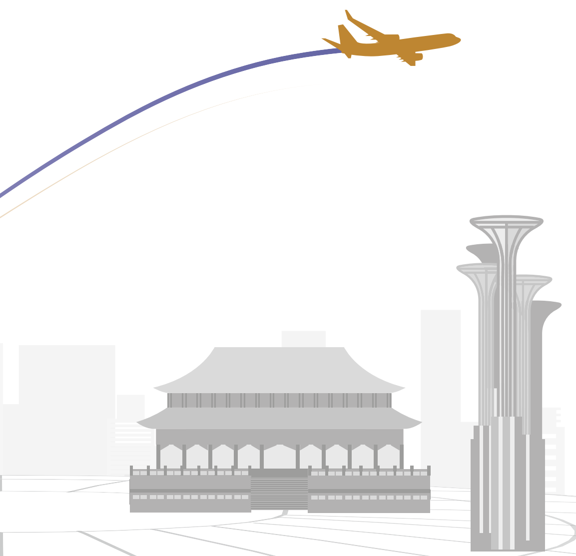
Air China Limited

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. Ma Chongxian
Mr. Wang Mingyuan
Mr. Cui Xiaofeng
Mr. Patrick Healy
Mr. Xiao Peng
Mr. Xu Niansha*
Mr. He Yun*
Ms. Winnie Tam Wan-chi*
Mr. Gao Chunlei*

SUPERVISORS:

Mr. Xiao Jian
Mr. Wang Mingzhu
Mr. Li Shuxing
Ms. Lyu Yanfang
Ms. Guo Lina

* Independent Non-executive Directors

LEGAL REPRESENTATIVE OF THE COMPANY:

Mr. Ma Chongxian

JOINT COMPANY SECRETARIES:

Mr. Xiao Feng
Mr. Huen Ho Yin

AUTHORISED REPRESENTATIVES:

Mr. Ma Chongxian
Mr. Xiao Feng

LEGAL ADVISERS TO THE COMPANY:

DeHeng Law Offices
(as to domestic laws)

Jingtian & Gongcheng LLP
(as to overseas laws)

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

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[1] For details of changes in Directors of the Company during the Reporting Period and up to the date of this annual report, please refer to page 60 of this annual report.

CHAIRMAN'S STATEMENT

2024 REVIEW

2024 marked the 75th anniversary of the founding of New China and served as a critical year for achieving the goals and tasks outlined in the "14th Five-Year Plan". Over the past year, under the guidance of Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era, we thoroughly implemented the guiding principles of the 20th National Congress of the Communist Party of China (CPC) and the Second and Third Plenary Sessions of the 20th CPC Central Committee as well as the resolutions and deployments of the CPC Central Committee and the State Council. The Group, focusing on enhancing core functions and improving core competitiveness, while upholding the Party's comprehensive leadership, insisting on deepening reforms and pursuing high-quality development, has achieved new progress in various areas, including safety, operating performance, service and reform, taking significant strides toward building a world-class enterprise.

Ensuring stringent safety management for stable and secure operations. The Group thoroughly implemented General Secretary Xi Jinping's key directives on safety production and civil aviation, taking concrete actions to ensure "Two Absolute Safeties (兩個絕對安全)". The Group formulated a dedicated safety production work plan, steadily advanced the three-year action plan for fundamental improvements in work safety and carried out comprehensive self-inspections and corrective measures for major hidden safety hazards, thus driving the dynamic elimination of hidden safety hazards. The Group continued to enhance the development of five major systems: safety management, flight training, aircraft maintenance, operation management, risk identification and hidden hazard investigation, while further strengthening the safety foundation and enhancing safety capabilities. Through meticulous production and operational coordination, the Group strengthened oversight and control over safety processes, ensuring that flight operations were dynamically aligned with support capabilities. In 2024, the Group recorded 2.95 million safe flight hours, representing a year-on-year increase of 17%, and successfully completed major aviation transport support missions, including major charter flights, the Paris Olympics, the Forum on China-Africa Cooperation, and the evacuation of Chinese nationals from Lebanon.

Focusing on enhancing development quality and continuously improving operating quality and performance. The Group made every effort to strengthen financial outcomes, achieving quantitative growth and qualitative improvements in production and operating performance. By "consolidating existing capacity and expanding incremental capacity", the Group significantly increased its effective capacity. Over the year, the Group's available seat kilometers (ASK) reached 356.1 billion, representing a year-on-year increase of 22%. The Group actively supported national diplomacy initiatives by accelerating the resumption and opening of new international routes, doubling the Group's international capacity compared to the previous year. The Group established a resource management mechanism to maximise aircraft utilization and strived to enhance aircraft operational usage efficiency, leading to a year-on-year increase in daily aircraft utilisation rates. The Group intensified marketing innovation by implementing a quarterly product release mechanism, refining its inbound tourism product system and organising a series of campaigns celebrating the 30th anniversary of "Phoenix Miles", so as to further strengthen brand influence. Amid intensifying industry competition, the Group reinforced yield management and maintained a leading position in yield level. The Group pursued rigorous income and efficiency management and cost control, continuously expanded financing channels, and achieved notable results through refined financial management and oversight.

Fulfilling Our Mission and Responsibility to Serve the Nation's Priorities with Greater Efficacy. We fully supported the development of domestically produced civil aircraft, marking a significant milestone in the large-scale operation of such aircraft. With the C909 and C919 aircraft soaring through the skies adorned with the national flag, the Group aspired to become the world's first operator of the C929. In alignment with the national regional development strategy, the Group actively promoted the construction of hub networks, increasing capacity concentration in key markets such as Beijing-Tianjin-Hebei, Chengdu-Chongqing, Guangdong-Hong Kong-Macao and the Yangtze River Delta. The Group accelerated the development of Beijing Capital Airport and Chengdu Tianfu International Airport into international hubs, optimising network structures and improving the quality of hub operation. Continuing to strengthen its "Belt and Road" route network, the Group expanded its coverage to 29 countries and operating 65 flight routes. The Group is dedicated to rural revitalisation, with its targeted assistance efforts earning the highest rating from the SASAC for seven consecutive years. Committed to green and low-carbon development, the Group made steady progress toward achieving carbon peaking, and initiated the routine use of domestically produced sustainable aviation fuel on designated flights.

Enhancing service excellence with care and dedication. Guided by our "people-centered" development philosophy, we focused on the objectives of the "Year of Quality and Efficiency Enhancement for Civil Aviation Services", striving to deliver high-quality services that meet customer expectations. Adhering to the principles of "customer-oriented, problem-oriented and value-oriented" services, the Group concentrated resources on establishing a customer service centre and further refined its professional service management system. Key systems, such as full-process passenger service notification and in-flight meal reservation, were successfully launched, steadily advancing the digital transformation of services. The Group further improved its customer service mechanism to better understand customer needs, design and deliver tailored products, thereby promoting continuous growth in customer value.

Strengthening Party leadership and Party building to ensure new achievements in high-quality development. The Group remains committed to high-quality Party building as a cornerstone for high-quality development, fully embracing its responsibilities and missions as a national flag carrier. The Group rigorously implements the "Two Consistencies (兩個一以貫之)" approach, ensuring the comprehensive strengthening of Party leadership while enhancing corporate governance. The Group further optimised organisational structures in key areas, reinforced the development of a robust cadre talent pipeline, and continuously improved team vitality. The Group remains steadfast in advancing comprehensive and strict governance of the Party, fostering a clean and upright political environment that serves as a solid foundation for promoting high-quality development and accelerating the construction of a world-class enterprise.

As 2025 marks the final year of the "14th Five-Year Plan" and a pivotal transition to the "15th Five-Year Plan", we will uphold the fundamental principle of seeking progress while maintaining stability. The Group will continue to shoulder its political responsibility for operational safety, strengthen strategic support capabilities, and accelerate the development of new business models. By pursuing high-quality development and accelerating the construction of a world-class enterprise with tangible outcomes, the Group will make new and greater contributions to building a great country and advancing the grand cause of national rejuvenation!

Ma Chongxian
Chairman

Beijing, China
27 March 2025

Summary of Financial Information

(RMB'000)

	2024	2023	2022	2021	2020
Revenue	**166,698,880**	141,100,234	52,897,584	74,531,670	69,503,749
Profit/(loss) from operations	**2,218,203**	2,889,523	(35,443,794)	(16,862,176)	(11,168,820)
(Loss) before taxation	**(1,598,868)**	(1,649,779)	(45,876,891)	(21,825,530)	(18,466,406)
(Loss) after taxation (including (loss) attributable to non-controlling interests)	**(2,445,342)**	(1,561,248)	(45,173,910)	(18,822,238)	(15,816,131)
(Loss) attributable to non-controlling interests	**(2,212,785)**	(522,837)	(6,556,415)	(2,187,060)	(1,412,788)
(Loss) attributable to equity shareholders of the Company	**(232,557)**	(1,038,411)	(38,617,495)	(16,635,178)	(14,403,343)
EBITDA[(1)]	**31,321,171**	30,000,030	(14,210,120)	4,072,326	9,239,497
EBITDAR[(2)]	**32,278,677**	30,839,752	(13,632,238)	4,981,874	9,925,796
(Loss) per share attributable to equity shareholders of the Company (RMB)	**(0.01)**	(0.07)	(2.81)	(1.21)	(1.05)
(Loss) on equity attributable to equity shareholders of the Company (%)	**(0.52)**	(2.79)	(163.79)	(27.11)	(18.58)

Notes:

(1) EBITDA represents earnings before finance income and finance costs, exchange gains/losses, income tax, share of profits or losses of associates and joint ventures, depreciation and amortisation as computed under IFRS Accounting Standards.

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

(RMB'000)

	31 December 2024	31 December 2023	31 December 2022	31 December 2021	31 December 2020
Total assets	**345,750,173**	335,278,694	294,979,377	298,381,190	284,029,616
Total liabilities	**304,824,203**	300,014,685	273,451,149	232,550,079	200,256,580
Non-controlling interests	**(4,202,202)**	(1,941,966)	(2,048,948)	4,462,554	6,231,709
Equity attributable to equity shareholders of the Company	**45,128,172**	37,205,975	23,577,176	61,368,557	77,541,327
Equity attributable to equity shareholders of the Company per share (RMB)	**2.71**	2.30	1.62	4.23	5.34

Summary of Operating Data

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

	Current year	Previous year	Increase/ (decrease)
Capacity			
ASK *(million)*	356,103.62	292,513.16	21.74%
International	95,626.32	47,693.43	100.50%
Mainland China	250,051.04	237,326.42	5.36%
Hong Kong SAR, Macau SAR and Taiwan, China	10,426.25	7,493.31	39.14%
AFTK *(million)*	12,629.76	9,648.19	30.90%
International	5,593.32	2,939.26	90.30%
Mainland China	6,764.65	6,511.56	3.89%
Hong Kong SAR, Macau SAR and Taiwan, China	271.79	197.37	37.70%
ATK *(million)*	44,726.10	36,002.19	24.23%
Traffic			
RPK *(million)*	284,349.95	214,172.87	32.77%
International	72,918.97	32,306.61	125.71%
Mainland China	203,880.63	176,788.86	15.32%
Hong Kong SAR, Macau SAR and Taiwan, China	7,550.35	5,077.40	48.71%
RFTK *(million)*	4,732.69	3,015.54	56.94%
International	3,001.96	1,637.80	83.29%
Mainland China	1,663.75	1,337.20	24.42%
Hong Kong SAR, Macau SAR and Taiwan, China	66.98	40.55	65.20%
Passengers carried *(thousand)*	155,315.51	125,454.54	23.80%
International	16,317.71	6,730.76	142.43%
Mainland China	134,256.06	115,547.16	16.19%
Hong Kong SAR, Macau SAR and Taiwan, China	4,741.74	3,176.62	49.27%
Cargo and mail carried *(tonnes)*	1,480,085.34	1,070,372.96	38.28%
Kilometres flown *(million)*	1,856.98	1,565.96	18.58%
Block hours *(thousand)*	2,950.89	2,529.46	16.66%

Summary of Operating Data

	Current year	Previous year	Increase/ (decrease)
Number of flights	**1,024,492**	902,517	13.51%
International	**102,399**	46,956	118.07%
Mainland China	**886,944**	830,317	6.82%
Hong Kong SAR, Macau SAR and Taiwan, China	**35,149**	25,244	39.24%
RTK *(million)*	**29,743.08**	21,887.15	35.89%
Load factor			
Passenger load factor (RPK/ASK)	**79.85%**	73.22%	6.63 ppt
International	**76.25%**	67.74%	8.52 ppt
Mainland China	**81.54%**	74.49%	7.04 ppt
Hong Kong SAR, Macau SAR and Taiwan, China	**72.42%**	67.76%	4.66 ppt
Cargo and mail load factor (RFTK/AFTK)	**37.47%**	31.26%	6.21 ppt
International	**53.67%**	55.72%	(2.05 ppt)
Mainland China	**24.59%**	20.54%	4.06 ppt
Hong Kong SAR, Macau SAR and Taiwan, China	**24.64%**	20.54%	4.10 ppt
Overall load factor (RTK/ATK)	**66.50%**	60.79%	5.71 ppt
Utilisation			
Daily utilisation of aircraft (block hours per day per aircraft)	**8.90**	8.14	0.76 hours
Yield			
Yield per RPK *(RMB)*	**0.5338**	0.6094	(12.41%)
International	**0.5127**	0.6627	(22.63%)
Mainland China	**0.5371**	0.5948	(9.70%)
Hong Kong SAR, Macau SAR and Taiwan, China	**0.6488**	0.7785	(16.66%)
Yield per RFTK *(RMB)*	**1.5665**	1.3811	13.42%
International	**1.8999**	1.7094	11.14%
Mainland China	**0.8959**	0.8907	0.58%
Hong Kong SAR, Macau SAR and Taiwan, China	**3.2855**	4.2950	(23.50%)
Unit cost			
Operating expenses per ASK *(RMB)*	**0.4824**	0.4978	(3.09%)
Operating expenses per ATK *(RMB)*	**3.8412**	4.0445	(5.03%)

Fleet Information

During the year of 2024, the Group introduced a total of 36 aircraft, including four A320 series aircraft, 19 B737 series aircraft, three C919 aircraft, nine C909 aircraft and one business jet, and phased out a total of 11 aircraft, including three A330 series aircraft, six A320 series aircraft, one B737 series aircraft and one business jet.

As at the end of 2024, the Group had a total of 930 aircraft with an average age of 9.90 years, of which the Company operated a fleet of 504 aircraft in total, with an average age of 9.60 years. The Company introduced 22 aircraft and phased out 13 aircraft.

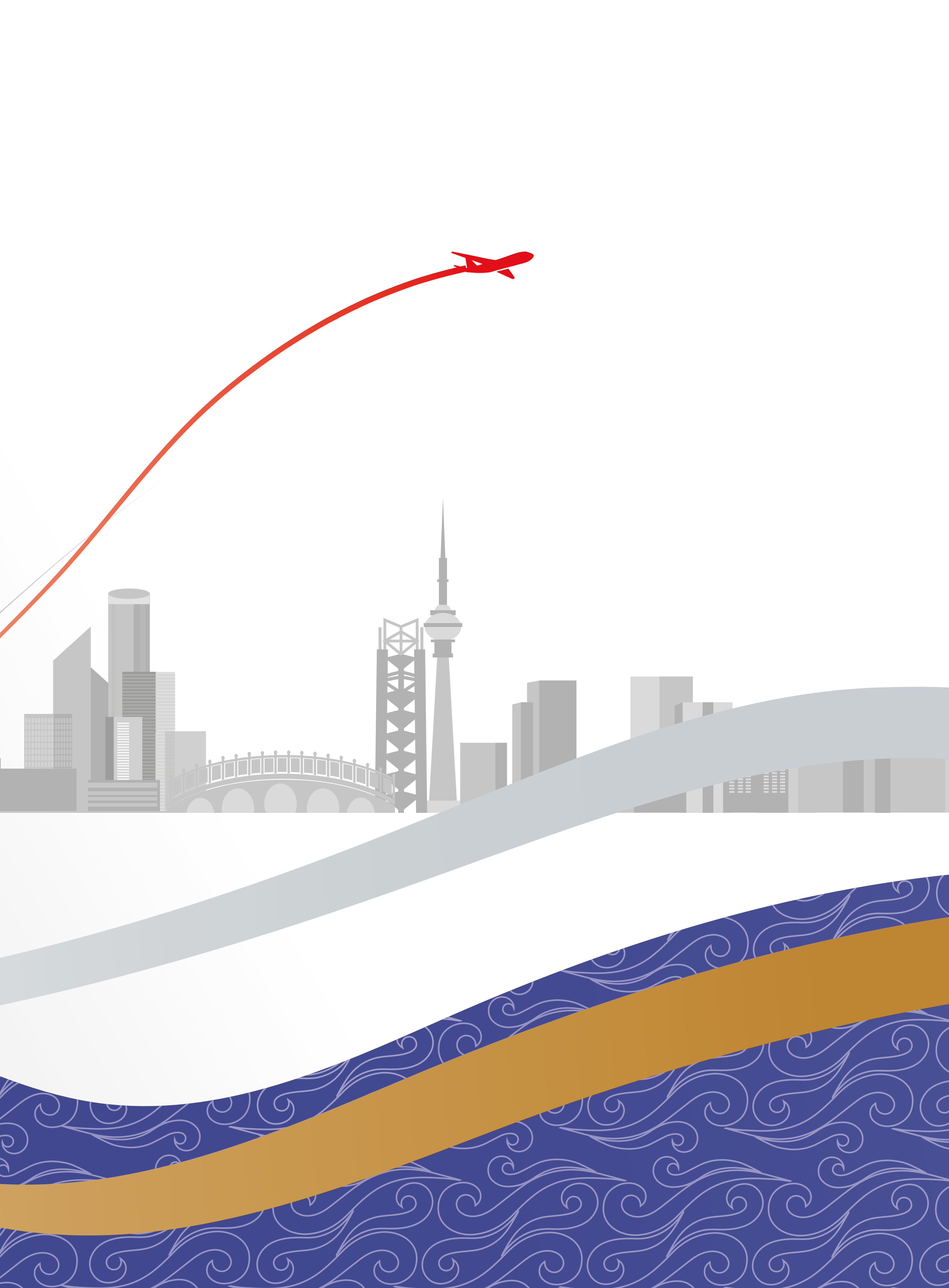
Details of the fleet of the Group are set out in the table below:

	31 December 2024				
	Sub-total	Self-owned	Finance leases	Operating leases	Average age (year)
Airbus	**433**	**195**	**119**	**119**	**9.70**
A320	349	163	94	92	9.90
A330	54	22	5	27	11.79
A350	30	10	20	–	3.63
Boeing	**457**	**186**	**97**	**174**	**10.73**
B737	405	149	90	166	10.71
B747	10	8	2	–	15.47
B777	28	17	5	6	10.71
B787	14	12	–	2	7.86
COMAC	**36**	**24**	**12**	**–**	**1.68**
C909	33	21	12	–	1.81
C919	3	3	–	–	0.17
Business jets	**4**	**1**	**–**	**3**	**9.30**
Total	**930**	**406**	**228**	**296**	**9.90**

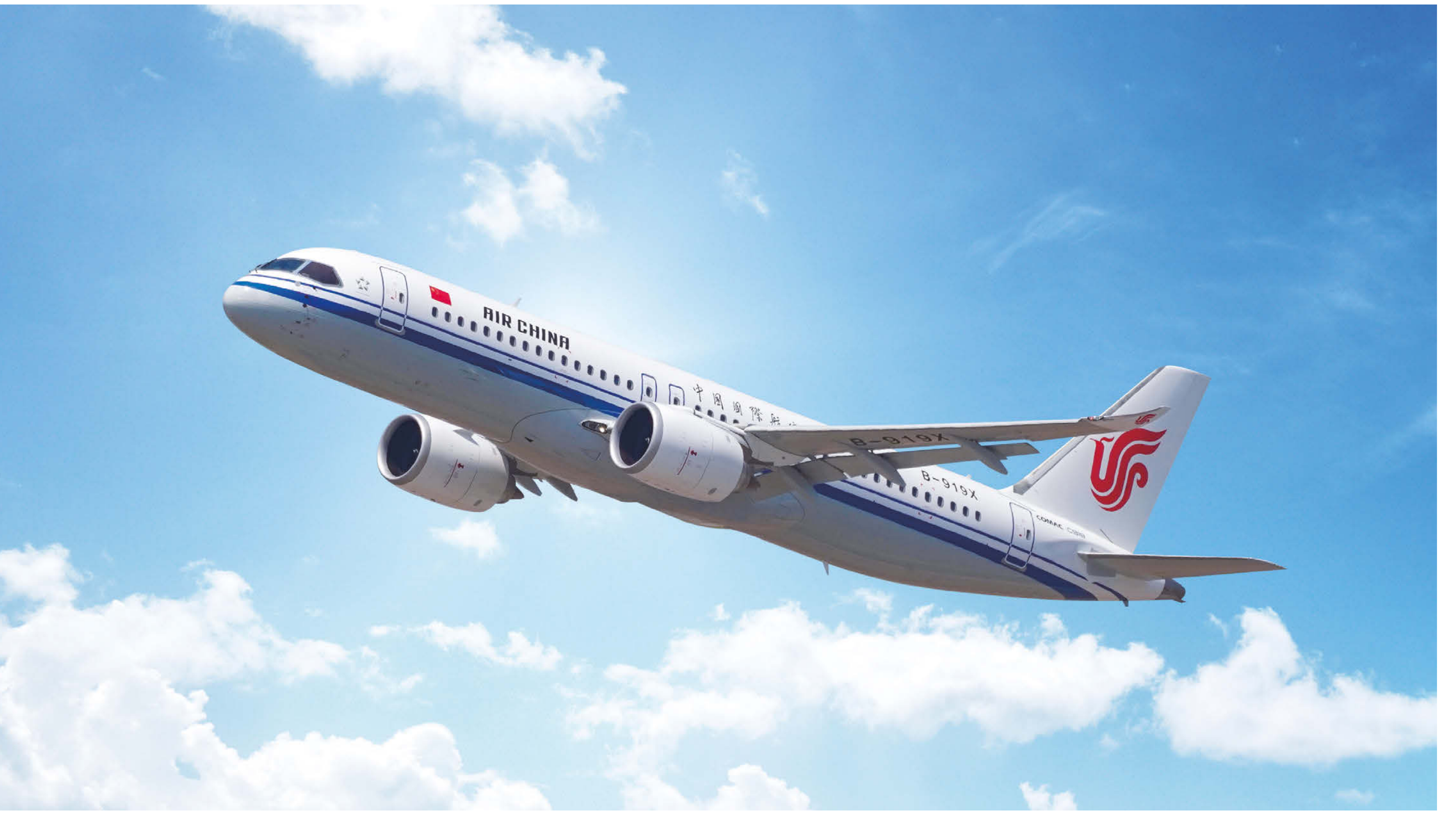
	Introduction Plan			Phase-out Plan		
	2025	2026	2027	2025	2026	2027
Airbus	**22**	**32**	**19**	**13**	**13**	**3**
A320	22	32	19	9	13	3
A330	–	–	–	4	–	–
Boeing	**13**	**2**	**30**	**4**	**1**	**1**
B737	13	–	22	4	1	1
B787	–	2	8	–	–	–
COMAC	**12**	**10**	**10**	**–**	**–**	**–**
C909	2	–	–	–	–	–
C919	10	10	10	–	–	–
Total	**47**	**44**	**59**	**17**	**14**	**4**

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

Business Overview



Business Overview



SAFE OPERATION

The Group remained committed to strictly implementing the comprehensive national security concept and adhering to the political mandate of "Two Absolute Safeties (兩個絕對安全)". It made every effort to achieve the objectives of the three-year action plan for fundamentally improving work safety, with a focus on the "Year of Tackling Hidden Hazards". Rigorous investigations and rectifications of major hidden safety hazards were carried out, emphasising immediate corrective actions and ensuring the dynamic elimination of hidden hazards. The Group continued to strengthen the development of five key systems: safety management, flight training, aircraft maintenance, operation management, risk identification and hidden hazard investigation. To establish a "Holistic Safety (大安全)" framework, the Group built a long-term safety management mechanism, promoted voluntary incident reporting and advanced the digital transformation of various business systems. Meticulous oversight was applied to flight operations, ensuring smooth seasonal flight adjustments, efficient peak-season scheduling and comprehensive safety inspections. The Group successfully introduced the C919 aircraft and provided high-quality operational support, ensuring seamless dynamic alignment between flight operations and support capabilities. Strict management of dangerous goods air transport was maintained, including the successful verification of transportation licenses. The Group continued to strengthen aviation security measures and organised annual security assessments for international flight routes. It implemented targeted measures to address disruptive passenger behavior, and successfully passed the CAAC's aviation security audit.

Air China recorded over 20 million consecutive safe flight hours, and was awarded the "Two-Star Diamond Award for Flight Safety (飛行安全鑽石二星獎)" by the CAAC. The Group successfully completed a number of major aviation transport support missions, including the Spring Festival travel rush, the Two Sessions, the Paris Olympics, the Forum on China-Africa Cooperation, and the evacuation of Chinese nationals from Lebanon. During the Reporting Period, the Group recorded 2.95 million safe flight hours and safely transported 155 million passengers, maintaining an overall stable and safe operational environment on an ongoing basis.

ENHANCING OPERATING PERFORMANCE

In 2024, the global economy maintained overall growth, while China's economy showed a general recovery and improvement. The recovery process of the civil aviation market also accelerated. Seizing market opportunities, the Company focused on improving financial outcomes while ensuring safe operations. Fleet efficiency was enhanced through meticulous production planning. The Company strengthened capacity and pricing management to stabilise yield quality, enforced strict cost controls to drive efficiency and reduce expenses, and continuously improved operating quality and performance, achieving a significant year-on-year reduction in losses.

Focusing on its annual production and operational targets, the Group remained committed to increasing capacity, maintaining pricing and competing for market share. By actively improving aircraft utilisation, closely monitoring market trends and seizing opportunities, the Group achieved notable progress in enhancing financial outcomes. The Group tapped into the potential of connecting flight markets, targeted key market shares, refined base pricing, and made precise capacity allocations. The Company continuously optimised product design and refined marketing controls, enhancing product offerings such as up-selling strategies and inbound travel packages for foreign passengers to drive targeted sales. A multi-faceted approach was adopted to boost flight revenue. The Group strengthened ancillary revenue streams, implementing refined management of competitive products such as seat selection services. Upholding a customer-centric approach, the Group deepened engagement with high-value customers and launched the "Business Travel Prime Zone (商旅專區)", a one-stop service platform for corporate clients, ensuring seamless access to exclusive benefits. Furthermore, the Group amplified marketing innovation, established a quarterly product release mechanism and organising a series of campaigns to celebrate the 30th anniversary of "Phoenix Miles", further strengthening Air China's brand influence. The Group deepened the integration of passenger and cargo operations, driving year-on-year growth in passenger and cargo transportation revenue.

The Group implemented strict cost control measures in line with the requirements of "intensification, coordination and refinement". The Group optimised the matching of aircraft types and routes with market demand to manage operating costs and enhanced precision management of resource utilization efficiency to ensure effective cost control. The Group strengthened fund management, optimised its debt structure and reduced financial expenses. The Group focused on improving labor productivity at all levels and maintaining a balanced approach to labor cost management, in order to effectively expanding profitability potential.

ENHANCING SERVICE

Guided by a "people-centred" development philosophy, the Group remained focused on passenger needs, continuously upgrading service standards and quality. The Group introduced innovative service products, improved the full-process travel experience, and enhanced service delivery capabilities, driving a comprehensive upgrade in service quality.

The Group elevated its service quality, systematically enhanced service standards at all levels, laying a solid foundation for delivering high-quality service. Focusing on the travel needs of "first-time flyers", the Group pioneered the industry's first customised service for first-time passengers, offering comprehensive travel guides, ground instructions and in-flight assistance to ensure full coverage of their needs. Attention to service details was emphasized, with the introduction of the "Travel with Care" series. The in-flight Wi-Fi and Internet platforms were revamped with updated entertainment content and layouts to meet the diverse needs of passengers. The Group actively catered to passengers' needs and local culinary cultures, and launched "Light Dishes on the Clouds (雲饗輕食)", "Sky-high Seafood (萬尺鱘鮮)" and a variety of regional specialty meal sets. On the C919 aircraft, the Group unveiled Air China's exclusive, first-of-its-kind in-flight seat and cabin interior design, along with dedicated cabin announcements, in-flight entertainment programs and amenities. The Group optimised and upgraded Air China Express Routes to eight routes, strengthened collaboration across the Air China family carriers, and leveraged key resources to enhance the express route experience.

The Group optimised passenger compensation standards in irregular situations, improving the overall service experience during irregular flights. The Group refined voluntary ticket change policies, upgraded the ticket purchase protection, and continued to improve ticketing services for passengers. The Group newly introduced full-process luggage tracking services at 12 overseas terminals, enabling cross-company baggage inquiries among Air China family carriers. The Group expanded the booking permissions for five special services within the Air China family on mobile platforms, along with membership services and convenient functions, thereby enhancing passenger mobile service experience. A full-process service information notification system was launched, ensuring that passengers receive more comprehensive and accurate information. The Group introduced an in-flight meal reservation management system, enabling personalised meal selections for passengers. The Group established a service expert team, selecting 157 specialists to provide core support for future standard upgrades, quality improvements, and other service enhancement initiatives.

DIGITAL TRANSFORMATION

To comprehensively advance digital transformation, the Group optimised the organisational framework for digital transformation and enhanced its operational mechanisms. Focusing on three key business areas, namely safety operations, marketing services and management collaboration, the Group continuously improved safety performance, precision marketing capabilities, the end-to-end travel experience for passengers and the efficiency of management collaboration. In addition, the Group promoted the integration of "technology, business and management", leveraging the full potential of data to drive efficiency and enhance quality.

In terms of safety operations, the Group accelerated promotion and deepened the application of its global ground flight support platform, which enabled visualised flight monitoring and support, intelligent flight scheduling and mobile frontline operations, significantly enhancing flight ground support capabilities. The Group also expedited the development of the operation monitoring platform, optimising the process for end-to-end operational monitoring and special situation handling. In the realm of marketing services, the Group adopted a customer-centric approach, leveraging digital technology to drive innovation in marketing models, business models and service quality improvements. With the second phase of business model innovation, the Group comprehensively upgraded the user-friendliness, convenience and smoothness of its website sales and services, creating a one-stop digital air travel platform to strengthen precision marketing and diversified product management capabilities. The Group launched an in-flight meal reservation management system, offering new services to passengers. Starting in September 2024, the system undergoes trial operations on six routes, including Beijing-Sanya and Beijing-Chongqing, providing passengers with personalised services such as ordering, selecting or cancelling meals. The Group advanced the development of intelligent customer service systems to improve the efficiency of passenger services. In the area of management collaboration, the Group vigorously promoted digital transformation in human resources, financial management and internal controls, enhancing the effectiveness of internal management process.

RISK PREVENTION AND CONTROL

The Group continued to refine its integrated collaboration mechanism of "upholding the rule of law, reinforcing internal controls, preventing risks and promoting compliance". The risk prevention and control system was further improved, enabling the Group to proactively and prudently address various risks through comprehensive measures, ensuring that risks in all aspects remain controllable and within manageable limits.

The Group solidified its risk assessment mechanism, enhancing the foresight and predictability of risk forecasting. The Group conducted in-depth analysis of major operating risks on an annual basis and implemented comprehensive measures to address them. The Group improved the precision of risk quantification, and actively built a monitoring and early-warning system for material operating risks, employing tiered and rolling monitoring with closed-loop management for key risk factors. The mechanism for evaluating risks in major decision-making has been strengthened, continuously improving the quality of evaluations and proactively preventing and mitigating risks. Risk assessment was deeply integrated into corporate reforms, core tasks and major project management. The Group refined its risk prevention and control collaboration mechanism, with the Audit and Risk Management Committee (the Supervision Committee) regularly reviewing reports on risk management, internal controls and compliance. Senior management actively supervised key risk control efforts, ensuring a prudent and sound response to various risks. The Group continued to establish and improve the three lines of defense in risk control and compliance management, reinforcing the responsibility mechanism for risk prevention and control. Strict tiered and layered risk management is enforced, with risk mitigation responsibilities clearly assigned to specific roles and individuals, enhancing the Group's ability to manage risks throughout the entire process.

CORE COMPETENCE ANALYSIS DURING THE REPORTING PERIOD

Strong brand advantage

Air China positioned its brand as “professional and reliable with both international quality and Chinese temperament”. By virtue of the immense historical heritage, Air China strives to create perfect travel experience and help passengers to stay safe by upholding the spirit of phoenix of being a practitioner, promoter and leader for the high-quality development of the aviation transportation industry in the PRC. While pursuing outstanding performance through innovation and excelling efforts, the Company is also committed to leading the industrial development and establishing itself as a “National Brand”. By maintaining its world-class safety operation performance and leading comprehensive operating strengths in Mainland China, the Group has extensive brand recognition and excellent brand reputation.

In 2024, the Group adhered to the goal of accelerating the development into a world-class enterprise with a “distinctive brand”, and concentrated its resources on establishing the Brand and Quality Management Department, which introduced new momentum into the development of the brand strengths. Actively launching brand communication, the Group planned and carried out brand activities in relation to major annual events, organized a series of activities for the inaugural flight of Air China’s C919 and the participation of C919 in the 13th Macau Business Aviation Exhibition.

It participated in the China Brand Fair, the China-Eurasia Expo, Zhuhai Airshow, the Western China International Fair for Investment and Trade, the China International Travel Mart, and the CATA Aviation Conference at a high level. It placed advertisements of brand image on selected channels to enhance brand awareness and brand reputation. In addition, it strengthened domestic and international social media communication, and launched in-depth brand promotion for key markets such as Europe, North America and Japan.

According to the ranking list released by the World Brand Lab, Air China ranked no. 280 in the “World’s Top 500 Brands” in 2024 and no. 25 in the “China’s 500 Most Valuable Brands” with a brand value of RMB259.695 billion, maintaining a leading position in the domestic aviation service industry.

Market leader of the Beijing hub

In 2024, basing itself on the domestic cycle, the Group actively promoted hub construction in a bid to implement the national regional development strategy by continuing to increase the concentration of investment in the transportation capacity in the four-pole regional clusters of Beijing-Tianjin-Hebei, Chengdu-Chongqing, Guangdong-Hong Kong-Macau and the Yangtze River Delta. The Group accelerated the hub development of Beijing Capital International Airport and Chengdu Tianfu International Airport, improved the network structure and enhanced the hub operation quality. Air China has achieved an average of 746 scheduled flights per day at Beijing Capital International Airport.

At the same time, Air China continued to focus its resources and efforts on accelerating the optimization of hub functions, enhancing the operation efficiency and quality assurance of services, constantly improving its route network. During the Reporting Period, in addition to increasing its investment, Air China meticulously developed well-established express route products and strong express route brands. It continued to develop 8 express routes between Beijing-Chengdu, Beijing-Shenzhen, Beijing-Guangzhou, Beijing-Shanghai, Beijing-Chongqing, Beijing-Hangzhou, Beijing-Xiamen and Chengdu-Shenzhen, with a total number of flights amounted to approximately 120 flights per day.

Balanced and complementary route network

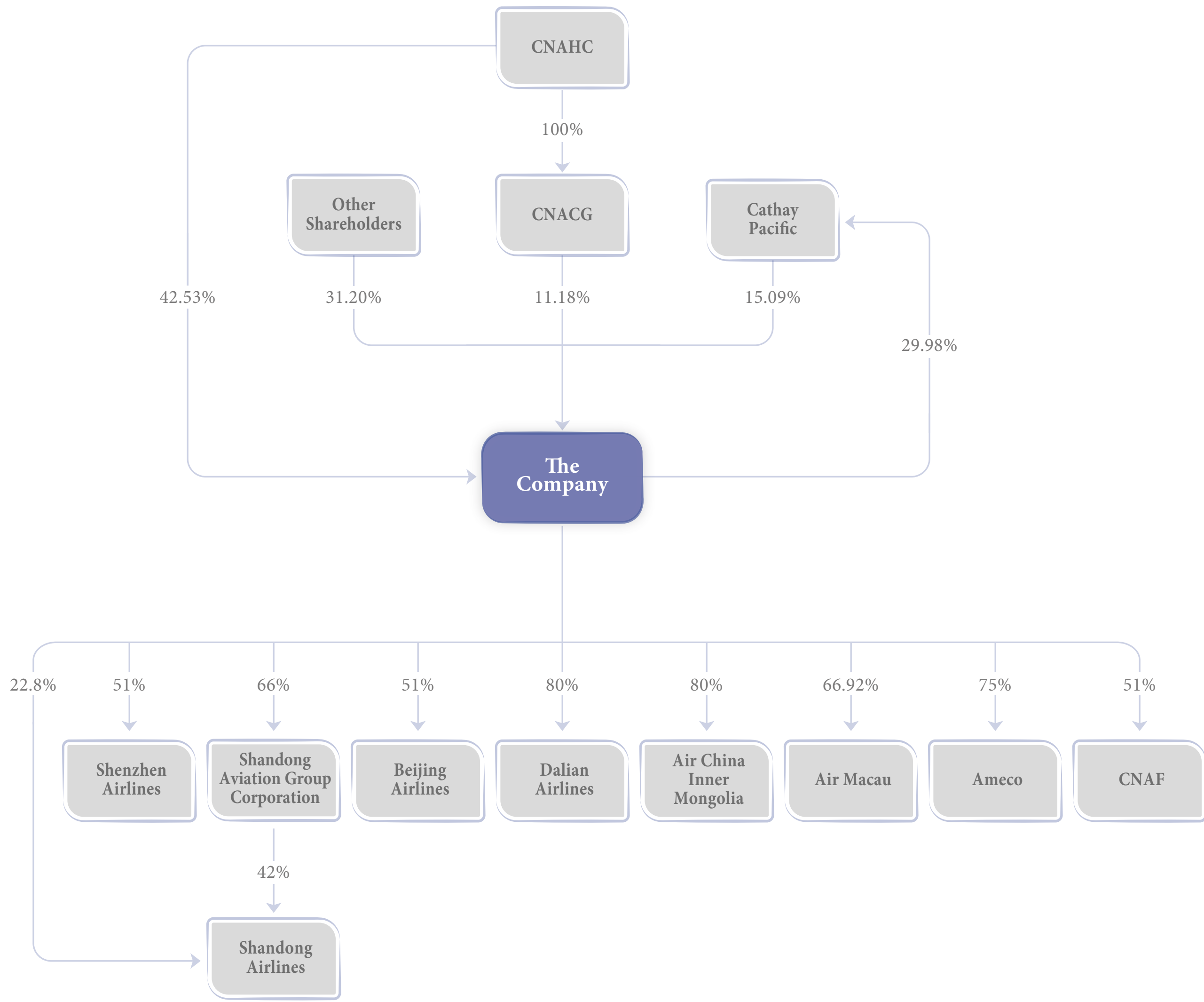
In 2024, the Group proactively supported national key strategies and advanced high-standard opening-up. Adhering to the principle of "Four Maximizations" as always in the implementation of production organization, it steadily pushed forward the opening and resumption of international flights, and continuously improved the "Belt and Road" related route network layout. Focusing on the construction of route networks among Beijing-Tianjin-Hebei, the Yangtze River Delta, the Guangdong-Hong Kong-Macau Greater Bay Area and the Chengdu-Chongqing Dual-Economic Circle, the Group seized the development opportunities of core hubs and bases in the region. Furthermore, it further deepened collaboration among Air China family carriers to achieve complementary network advantages and enhance the overall core competitiveness of Air China family carriers. As of the end of Reporting Period, the Group operated 847 passenger routes, including 657 domestic routes and 190 international and regional routes, covering 45 countries and regions.

The Group continued to serve for the national "Going Global" strategy by actively promoting the resumption and launch of "Belt and Road" related routes. The number of executed "Belt and Road" related routes reached 65, involving 29 countries and 37 cities, and the number of flights exceeded that of the same period in 2019. During the Reporting Period, Air China launched seven new "Belt and Road" related routes, including Beijing-Riyadh, Beijing-Dhaka, Chengdu-Milan, Urumqi-Moscow, Urumqi-Tbilisi, Shanghai-Hanoi, and Beijing-Xi'an-Minsk. On the domestic front, serving for the national strategy of expanding domestic demand, Air China efficiently coordinated its production organization and continued to expand its effective capacity deployment in the domestic market. In 2024, its domestic available seat kilometers (ASK) grew by 49% compared to 2019.

High quality customer base

In line with the Company's strategy for hub network, the Group is positioned in the mid-to-high-end business mainstream traveler market and currently has the most valuable traveler base in China. As at the end of the Reporting Period, the number of "Phoenix Miles" members has exceeded 94.172 million, revenue contributed by frequent fliers accounted for 53% of the Company's air passenger revenue, and the total number of users of Air China APP have reached 27.58 million. As at the end of the Reporting Period, the total number of corporate customers amounted to 7,078.

MAJOR SUBSIDIARIES AND ASSOCIATES AND THEIR OPERATING RESULTS



Note: As at the end of the Reporting Period, CNACG is a wholly-owned subsidiary of CNAHC. Accordingly, CNAHC is directly and indirectly interested in 53.71% of the shares of the Company.

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

	Shenzhen Airlines	Shandong Aviation Group Corporation	Beijing Airlines	Dalian Airlines	Air China Inner Mongolia	Air Macau	Ameco	CNAF	Cathay Pacific
Year of establishment	1992	1995	2011	2011	2013	1994	1989	1994	1946
Place of domicile	Shenzhen	Shandong	Beijing	Dalian	Inner Mongolia	Macau	Beijing	Beijing	Hong Kong
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	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
Registered capital	RMB5,360,000,000	RMB10,454,489,846.24	RMB1,000,000,000	RMB3,000,000,000	RMB1,000,000,000	MOP842,042,000	USD300,052,800	RMB1,127,961,864	6,439,409,250 shares in issue
Percentage of shareholding by the Company	51%	66%	51%	80%	80%	66.92%	75%	51%	29.98%
Revenue (RMB100 million)	330.70 (on a consolidated basis)	204.46 (on a consolidated basis)	4.62	19.70	17.68	31.13	131.01	1.49	956.17 (on a consolidated basis)
Year-on-year changes (%)	10.28	30.44	7.69	4.95	6.06	15.85	18.82	(32.27)	12.47
Total assets (RMB100 million)	691.92	334.86	8.28	33.10	23.92	55.57	74.77	239.16	1,585.79
Profit/(loss) attributable to parent company (RMB100 million)	(28.13)	(5.06)	(1.29)	(3.49)	(0.40)	(5.95)	4.01	0.54	88.01
Profit/(loss) attributable to parent company in the corresponding period of last year (RMB100 million)	(17.22)	6.02	(0.81)	(0.06)	0.00	(1.75)	2.35	0.47	81.58

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	Shandong Airlines	Beijing Airlines*	Dalian Airlines	Air China Inner Mongolia	Air Macau	Cathay Pacific
Fleet size (unit)	235 (on a consolidated basis)	137	7	13	11	23	236 (on a consolidated basis)
Average age (year)	9.97	10.78	11.78	11.24	11.04	8.54	11.1
ASK (100 million)	769.17	476.74	8.81	42.62	35.27	74.53	1,117.89
Year-on-year changes (%)	12.68	33.77	14.32	3.00	0.33	53.23	30.6
RPK (100 million)	638.46	400.95	5.99	33.29	27.22	55.59	930.16
Year-on-year changes (%)	22.93	41.51	23.35	9.67	7.01	59.50	26.8
Passengers carried (10 thousand)	3,999.36	2,732.51	49.30	238.48	205.82	321.14	2,282.7
Year-on-year changes (%)	20.41	41.79	35.22	14.48	8.41	56.41	26.9
Average passenger load factor (%)	83.01	84.10	67.97	78.12	77.18	74.59	83.2
Year-on-year changes (ppt)	6.92	4.60	4.97	4.75	4.82	2.93	(2.5)

* Note: As at the end of the Reporting Period, Beijing Airlines operated a fleet of three entrusted business jets and one self-owned business jet with an average age of 9.30 years. During the Reporting Period, in terms of business charter service, Beijing Airlines completed 221 flights, representing a year-on-year decrease of 28.94%; it completed 767.32 flying hours, representing a year-on-year decrease of 29.78%; it carried a total of 2,004 passengers, representing a year-on-year decrease of 14.51%.

OVERVIEW OF CHINA'S AIR TRANSPORT INDUSTRY

In 2024, the civil aviation industry's transportation turnover reached a total of 148.52 billion tonne kilometres, 730 million passengers carried and 8.982 million tonnes of cargo and mail carried throughout the year, representing a year-on-year growth of 25%, 17.9% and 22.1% respectively, and a growth of 14.8%, 10.6% and 19.3% compared to 2019, respectively. International passenger flights increased to 6,400 flights/week, recovering to 84% of the pre-pandemic level, while international cargo and mail traffic increased by 29.3% year-on-year. With the addition of 19 new destinations in the "Belt and Road" member countries, passenger carried from China to Central Asia, Western Asia and Europe exceeded the 2019 level, with growth of 152.4%, 49.5% and 25.7%, respectively.

According to CAAC forecast, the civil aviation industry is expected to achieve a transportation turnover of 161 billion tonne kilometers, a passenger transport volume of 780 million and a cargo and mail transport volume of 9.5 million tonnes in 2025. Efforts will be made to accelerate the recovery of international flights, with the goal of restoring the number of international flights to more than 90% of the pre-pandemic level.

OPERATIONAL PLAN

The Company has identified the following key priorities for 2025: (1) to firmly establish the concept of safe development and shoulder the political responsibility for safety operations; (2) to accelerate the improvement of the quality and efficiency of core business operations, continuously enhancing profitability; (3) to continuously strengthen strategic support capabilities, uphold fundamental principles while breaking new ground, and comprehensively deepen reforms; (4) to fully enhance the passenger service experience, striving to build brand value advantage; (5) to comprehensively strengthen the Party's leadership and Party building, persistently enforce discipline, and combat corruption.

OUTLOOK

Industry Landscape and Trends

1. *China's Civil Aviation Serving National Development Strategies*

The civil aviation industry, as a strategic sector, consistently aligns with and serves the nation's overarching development goals. The industry is accelerating the construction of aviation hubs while enhancing air transport capabilities to drive coordinated regional economic growth. Through expanding global aviation networks, it has actively established and increased flight frequencies to countries along the Belt and Road routes, facilitating enhanced connectivity and economic cooperation. The aviation sector plays a pivotal role in technological innovation, contributing to breakthroughs in indigenous technologies such as China's domestically-developed large aircraft and advancing research and innovation in aircraft maintenance and other industry-wide technological developments. This promotes deeper integration between scientific innovation and industrial applications. To meet evolving consumer demands, the industry continues to innovate its service offerings and elevate service quality standards, thereby improving the overall travel experience for passengers. Furthermore, it is actively developing a modern integrated transportation system by steadily promoting multimodal transport solutions and expanding the aviation market's service coverage.

2. *China's Civil Aviation Passenger Transport Will Return to Natural Growth*

The fundamental trend of China's economy stabilizing and improving in the long term remains unchanged, and China's development is still in a period of strategic opportunity. Relying on the super-sized domestic demand market formed by a population of 1.4 billion, efforts will be made to build a new development pattern with domestic circulation as the mainstay and domestic and international circulations reinforcing each other. The market potential is enormous, and the prospects for civil aviation demand are optimistic. In 2025, China's civil aviation will adhere to coordinating both domestic and international markets, while expanding transport scale, further enhancing the industry's profitability level.

3. *Competitive Landscape of China's Aviation Market*

China's aviation market is expected to experience steady growth and continuous transformation. On the demand side, with the national economy recovering and improving, the industry's development foundation will become more solid, the domestic passenger market will grow steadily, the international passenger market will recover at a faster pace, and Chinese airlines will play a more important role in the global aviation market. On the policy side, the continuous implementation of various development policies will effectively stimulate domestic demand potential, especially in boosting household consumption, which will provide demand momentum for the subsequent development of civil aviation. On the industry side, the CAAC is advancing a series of reform measures to strengthen the foundation for industry development, enhance the international competitiveness of aviation hubs, and guide domestic airlines to adopt differentiated operations, thereby reducing homogeneous competition in the civil aviation market.

Company Development Strategy

During the 14th Five-Year Plan period, the Group will adhere to the development goal of "accelerating the development into a world-class aviation transportation group with global competitiveness". The Company will focus on four strategic directions: hub network, balanced passenger-cargo development, cost leadership, and brand strategy. Efforts will be concentrated on key areas such as enhancing safety management, optimising market layout, adjusting resource structure, upgrading products and services, driving digital innovation, and promoting green and low-carbon development to advance its operations.

Safety Management Reaches New Heights. The safety management system, flight training system, aircraft maintenance system, and operational management system will be further improved. The safety control mechanism will be more robust, safety management efficiency will continue to rise, and responsibility implementation will be more clearly defined. During the 14th Five-Year Plan period, the Group will maintain a high level of safe operations.

Market Layout Optimization Gathers New Advantages. Adhering to serving national strategies and major policy decisions, the Group will optimise its base market layout under the new development paradigm of dual domestic and international circulation, highlighting strengths and key areas to gather new competitive advantages. The core network structure of the four-corner diamond and four-pole clusters will be further refined, and the network synergy within Air China family carriers will continue to deepen.

Resource Structure Adjustment Presents a New Outlook. Core resources will be better aligned with market characteristics, establishing long-term advantages in fleet development. The efficiency of flight and human resource allocation will be optimised, and the alignment of maintenance and investment layouts with core business development will be continuously strengthened.

Product and Service Upgrades Reach New Levels. The quality of products and services will be significantly improved, with service features becoming more prominent. An efficient and integrated standard system will be established, ensuring smoother full-process service support and more efficient collaboration across business segments.

Digital Innovation Development Enters a New Stage. Scientific and technological innovation management system will be improved, with innovation gradually becoming a core pillar of the Group's development. The effectiveness of innovation-driven development will be more pronounced, breakthroughs in digital transformation will be achieved, and key progress will be made in digital platform construction.

Green and Low-Carbon Development Demonstrates New Achievements. The energy conservation and environmental protection management system will operate more efficiently. Pollution and carbon reduction measures will be more effective, pollution prevention achievements will be more significant, carbon emissions and carbon asset management will become more professional, and participation in social welfare activities will be more extensive.

Management's Discussion and Analysis of Financial Position and Operating Results

The following discussion and analysis are based on the Group's consolidated financial statements and the notes thereto prepared in accordance with the IFRS Accounting Standards 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 RMB166,699 million, representing an increase of RMB25,599 million or 18.14% as compared with last year. Among which, air traffic revenue was RMB159,203 million, representing an increase of RMB24,521 million or 18.21% as compared with last year; other operating revenue was RMB7,496 million, representing a year-on-year increase of RMB1,077 million or 16.79%.

REVENUE CONTRIBUTED BY GEOGRAPHICAL SEGMENTS

	2024		2023		
(in RMB'000)	Amount	Percentage	Amount	Percentage	Change
Mainland China	118,491,369	71.08%	112,765,304	79.92%	5.08%
International	43,088,622	25.85%	24,207,933	17.16%	77.99%
Hong Kong SAR, Macau SAR and Taiwan, China	5,118,889	3.07%	4,126,997	2.92%	24.03%
Total	166,698,880	100.00%	141,100,234	100.00%	18.14%

AIR PASSENGER REVENUE

During the Reporting Period, the Group recorded an air passenger revenue of RMB151,789 million, representing an increase of RMB21,272 million over the previous year. Among the air passenger revenue, the increase of capacity contributed an increase of RMB28,373 million in the revenue, and the increase of passenger load factor led to an increase of RMB14,392 million in the revenue, while the decrease of passenger yield resulted in a decrease in revenue of RMB21,493 million. The Group's capacity, passenger load factor and yield per RPK in 2024 are as follows:

	2024	2023	Change
ASK (million)	356,103.62	292,513.16	21.74%
Passenger load factor	79.85%	73.22%	6.63 ppt
Yield per RPK (RMB)	0.5338	0.6094	(12.41%)

AIR PASSENGER REVENUE CONTRIBUTED BY GEOGRAPHICAL SEGMENTS

	2024		2023		
(in RMB'000)	Amount	Percentage	Amount	Percentage	Change
Mainland China	109,504,532	72.14%	105,155,385	80.57%	4.14%
International	37,385,320	24.63%	21,408,328	16.40%	74.63%
Hong Kong SAR, Macau SAR and Taiwan, China	4,898,820	3.23%	3,952,845	3.03%	23.93%
Total	151,788,672	100.00%	130,516,558	100.00%	16.30%

AIR CARGO AND MAIL REVENUE

During the Reporting Period, the Group's air cargo and mail revenue was RMB7,414 million, representing an increase of RMB3,249 million as compared with last year. Among them, the increase of capacity contributed an increase of RMB1,287 million in the revenue, while the increase of cargo and mail load factor resulted in an increase in revenue of RMB1,085 million, and the increase of yield of cargo and mail resulted in an increase of RMB877 million in the revenue. The capacity, cargo and mail load factor and yield per RFTK in 2024 are as follows:

	2024	2023	Change
Available freight tonne kilometres (million)	12,629.76	9,648.19	30.90%
Cargo and mail load factor	37.47%	31.26%	6.21 ppt
Yield per RFTK (RMB)	1.5665	1.3811	13.42%

AIR CARGO AND MAIL REVENUE CONTRIBUTED BY GEOGRAPHICAL SEGMENTS

	2024		2023		
(in RMB'000)	Amount	Percentage	Amount	Percentage	Change
Mainland China	1,490,484	20.10%	1,190,986	28.60%	25.15%
International	5,703,302	76.93%	2,799,606	67.22%	103.72%
Hong Kong SAR, Macau SAR and Taiwan, China	220,069	2.97%	174,151	4.18%	26.37%
Total	7,413,855	100.00%	4,164,743	100.00%	78.01%

OPERATING EXPENSES

During the Reporting Period, the Group's operating expenses were RMB171,801 million, representing an increase of 17.98% from RMB145,612 million of last year. The breakdown of the operating expenses is set out below:

	2024		2023		
(in RMB'000)	Amount	Percentage	Amount	Percentage	Change
Jet fuel costs	53,720,436	31.27%	46,725,219	32.09%	14.97%
Take-off, landing and depot charges	20,915,459	12.18%	15,554,795	10.68%	34.46%
Depreciation and amortisation	29,102,968	16.94%	27,110,507	18.62%	7.35%
Aircraft maintenance, repair and overhaul costs	12,848,288	7.48%	9,921,853	6.81%	29.49%
Employee compensation costs	34,268,745	19.95%	29,300,310	20.12%	16.96%
Air catering charges	4,165,874	2.42%	3,002,720	2.06%	38.74%
Selling and marketing expenses	4,695,760	2.73%	3,423,478	2.35%	37.16%
General and administrative expenses	1,872,201	1.09%	1,683,284	1.16%	11.22%
Others	10,210,858	5.94%	8,890,301	6.11%	14.85%
Total	171,800,589	100.00%	145,612,467	100.00%	17.98%

- Jet fuel costs increased by RMB6,995 million on a year-on-year basis, mainly due to the combined effect of the increase in the consumption of jet fuel and decrease in the prices of jet fuel.

- Take-off, landing and depot charges increased by RMB5,361 million on a year-on-year basis, mainly due to the year-on-year increase in the number of take-offs and landings.

- Depreciation and amortisation expenses increased by RMB1,992 million on a year-on-year basis, mainly due to the expansion of fleet as well as the year-on-year increase in flying hours.

- Aircraft maintenance, repair and overhaul costs increased by RMB2,926 million on a year-on-year basis, mainly due to the year-on-year increase in flying hours.

- Employee compensation costs increased by RMB4,968 million on a year-on-year basis, mainly due to the inclusion of Shandong Aviation Group Corporation in the consolidated financial statements since 21 March 2023 and the year-on-year increase in flight hour fees.

- Air catering charges increased by RMB1,163 million on a year-on-year basis, mainly due to the increase in the number of passengers.

- Selling and marketing expenses increased by RMB1,272 million on a year-on-year basis, mainly due to the increase in handling fees for agency services and booking fees resulting from the increase in the sales volumes and the number of passengers.

- General and administrative expenses increased by RMB189 million on a year-on-year basis, mainly due to the effect of the inclusion of Shandong Aviation Group Corporation in the consolidated financial statements since 21 March 2023.

- Other operating expenses mainly included aircraft and engine operating lease expenses, civil aviation development fund and non-above-mentioned ordinary expenses arising from the core air traffic business, which increased by RMB1,321 million on a year-on-year basis, mainly due to the inclusion of Shandong Aviation Group Corporation in the consolidated financial statements since 21 March 2023 and the increase in the investment in production and operation.

FINANCE INCOME, FINANCE COSTS AND NET EXCHANGE LOSSES

During the Reporting Period, the Group recorded a finance income of RMB521 million, representing a year-on-year decrease of RMB84 million or 13.83%; and incurred finance costs (excluding the capitalised portion) of RMB6,399 million, representing a year-on-year decrease of RMB544 million or 7.84%. During the Reporting Period, the Group recorded net exchange losses of RMB760 million, which was decreased by RMB276 million on a year-on-year basis.

SHARE OF RESULTS OF ASSOCIATES AND JOINT VENTURES

During the Reporting Period, the net gain from the Group's share of results of its associates and joint ventures was RMB2,820 million, representing a decrease of RMB14 million from the previous year. Among which, during the Reporting Period, the Group recognised a gain on investment of Cathay Pacific of RMB2,499 million, representing a year-on-year increase of RMB67 million.

MATERIAL ACQUISITIONS AND DISPOSALS

The Company did not make any material acquisitions and disposals of subsidiaries, associates or joint ventures during the Reporting Period.

ASSETS STRUCTURE ANALYSIS

As at the end of the Reporting Period, the total assets of the Group was RMB345,750 million, representing an increase of 3.12% from that of 31 December 2023, among which current assets accounted for RMB40,687 million or 11.77% of the total assets, while non-current assets accounted for RMB305,063 million or 88.23% of the total assets.

Among the current assets, cash and cash equivalents were RMB21,039 million, accounting for 51.71% of the current assets and representing an increase of 40.11% from that as at 31 December 2023, which was mainly attributable to the non-public issuance of shares by the Company, and the flexible adjustment of its funds according to its capital arrangements.

Among the non-current assets, the aggregated book value of property, plant and equipment and right-of-use assets as at the end of the Reporting Period amounted to RMB241,013 million, accounting for 79.00% of the non-current assets and representing an increase of 0.97% from that as at 31 December 2023.

ASSET MORTGAGE/PLEDGE

As of 31 December 2024, the Group, pursuant to certain bank loans and finance leasing agreements, had secured aircraft and buildings with an aggregated book value of approximately RMB86,462 million (RMB84,599 million as at 31 December 2023) and land use rights with book value of approximately RMB23 million (RMB24 million as at 31 December 2023). Meanwhile, the Group had monetary capital with restricted ownership of approximately RMB1,428 million (approximately RMB612 million as at 31 December 2023), which were mainly statutory reserves deposited in the People's Bank of China, pledged bank deposits, security deposits and time deposits with a maturity of more than three months.

CAPITAL EXPENDITURE

In 2024, the Group's capital expenditure totalled RMB16,788 million, of which the total investment in aircraft was RMB13,403 million, mainly including procurement of aircraft and engines, aircraft modifications, flight simulators, etc. The cash component for the long-term investments amounted to RMB509 million, mainly including the Tianma Project and the capital increase in Sichuan Airlines. Other capital expenditure investment amounted to RMB2,876 million, mainly including infrastructure construction, IT system construction, ground equipment procurement, etc.

EQUITY INVESTMENT

As at the end of the Reporting Period, the Group's equity investment in its associates amounted to RMB14,633 million, representing an increase of 13.76% from that of 31 December 2023, mainly due to the effect of recognising the share of gains of associates and other comprehensive income during the year. Among this, the balance of the equity investment of the Group in Cathay Pacific amounted to RMB14,311 million.

As at the end of the Reporting Period, the Group's equity investment in its joint ventures was RMB2,424 million, representing an increase of 0.42% from that as at 31 December 2023, mainly due to new investments and recognising the share of gains of joint ventures during the Reporting Period.

DEBT STRUCTURE ANALYSIS

At the end of the Reporting Period, the Group's total liabilities were RMB304,824 million, representing an increase of 1.60% from that as at 31 December 2023. Among them, current liabilities amounted to RMB137,610 million, accounting for 45.14% of the total liabilities; and non-current liabilities amounted to RMB167,214 million, accounting for 54.86% of the total liabilities.

Among the current liabilities, interest-bearing debts (including interest-bearing borrowings and lease liabilities) amounted to RMB92,010 million, representing an increase of 40.59% from that as at 31 December 2023. Among the non-current liabilities, interest-bearing debts (including interest-bearing borrowings and lease liabilities) amounted to RMB143,971 million, representing a decrease of 14.72% from that as at 31 December 2023.

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

	31 December 2024		31 December 2023		
(in RMB'000)	**Amount**	**Percentage**	Amount	Percentage	**Change**
RMB	**205,662,318**	**87.15%**	197,161,354	84.16%	**4.31%**
US dollars	**29,874,295**	**12.66%**	36,018,880	15.38%	**(17.06%)**
Others	**443,893**	**0.19%**	1,080,481	0.46%	**(58.92%)**
Total	**235,980,506**	**100.00%**	234,260,715	100.00%	**0.73%**

Details of the interest-bearing borrowings at fixed rates and floating rates of the Group (including the range of interest rates) are set out in note 35 to the financial statements of this annual report.

As at 31 December 2024, the Group did not use financial instruments for hedging purposes.

COMMITMENTS AND CONTINGENT LIABILITIES

The Group's capital commitments, which mainly consisted of the expenditure in the next few years for purchasing certain number of aircraft and related equipment, increased by 32.04% from RMB72,079 million as at 31 December 2023 to RMB95,175 million as at 31 December 2024. The Group's investment commitments mainly represented the investment agreements entered into, amounted to RMB313 million as at 31 December 2024, as compared to RMB457 million as at 31 December 2023. The Company plans to finance the above payments by internal and external resources.

Details of the contingent liabilities of the Group are set out in note 41 to the financial statements of this annual report.

GEARING RATIO

As at the end of the Reporting Period, the Group's gearing ratio (total liabilities divided by total assets) was 88.16%, representing a decrease of 1.32 percentage points from that of 31 December 2023.

WORKING CAPITAL AND ITS SOURCES

At the end of the Reporting Period, the Group's net current liabilities (current liabilities minus current assets) were RMB96,923 million, representing an increase of RMB18,940 million from that as at 31 December 2023. Based on the structure of current assets and current liabilities, the Group's current ratio (current assets divided by current liabilities) was 0.30, representing an increase of 0.01 as compared to that as at 31 December 2023.

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 inflow from operating activities was RMB27,984 million, representing an increase of RMB80 million from that in 2023. Net cash outflow from investing activities was RMB17,863 million, representing an increase of net outflow of RMB2,617 million, or 17.16% from that of 2023, mainly due to the consolidation of Shandong Aviation Group Corporation into the Group for the corresponding period of the previous year with the recognition of net cash received from the acquisition of a subsidiary of RMB5,392 million. Net cash outflow arising from financing activities amounted to RMB3,996 million, representing a decrease of RMB4,337 million from that of 2023, mainly due to the fact that the financing scale has been increased in order to ensure security for liquidity.

The Company has obtained bank facilities of RMB232,246 million in aggregate granted by several banks in China, among which approximately RMB88,140 million has been utilised and approximately RMB144,106 million remained unutilised. The remaining amount is sufficient to meet the Group's demands on working capital and future capital commitments.

Details of the financial risk management objectives and policies of the Group are set out in note 43 to the financial statements of this annual report.

RISK FACTORS

Risks of External Environment

Market Fluctuation

As China's economy maintained steady growth with progress and major economic indicators rebounded, both consumer demand and residents' income increased steadily. In terms of the overall recovery of flights, the domestic market has shown better performance than the international market. During the Reporting Period, the progress of recovery in the international market was still lagging behind under the influence of a number of factors. Based on the characteristics of the new development stage, the Group will fully, precisely and comprehensively implement the new development philosophy, coordinate development and safety, and take the initiative to contribute to and integrate with the new development paradigm. Seizing the development opportunities in the industry, the Group will further develop its domestic route network and expand the market of international routes, in a bid to proactively adapt to the rapidly changing market environment.

Oil Price Fluctuation

Jet fuel is one of the main operating costs of the Group. The performance of the Group is affected to a certain extent by fluctuations in jet fuel prices. 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 RMB2.686 billion. The imposition of fuel surcharges has relieved the Company's jet fuel cost pressure to a certain extent.

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 31 December 2024 by RMB178 million. As of 31 December 2024, the Group had no foreign exchange hedging instruments.

For further details of foreign currency risks and response measures, please refer to note 43 to the financial statements of this annual report.

Risks of Competition

Industry competition

During the Reporting Period, as there was no significant reduction in the number of operating entities in the market, the Company still faced relatively huge industry competition pressure. In respect of the domestic market, as the international market has not yet fully recovered, some wide-body aircraft were used in the domestic market, and the imbalance between supply and demand in the domestic market still existed. In respect of the international market, the new routes of domestic airlines were mainly concentrated in destinations such as Central Asia, Western Asia and Europe, resulting in intensified competition in certain regions within a short period of time. Adhering to its strategy for hub network, the Company will spare no efforts in building international aviation hubs in Beijing and Chengdu, realising differentiated development from other market competitors. Main routes and express routes will be launched centering on hubs as well as principal bases and markets with a view to strengthening core market competitiveness with high-quality products, services and travel experience.

Alternative competition

With the increasing station density of high-speed railway network in China, the existing passengers flow of short- and medium-haul flights were gradually diverted to high-speed railway, which posed challenges to the civil aviation industry. At the same time, the mass transportation network of high-speed railway also provided punctual and fast transportation services to more passengers from different regions for medium- and long-haul routes of civil aviation, while more and more passengers chose the air-rail interlink transportation mode. Looking forward, leveraging the enhanced cooperation and competition between civil aviation and high-speed railway with complementary advantages, the integrated development of the air-rail interlink operation will accelerate the construction of a modern comprehensive transportation system.

Corporate Governance Report

MEMBERS OF THE SEVENTH SESSION OF THE BOARD


Mr. Ma Chongxian


Mr. Wang Mingyuan


Mr. Cui Xiaofeng


Mr. Patrick Healy


Mr. Xiao Peng


Mr. Xu Niansha


Mr. He Yun


Ms. Winnie Tam Wan-chi


Mr. Gao Chunlei

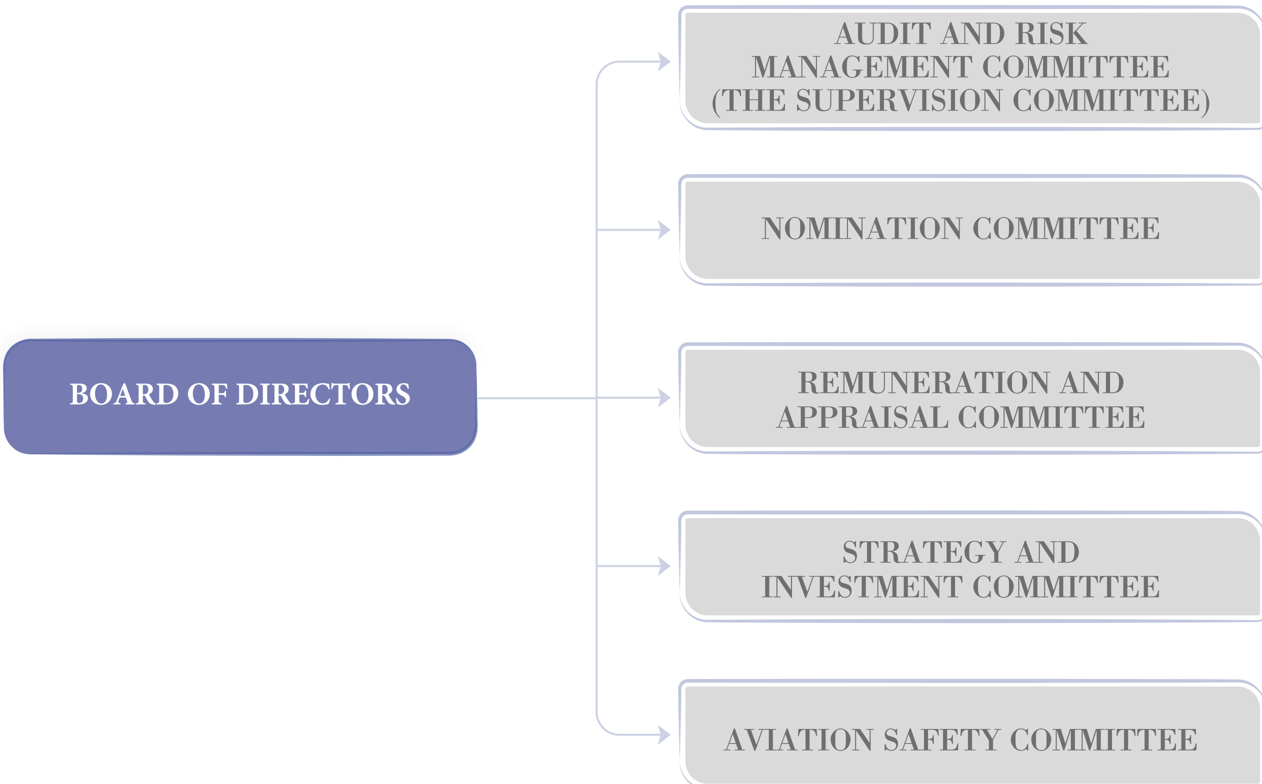
With the goal of becoming "the world's leading airline", the Company remains committed to the mission of "put safety first, serve passengers with credibility, convenience, comfort and choice, maintain stable development, help employees achieve success and fulfill corporate responsibilities", advocates the values of "people-oriented, accountable, excelling efforts and enjoyable flights" and positions the brand as "professional and reliable with both international quality and Chinese temperament".

The Company has been committed to maintaining and enhancing the level of its corporate governance so as to ensure greater accountability and transparency of the Group and deliver long-term return to its shareholders. The Company has complied with the code provisions as set out in the Corporate Governance Code in Appendix C1 to the Listing Rules (the "**Code**") during the Reporting Period. The Company has established a Corporate Governance System in accordance with the requirements of the corporate governance policy stipulated in the Code. The Company's corporate governance practices are summarised and discussed below.

BOARD OF DIRECTORS

Governance Structure

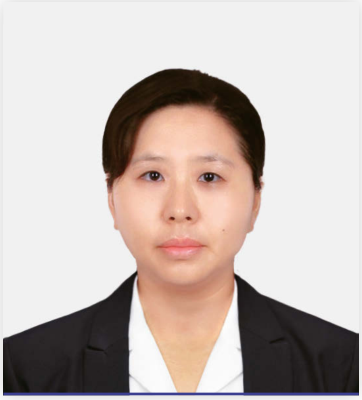
As at the end of the Reporting Period, the structure of the Board and each special committee is set out as follows:



As at the date of this annual report, the seventh session of the Board comprises nine Directors, out of whom four are independent non-executive Directors.

MEMBERS OF THE SIXTH SESSION OF THE SUPERVISORY COMMITTEE


Mr. Xiao Jian


Ms. Lyu Yanfang


Ms. Guo Lina


Mr. Wang Mingzhu


Mr. Li Shuxing

As at the end of the Reporting Period, the sixth session of the Board comprised eight Directors, out of whom three are independent non-executive Directors. All of the Directors of the sixth session of the Board have actively participated in the activities of the Company during the Reporting Period.

The attendance records of all the Directors of the sixth session of the Board present in person at general meetings, Board meetings and meetings of each special committee during the Reporting Period are as follows:

	Number of meetings attended in person/should be attended						
	General Meeting	Board Meeting	Audit and Risk Management Committee (the Supervision Committee) Meeting	Nomination Committee Meeting	Remuneration and Appraisal Committee Meeting	Strategy and Investment Committee Meeting	Aviation Safety Committee Meeting
Executive Directors							
Ma Chongxian	4/4	8/9	—	3/3	—	7/7	2/3
Wang Mingyuan	4/4	7/9	—	—	—	—	2/3
Non-executive Directors							
Feng Gang (Resigned on 15 July 2024)	2/2	5/5	—	—	—	—	—
Cui Xiaofeng (Appointed on 9 August 2024)	1/1	3/3	—	—	—	—	—
Patrick Healy	3/4	7/9	—	—	—	—	—
Employee Representative Director							
Xiao Peng	2/4	6/9	—	—	—	—	—
Independent Non-executive Directors							
Li Fushen (Resigned on 30 August 2024)	2/2	5/7	4/5	3/3	0/1	3/5	1/2
He Yun	4/4	8/9	6/7	3/3	3/3	—	—
Xu Junxin	4/4	9/9	—	—	3/3	6/7	—
Winnie Tam Wan-chi	2/4	8/9	6/7	—	—	—	—

Note: On 9 August 2024, the Company convened the second extraordinary general meeting of 2024 at which Mr. Cui Xiaofeng was elected as a non-executive Director of the Company.

During the Reporting Period, the number of Board meetings held, the convening procedures, record keeping, meeting protocols and related matters were in full compliance with the relevant code provisions of the Code. The attendance records demonstrate that all Directors have diligently discharged their duties and are committed to making contribution for the interests of the Company and its shareholders as a whole.

The Responsibilities of the Board

The Board is accountable to the general meeting and exercises the power according to the Articles of Association and the "Rules and the Procedures of the Board". Pursuant to the Articles of Association, the main responsibilities of the Board include: (1) to determine the Company's business policies and investment plans; (2) to formulate the Company's preliminary and final annual financial budgets; (3) to formulate the Company's profit distribution proposals and loss recovery proposals; (4) to determine the establishment of the Company's internal management bodies; and (5) to appoint or dismiss the President of the Company and the Secretary to the Board, as well as appraise them and determine their remuneration; and based on the nomination of the President, to appoint or dismiss the Vice President, the Chief Financial Officer, the Chief Pilot, the general counsel and other senior management personnel of the Company, as well as appraise them and determine their remuneration.

The Board shall be responsible for performing the following corporate governance duties: (1) to develop and review the Company's policies and practices on corporate governance, and provide recommendations in this regard; (2) to review and monitor the training and continuous professional development of the Directors and senior management; (3) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements; (4) to develop, review and monitor the code of conduct and compliance manual applicable to employees and Directors; and (5) to review the Company's compliance with the Corporate Governance Code and the disclosure in the Corporate Governance Report. During the Reporting Period, the Board actively performed the corporate governance duties. Please refer to the disclosure in this Corporate Governance Report for details of the implementation in this regard.

The Board has independent access to the senior management personnel for enquiries in relation to the Company's management. The Board has established special committees to provide support to the Board in its decision-making process. For details, please refer to the section headed "Special Committees of the Board" below.

Procedure of Board Meeting

Board meetings are held regularly throughout the year and the regular meetings generally include annual meeting, interim meeting and meetings for the first and third quarters. The Board formulates meeting plans on an annual basis, which mainly include matters such as the time and venue of the Board meeting as well as routine proposals such as review of financial reports, such plans will be informed to all Directors in the beginning of the year.

Board meetings shall be convened by the Chairman and a notice of 14 days shall be given to all Directors before each meeting. The Directors may attend in person or through other electronic means of communication. If an extraordinary Board meeting is proposed to be convened, the Chairman of the Board shall issue a notice of the extraordinary Board meeting within 10 days from the receipt of the proposal(s). The relevant documents of the meeting shall be given to all Directors, Supervisors and other persons attending the meeting at least three days in advance.

For the purpose of considering resolutions or matters during Board meetings, the Directors may arrange senior management, the persons-in-charge of the relevant departments of the Company and experts to attend the meetings as necessary to interpret, answer queries or provide advisory opinions on the resolutions involved. The General Counsel shall attend any Board meeting that involves legal affairs to be considered and provide legal advice.

The Secretary to the Board shall be responsible for the communications and liaison with all Directors from the time when the notice is served to the commencement of the meeting, and shall provide in a timely manner the necessary information to the Directors to facilitate their decision-making on matters set out in the agenda. All Directors shall have access to the Secretary to the Board. Under the leadership of the Board and the Chairman, the Secretary to the Board shall take the initiative to keep himself or herself abreast of the implementation progress of the Board resolutions, and report to and advise the Board and the Chairman in a timely manner on major issues arising in the course of implementation. Minutes of Board meetings shall be kept by the Secretary to the Board and made available for inspection by any Director at any time.

Election of Directors

Directors other than employee representative director(s) are elected at the shareholders' general meeting of the Company, while employee representative director(s) is/are elected or dismissed by the employee representative meeting of the Company. Directors are appointed for a term of three years and are eligible for re-election and re-appointment upon expiry of their terms of office.

Chairman and President

The Chairman shall be elected and dismissed by a simple majority of the Directors. The term of office of the Chairman shall be three years, and the Chairman is eligible for re-election and re-appointment upon expiry of the term. The Chairman is responsible for leading the Board and ensuring the Board's efficient operation and that all major and relevant issues are discussed by the Board in a prompt and constructive manner.

The Company has a President who shall be appointed or dismissed by the Board. The President is authorized to oversee the Group's business, implement various strategies and be responsible for the Company's daily operation to attain overall commercial goals.

During the Reporting Period and as at the date of this annual report, the Chairman and President of the Company are held by different persons. Details are set out in the section headed "Changes in Shareholdings and Remuneration of the Existing and Resigned Directors, Supervisors and Senior Management during the Reporting Period" of this report.

Mechanism for the Board to Obtain Independent Opinions

The Company understands independent opinions for the Board is critical to good corporate governance and effective operation. The Board has established a mechanism to ensure the Board can obtain independent opinions when necessary so as to enhance the objectivity and effectiveness of decision making. Moreover, the Board reviews the implementation and effectiveness of the following mechanisms annually:

1. The composition of the Board shall comply with the requirements of the Listing Rules that the Board must comprise at least three independent non-executive Directors and the so appointed independent non-executive Directors must account for at least one-third of the Board;

2. Independent non-executive Directors must receive appraisals on independence, qualifications and ability when appointed, and regular assessments on the aforementioned matters shall be conducted after appointment. Each independent non-executive Director must promptly notify the Company regarding any changes in circumstances that may affect their independence;

3. The Board receives the performance report by independent non-executive Directors, and evaluates the time spent by independent non-executive Directors on the affairs of the Company and their independent opinions expressed during the year;

4. All Directors shall have the right to request further information from the management on the matters under discussion at the Board meetings. In order to facilitate their professional development, the Directors may seek the assistance from the Company Secretary and external independent professional advice when necessary while the relevant expenses shall be borne by the Company;

5. Directors (including independent non-executive Directors) having material interest in any contract, transaction or arrangement shall abstain from voting and shall not be counted in a quorum for any Board meetings approving such matters; and

6. Chairman shall hold meetings at least annually with independent non-executive Directors without the presence of other Directors.

Board Diversity Policy

The Directors have extensive expertise and experience in the fields of aviation, finance, law and financial management and provide substantial support for the scientific and effective decision-making of the Board. The "Board Diversity Policy" was adopted by the Board, which sets out the approach of the Company towards achieving diversity of the Board.

- The Company takes into consideration a number of factors, including but not limited to professional experience and qualifications, cultural and educational background, skills, industry knowledge and reputation, knowledge of the laws and regulations applicable to the Company, gender, age, language skills and length of service, with a view to achieving construction of the diversified and inclusive Board. Members of the Board shall not be of a single gender. The Nomination Committee shall take into overall consideration of the abovementioned factors and actual situations such as business operation, development and strategy of the Company in reviewing the structure and composition of the Board and making recommendations to the Board on the appointment, re-appointment and succession of Directors.

- The above factors should be balanced as appropriate in determining the optimal composition of the Board. For the appointment of Directors, the above factors shall be considered on a case-by-case basis in light of the actual circumstances of the Company and its business operations, development and strategies. Appointment of the members of the Board should be made based on merits and the contributions that the individual is expected to bring to the Board with due regard for the benefits of diversity in the Board. The Board is structured to include more outside Directors than inside Directors, and the members of the Board include one full-time deputy secretary of the Party Committee as Non-executive Director, one shareholder representative Director, one employee representative Director and four independent Directors. Among the four independent Directors, at least one shall possess extensive experience in accounting or relevant financial management areas or hold the appropriate professional qualifications, and other Directors shall possess extensive experience in the aviation, legal and management areas to facilitate scientific decision-making of the Board. At least one female director shall be appointed to the Board of the Company. On 25 February 2022, the Company appointed Ms. Winnie Tam Wan-chi as an Independent Non-executive Director of the Company. In terms of Board succession, the Company will continue to focus on gender diversity in recruitment to reserve potential Board successors for the future.

- The Nomination Committee shall monitor the implementation of the Board Diversity Policy on an ongoing basis, and review this policy as appropriate.

Directors' Training and Continuous Professional Development

The management of the Company provides Directors with appropriate and sufficient information in a timely manner so as to update them with the latest developments of the Company and facilitate their discharge of duties.

Newly appointed Directors shall be given introduction in relation to the Company to ensure that they have a sufficient understanding of the management, business and governance practices of the Company. The Company also encourages its Directors to participate in seminars and courses conducted by recognized institutions so as to ensure that they constantly improve their skills and are aware of the latest developments or changes in laws and regulations, the Listing Rules and the Code with which they are required to comply in discharging their duties.

The Directors confirmed that they have complied with code provision C.1.4 of the Code in relation to the training of Directors. All Directors have participated in continuing professional development by attending trainings and courses or reading relevant materials to broaden their knowledge base and sharpen their skills, and have provided their training records to the Company.

Training for Directors during the Reporting Period	Category [Notes]
Executive Directors	a, b
Ma Chongxian (Chairman)	a, b
Wang Mingyuan (President)	a, b
Non-executive Directors	
Feng Gang (Ceased to act on 15 July 2024)	b
Cui Xiaofeng (Appointed on 9 August 2024)	a, b
Patrick Healy	a, b
Employee Representative Director	
Xiao Peng	a, b
Independent Non-executive Directors	
Li Fushen (Resigned on 30 August 2024)	b
He Yun	a, b
Xu Junxin (Ceased to act on 25 February 2025)	a, b
Winnie Tam Wan-chi	a, b

Notes:

a. Trainings on the responsibilities of the Directors provided by the Company's legal advisers and the information about the latest laws and regulations and regulatory developments in the domestic and foreign capital markets prepared by the Company on a regular basis, for the Directors to study by themselves.

b. Special trainings provided by the regulatory authorities.

On 9 August 2024, Mr. Cui Xiaofeng was appointed as a non-executive Director of the Company and he has obtained the legal advice required under Rule 3.09D of the Listing Rules on 6 August 2024. He has confirmed that he understands his obligations as a director of a listed issuer under the Listing Rules.

Biographical Details and Other Information of Directors

The list of Directors and their respective roles on the Board and special committees under the Board are set out in this annual report and published on the websites of the Company and Hong Kong Stock Exchange. For biographical details of the Directors, please refer to the section headed "Profile of Directors, Supervisors and Senior Management" of this annual report.

On 5 September 2005, the Company formulated and adopted the Model Code for Securities Transactions, which was subsequently amended on 19 March 2007 and 4 December 2009, respectively, on terms no less exacting than the required standards of the Model Code. The Model Code for Securities Transactions of the Company also applies to the Supervisors and the relevant employees. After making specific enquiries, the Company confirmed that each Director and each Supervisor have complied with the required standards of the Model Code set out in Appendix C3 to the Listing Rules and the Company's code of conduct throughout the Reporting Period.

The three independent non-executive Directors of the sixth session of the Board of the Company as at the end of the Reporting Period, namely, Mr. He Yun, Mr. Xu Junxin and Ms. Winnie Tam Wan-chi, have confirmed their independence with the Hong Kong Stock Exchange when they were elected. The Company had already received from those independent non-executive Directors the annual statements concerning their independence in which their independence were re-confirmed. The Company considers all independent non-executive Directors as independent within the meaning of Rule 3.13 of the Listing Rules. The four independent non-executive Directors of the seventh session of the Board of the Company, namely, Mr. Xu Niansha, Mr. He Yun, Ms. Winnie Tam Wan-chi and Mr. Gao Chunlei, have confirmed their independence when they were elected, and the Company considers these independent non-executive Directors to be independent.

Besides the working relationships in the Company, there are no financial, business, family relationship or other material relationships among the Directors, Supervisors and senior management.

The Company has purchased liability insurance for the Directors, Supervisors and senior management.

SPECIAL COMMITTEES OF THE BOARD

Audit and Risk Management Committee (the Supervision Committee)

As at the end of the Reporting Period, the Audit and Risk Management Committee (the Supervision Committee) of the sixth session of the Board comprised Mr. He Yun and Ms. Winnie Tam Wan-chi, all being independent non-executive Directors.

As at the date of this annual report, the Audit and Risk Management Committee (the Supervision Committee) of the seventh session of the Board comprised Mr. Gao Chunlei, Mr. Xu Niansha, Mr. He Yun and Ms. Winnie Tam Wan-chi, all being independent non-executive Directors, with Mr. Gao Chunlei serving as the chairman of the committee.

The primary duties of the Audit and Risk Management Committee (the Supervision Committee) include: (1) to make recommendations to the Board on the appointment, re-appointment and removal of the external auditor, approve the remuneration and terms of engagement of the external auditor pursuant to the relevant authorizations and deal with any issues of its resignation or dismissal; (2) to supervise and assess the internal audit work of the Company; (3) to monitor the Company's financial information and disclosures, review the truthfulness, accuracy and integrity of the Company's financial statements, annual reports and accounts, interim reports, quarterly reports, and the key opinions relating to financial reporting in any of the above; (4) to discuss the establishment of the Company's risk management system and internal control system with the management of the Company to ensure that the management has performed its duty to establish an effective control system; (5) to consider major investigation findings on risk management and internal control matters and the management's responses to the above, as delegated by the Board or on its own initiative; supervise the rectifying actions to address the deficiencies in the Company's internal control; (6) to review the audit notes submitted to the management by the certified public accountant for the annual audit, any material enquiries raised by the auditor to the management regarding accounting records, financial accounts and control systems, and the management's responses to such enquiries; (7) to review the financial and accounting policies and practices adopted by the Company and its subsidiaries; (8) to supervise the Company's connected transactions control and the daily management of such transactions; (9) to listen to the Company's reports on any fraudulent conducts and the whistleblower reports of such conducts; and (10) to address other matters authorized by the Board and other matters as required by the laws and regulations as well as the relevant regulations of the stock exchanges on which the shares of the Company are listed.

The main work of the Audit and Risk Management Committee (the Supervision Committee) during the Reporting Period includes:

Date of the meeting	Subject of the meeting	Other performance of duties
26 January 2024	The sixteenth meeting of the Audit and Risk Management Committee (the Supervision Committee) of the sixth session of the Board was held to consider the proposals relating to the 2024 investment plan and 2024 financial plan.	The committee received the announcement of profit warning for 2023
28 March 2024	The seventeenth meeting of the Audit and Risk Management Committee (the Supervision Committee) of the sixth session of the Board was held to consider the 2023 annual report, the 2023 profit distribution plan, the accumulated losses of the Company exceeding one-third of the total amount of its paid-up share capital, the special report on the deposit and actual use of proceeds from A share issuance in 2023, the report of the Audit and Risk Management Committee (the Supervision Committee) on the performance of supervision duties of the auditor for 2023, the re-appointment of international and domestic auditors and internal control auditors for 2024, the provision of non-assurance services by Deloitte, the auditor, the 2023 assessment report on internal control and the audit report on internal control, the 2023 internal audit work report and 2024 internal audit work plan, the 2023 continuous risk assessment report of China National Aviation Finance Co., Ltd. and the 2023 performance report by the Audit and Risk Management Committee (the Supervision Committee).	The committee received the report of Deloitte, the auditor, on the audit of the 2023 financial report, the internal control audit and the provision of non-assurance services. The committee received the report of the audit department on the standardized operation of the Company in the second half of 2023.
26 April 2024	The eighteenth meeting of the Audit and Risk Management Committee (the Supervision Committee) of the sixth session of the Board was held to consider the first quarterly report of 2024.	The committee received the report of the audit department on work in relation to the accountability of non-compliance operations and investments in 2023.
9 August 2024	The nineteenth meeting of the Audit and Risk Management Committee (the Supervision Committee) of the sixth session of the Board was held to consider the proposals relating to the selection and engagement of international and domestic auditors and internal control auditors for 2025-2026.	—

Date of the meeting	Subject of the meeting	Other performance of duties
29 August 2024	The twentieth meeting of the Audit and Risk Management Committee (the Supervision Committee) of the sixth session of the Board was held to consider the 2024 interim report, the special report on the deposit and actual use of proceeds in the first half of 2024, the selection and engagement documents and assessment criteria for the appointment of international and domestic auditors and internal control auditors for 2025-2026, and the continuing risk assessment report of China National Aviation Finance Co., Ltd. for the first half of 2024.	The committee received the report of Deloitte, the auditor, on the report on the completion of interim review for 2024 and the internal control audit plan for 2024. The committee received the report of the legal department on comprehensive risk and internal control, as well as the report on compliance management. The committee received the report of the audit department on the work plan for the 2024 internal control assessment, the report on internal audit for the first half of 2024 and the report on standardized operation for the first half of 2024. The committee reviewed the list of related parties of A shares of the Company.
26 October 2024	The twenty-first meeting of the Audit and Risk Management Committee (the Supervision Committee) of the sixth session of the Board was held to consider the third quarterly report of 2024, the continuing connected (related-party) transactions between the Company and China National Aviation Holding Corporation Limited and its subsidiaries, and the continuing connected (related-party) transactions between the Company and Air China Cargo Co., Ltd.	—
5 December 2024	The twenty-second meeting of the Audit and Risk Management Committee (the Supervision Committee) of the sixth session of the Board was held to receive the report on the inspection and rectification of the Company and the report on the rectification of internal control for 2024.	The committee received the report of Deloitte, the auditor, on the audit plan for the 2024 financial report.

The annual results and the annual report of the Company for the year of 2024 had been reviewed by the Audit and Risk Management Committee (the Supervision Committee).

On 30 August 2024, Mr. Li Fushen resigned as an independent non-executive Director of the Company, the chairman and a member of the Audit and Risk Management Committee (the Supervision Committee) of the Board, a member of the Nomination Committee of the Board, a member of the Remuneration and Appraisal Committee of the Board, a member of the Strategy and Investment Committee of the Board and a member of the Aviation Safety Committee of the Board. In subsequent months, the Company has been actively considering and processing the adjustment of the composition of the Audit and Risk Management Committee (the Supervision Committee) and the Nomination Committee, including but not limited to exploring the candidate who will fill the vacancy resulted from Mr. Li Fushen's resignation. As such, the Company has applied to the Hong Kong Stock Exchange and the Hong Kong Stock Exchange has agreed to grant a waiver from strict compliance with Rules 3.21 and 3.27A of the Hong Kong Listing Rules, and extend the deadline for filling the vacancy from 30 November 2024 to 28

February 2025. Immediately following the election of Directors of the seventh session of the Board and the change of the Board committee members on 25 February 2025, the Company has fully complied with the requirements as set out in Rules 3.21 and 3.27A of the Hong Kong Listing Rules. Please refer to the announcements of the Company dated 30 August 2024, 27 December 2024 and 25 February 2025 for details.

Nomination Committee

As at the end of the Reporting Period, the Nomination Committee of the sixth session of the Board comprised Mr. Ma Chongxian, an executive Director, and Mr. He Yun, an independent non-executive Director, with Mr. Ma Chongxian serving as the chairman of the committee.

As at the date of this annual report, the Nomination Committee of the seventh session of the Board comprised Mr. Ma Chongxian, an executive Director, and Mr. He Yun, Ms. Winnie Tam Wan-chi and Mr. Gao Chunlei, all of whom are independent non-executive Directors, with Mr. Ma Chongxian serving as the chairman of the committee.

The primary duties of the Nomination Committee include: (1) to review the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company's strategy; (2) to study and propose to the Board the criteria and procedures for selecting candidates for Directors and senior management of the Company; (3) to make recommendations to the Board on the appointment or re-appointment of Directors, succession planning for Directors (in particular the Chairman or the President) and appointment of senior management; (4) to select qualified candidates for Directors and senior management in accordance with relevant requirements of Board diversity as well as review and make recommendations to the Board on candidates for Director and senior management; (5) to assess the independence of the independent non-executive Directors of the Company; and (6) to address other matters authorized by the Board.

The main work of the Nomination Committee during the Reporting Period includes:

Date of the meeting	Subject of the meeting	Other performance of duties
5 March 2024	The first meeting of the Nomination Committee of the sixth session of the Board was held to propose Mr. Yan Fei as the Vice President of the Company.	—
28 March 2024	The second meeting of the Nomination Committee of the sixth session of the Board was held to propose Mr. Xiao Feng as the Secretary to the Board and Joint Company Secretary.	—
15 July 2024	The third meeting of the Nomination Committee of the sixth session of the Board was held to propose Mr. Cui Xiaofeng as a candidate for Director.	—

During the Reporting Period, the nomination policy for Directors implemented by the Company was as follows: the Nomination Committee shall review the qualification of candidates for directorship and senior management according to the standards as set out in the Articles of Association and the Board Diversity Policy and report the same to the Board. For the diversity policy, please refer to the section headed "Board Diversity Policy" above. A shareholder holding 3% or more of the shares of the Company is entitled to nominate Directors to the Nomination Committee.

The Remuneration and Appraisal Committee

As at the end of the Reporting Period, the Remuneration and Appraisal Committee of the sixth session of the Board comprised Mr. He Yun and Mr. Xu Junxin, all of whom are independent non-executive Directors, with Mr. He Yun serving as the chairman of the committee.

As at the date of this annual report, the Remuneration and Appraisal Committee of the seventh session of the Board comprised Mr. Xu Niansha, Mr. He Yun and Mr. Gao Chunlei, all of whom are independent non-executive Directors, with Mr. Xu Niansha serving as the chairman of the committee.

The primary duties of the Remuneration and Appraisal Committee include: (1) to make recommendations to the Board on the Company's remuneration policy and structure for all Directors and senior management and on the establishment of a formal and transparent procedure for developing the remuneration policy of the Company, and supervise the implementation of the remuneration policy of the Company; (2) to review and approve the proposals for the remuneration of the Company's management with reference to the corporate goals and objectives formulated by the Board; (3) to make recommendations to the Board on the remuneration packages of the Directors and senior management of the Company having regards to salaries paid by companies in the same industry, time commitment and responsibilities, as well as employment conditions of other positions in the Company and its subsidiaries; (4) to review and approve compensation payable to executive Directors and senior management of the Company for loss or termination of their office or appointment; (5) to review and approve compensation arrangements relating to dismissal or removal of Directors for misconduct; (6) to review the performance of duties of the Directors and senior management, organize and carry out the business performance appraisal of the members of the management, and make recommendations to the Board in respect of the appraisal results and remuneration payment proposals; (7) to review matters relating to share schemes based on domestic and overseas regulatory requirements, including but not limited to reviewing the Company's share incentive scheme proposal, verifying the conditions of granting and exercising during the implementation of the Company's share incentive scheme, and reporting to the Board for its consideration; and (8) to address other matters authorised by the Board.

The main work of the Remuneration and Appraisal Committee during the Reporting Period includes:

Date of the meeting	Subject of the meeting	Other performance of duties
30 May 2024	The second meeting of the Remuneration and Appraisal Committee of the sixth session of Board was held to consider the 2023 annual gross salary settlement plan, the 2024 annual gross salary budget plan, and the 2024 annual appraisal on the operational performance by the management of the Company.	—
30 October 2024	The third meeting of the Remuneration and Appraisal Committee of the sixth session of Board was held to receive the 2023-2024 remuneration and benefit work report.	—
5 December 2024	The fourth meeting of the Remuneration and Appraisal Committee of the sixth session of Board was held to consider the 2023 annual appraisal results regarding the operational performance and the remuneration payment plan of the management.	—

During the Reporting Period, the remuneration policy for Directors implemented by the Company is as follows: except for independent non-executive Directors, other Directors will not receive director's remuneration. The remuneration standards of the independent non-executive Directors shall be determined according to the relevant national policies, and the remuneration of the senior management shall be determined in accordance with the relevant laws and regulations of the PRC and the provisions of the "Interim Measures for Remuneration Administration of Responsible Persons of Enterprise" of the Company. The Remuneration and Appraisal Committee made recommendations to the Board on the remuneration packages of independent non-executive Directors and senior management based on the above-mentioned standards. The remuneration of the Directors and Supervisors of the Company shall be determined by the general meeting, and that of the senior management shall be determined by the Board after being considered by the Remuneration and Appraisal Committee.

Changes in Shareholdings and Remuneration of the Existing and Resigned Directors, Supervisors and Senior Management during the Reporting Period

Name	Position	Gender	Age	Starting date of term of office	Expiry date of term of office	Total remuneration payables received from the Company during the Reporting Period (RMB0'000)	Whether received remuneration from the Company's related parties or not
Ma Chongxian	Secretary of the Party Committee	Male	59	27 September 2022	–	–	Yes
	Chairman			27 September 2022	–	–	
	Executive Director			20 July 2021	–	–	
Wang Mingyuan	Deputy Secretary of the Party Committee	Male	59	13 February 2023	–	–	Yes
	President			13 March 2023	–	–	
	Director, Vice Chairman			30 March 2023	–	–	
Cui Xiaofeng	Deputy Secretary of the Party Committee	Male	55	24 June 2024	–	–	Yes
	Non-executive Director			9 August 2024	–	–	
Feng Gang	Deputy Secretary of the Party Committee	Male	61	19 November 2019	24 June 2024	–	Yes
	Non-executive Director			26 May 2020	15 July 2024	–	
Patrick Healy	Non-executive Director	Male	59	19 December 2019	–	–	Yes
Xiao Peng	Chairman of the Labour Union	Male	59	15 November 2022	–	97.07	No
	Chief Engineer			28 November 2022	–	–	
	Employee Representative Director			2 March 2023	–	–	
Xu Niansha	Independent Non-executive Director	Male	67	25 February 2025	–	–	No
He Yun	Independent Non-executive Director	Male	63	25 February 2022	–	–	No
Winnie Tam Wan-chi	Independent Non-executive Director	Female	63	25 February 2022	–	10.75	No
Gao Chunlei	Independent Non-executive Director	Male	58	25 February 2025	–	–	No
Li Fushen	Independent Non-executive Director	Male	62	25 February 2022	30 August 2024	–	No
Xu Junxin	Independent Non-executive Director	Male	60	25 February 2022	25 February 2025	–	No
Xiao Jian	Supervisor	Male	61	10 February 2023	–	–	Yes
	Chairman of the Supervisory Committee			10 March 2023	–	–	
Lyu Yanfang	Supervisor	Female	53	18 December 2020	–	98.82	No
Guo Lina	Supervisor	Female	54	25 February 2022	–	122.38	No
Wang Mingzhu	Employee Representative Supervisor	Male	57	2 March 2023	–	116.88	No
Li Shuxing	Employee Representative Supervisor	Male	57	2 March 2023	–	126.82	No
Tan Huanmin	Secretary of Committee for Discipline Inspection	Male	60	19 January 2019	–	–	Yes
Zhang Sheng	Vice President	Male	52	9 June 2020	–	–	Yes
Sun Yuquan	Standing Committee Member of the Party Committee	Male	51	7 April 2022	–	–	Yes
	Chief Accountant			13 March 2023	–	–	
Ni Jiliang	Vice President	Male	58	12 May 2022	–	–	Yes

Name	Position	Gender	Age	Starting date of term of office	Expiry date of term of office	Total remuneration payables received from the Company during the Reporting Period (RMB0'000)	Whether received remuneration from the Company's related parties or not
Zheng Weimin	Vice President	Male	59	23 August 2023	–	–	Yes
Yan Fei	Vice President	Male	56	5 March 2024	–	–	Yes
Chen Zhiyong	Vice President	Male	61	17 December 2012	5 March 2024	–	Yes
Zhang Hua	General Counsel	Male	59	9 August 2017	–	101.14	No
Xiao Feng	Chief Economist	Male	56	13 March 2023	–	115.16	No
	Secretary to the Board			28 March 2024	–	–	
Yan Simeng	Chief Information Officer	Male	42	7 September 2021	–	196.01	No
Shen Jianming	Chief Safety Officer	Male	57	19 October 2022	–	192.48	No
Li Yunchuan	Chief Pilot	Male	57	26 October 2023	–	184.22	No
Huang Bin	Secretary to the Board	Male	61	30 September 2021	28 March 2024	–	No
	Assistant to the President			10 December 2021	28 March 2024	–	
Total	/	/	/	/	/	1,361.73	/

Notes: 1. The remuneration of Mr. Xu Niansha, Mr. He Yun, Ms. Winnie Tam Wan-chi, Mr. Gao Chunlei, Mr. Li Fushen and Mr. Xu Junxin, being independent Directors, will be determined pursuant to relevant national policies.

2. Directors, Supervisors and senior managements' total remuneration payables received from the Company during the Reporting Period include pre-tax remuneration and the portion of benefits and security, including social insurance, housing fund and enterprise annuity, contributed by the enterprise. For personnel with status changes during the year, total compensation is calculated based on actual service period.

Details of the remuneration for the Directors during the Reporting Period are set out in note 13 to the financial statements of this annual report.

Strategy and Investment Committee

As at the end of the Reporting Period, the Strategy and Investment Committee of the sixth session of the Board comprised Mr. Ma Chongxian, an executive Director, and Mr. Xu Junxin, an independent non-executive Director, with Mr. Ma Chongxian serving as the chairman of the committee.

As at the date of this annual report, the Strategy and Investment Committee of the seventh session of the Board comprised Mr. Ma Chongxian, an executive Director, and Mr. Xu Niansha and Mr. He Yun, all of which are independent non-executive Directors, with Mr. Ma Chongxian serving as the chairman of the committee.

The primary duties of the Strategy and Investment Committee include: (1) to study and make recommendations on the Company's strategic plan for long-term development, annual investment plan, significant investment and financing proposals that require the approval of the Board, important production and operation decisions and projects that require the approval of the Board and other significant matters that may affect the Company's development; (2) to consider the establishment, merger and dissolution of branches of the Company; (3) to formulate the environmental, social and governance structure, objectives, management approaches and strategies of the Company; (4) to consider the environmental, social and governance-related works and reports; and (5) to address other matters authorised by the Board.

The main work of the Strategy and Investment Committee during the Reporting Period includes:

Date of the meeting	Subject of the meeting	Other performance of duties
12 January 2024	The twelfth meeting of the Strategy and Investment Committee of the sixth session of Board was held to receive the special reports on accelerating the development into a world-class enterprise and high-quality Party building.	The committee received the special reports on enhancing quality and efficiency and maximizing operational performance, promoting in-depth reforms and organizational effectiveness, and digital transformation, and held discussions with the senior management.
26 January 2024	The thirteenth meeting of the Strategy and Investment Committee of the sixth session of Board was held to consider the 2024 investment plan.	The committee received the reports on the completion of the 2023 investment plan and the evaluation of major investment projects.
28 March 2024	The fourteenth meeting of the Strategy and Investment Committee of the sixth session of Board was held to consider the 2023 Corporate Social Responsibility (ESG) Report.	—
26 April 2024	The fifteenth meeting of the Strategy and Investment Committee of the sixth session of Board was held to consider the proposal relating to the introduction of 100 C919 aircraft.	—
30 May 2024	The sixteenth meeting of the Strategy and Investment Committee of the sixth session of Board was held to consider the proposals relating to the establishment of the Digital Transformation Office and the transfer of 1 B737-800 aircraft to Air China Inner Mongolia.	—
30 October 2024	The seventeenth meeting of the Strategy and Investment Committee of the sixth session of Board was held to consider the proposals relating to the establishment of the Customer Service Centre, the setting up of the Brand and Quality Management Department, and the restructuring of the Office of the Comprehensive In-depth Reform Leading Group/Policy Research Office.	—
22 December 2024	The eighteenth meeting of the Strategy and Investment Committee of the sixth session of Board was held to receive the special reports on accelerating the development into a world-class enterprise and high-quality Party building.	The committee received the special reports on enhancing quality and efficiency and production safety, maximizing operational performance, strengthening service quality and technology innovation, and held discussions with the senior management.

Aviation Safety Committee

As at the end of the Reporting Period, the Aviation Safety Committee of the sixth session of the Board comprised Mr. Wang Mingyuan, an executive Director, and Mr. Ma Chongxian, an executive Director, with Mr. Wang Mingyuan serving as the chairman of the committee.

As at the date of this annual report, the Aviation Safety Committee of the seventh session of the Board comprised Mr. Wang Mingyuan, an executive Director, Mr. Xu Niansha, an independent non-executive Director, and Mr. Ma Chongxian, an executive Director, with Mr. Wang Mingyuan serving as the chairman of the committee.

The primary duties of the Aviation Safety Committee include: (1) to adhere to the principle of "putting safety first", and supervise and guide the production activities of the Company and the allocation of various kinds of resources such as human resources, properties and materials to fulfil the needs of safety operation of the Company; (2) to receive the safety analysis report of the Company on a regular basis and report to the Board; (3) to study and deal with significant problems in relation to aviation safety work of the Company; and (4) to address other matters authorised by the Board.

The main work of the Aviation Safety Committee during the Reporting Period includes:

Date of the meeting	Subject of the meeting	Other performance of duties
12 January 2024	The sixth meeting of the Aviation Safety Committee of the sixth session of Board was held to receive the aviation safety work report.	—
8 October 2024	The seventh meeting of the Aviation Safety Committee of the sixth session of Board was held to receive the report on aviation safety work in 2024.	—
22 December 2024	The eighth meeting of the Aviation Safety Committee of the sixth session of Board was held to receive the report on the current aviation safety landscape and the 2025 work plan.	—

MANAGEMENT

Duties of the Management

The management of the Company shall be accountable to the Board and its main responsibilities include: (1) to manage the operation of the Company and to implement the resolutions of the Board; (2) to implement annual business plans and investment proposals; (3) to make decision on transactions relating to the Company's main business involving a value within a monetary threshold or within a specific proportion of the Company's latest audited net asset value, subject to applicable laws and the Articles of Association; (4) to sign contracts and agreements on behalf of the Company in accordance with the authorization granted by the Board or the legal representative; (5) to draft plans for the establishment of the Company's internal management structure; (6) to draft the Company's basic management system; (7) to formulate basic rules and regulations for the Company; (8) to propose the appointment or dismissal of the vice president, chief accountant, chief pilot and general legal counsel of the Company; and (9) to appoint or dismiss responsible management personnel other than those required to be appointed or dismissed by the Board, etc.

The Company established the "Rules and Procedures for President's Office" to regulate the daily operation of the President's Office.

FINANCIAL REPORTING

The Company prepares and publishes annual reports, interim reports and quarterly reports in accordance with the requirements of the regulatory rules of the listing places of the Company and other relevant laws and regulations in a timely manner each year, and the information disclosed is adequate for the shareholders to evaluate the performance, financial position and prospects of the Company.

Key operating data of the Company are published monthly in order to improve the transparency of the Company's performance and to provide the latest developments of the Company in a timely manner.

The Company has a sound environment for implementing internal controls. The Company has set up an effective electronic information system to support business development which comprises various operation systems, settlement system and a core accounting and audit platform, i.e. the Oracle financial information system. For treasury management, the Company has implemented a global online banking management system. An effective accounting information system was also established.

The responsibilities of the Directors in relation to the financial statements are set out below and shall be read together with the "Independent Auditor's Report" set out in this annual report. The statement of reporting responsibility of the auditors is included in the section headed "Independent Auditor's Report" set out in this annual report.

- Annual reports and accounts
  The Directors acknowledge that they are responsible for preparing the financial statements for each financial year so as to present a true and fair view of the financial position of the Company and the Group, and of the financial performance and cash flow of the Group.

- Accounting policies
  When preparing the financial statements of the Company and the Group, the Directors have consistently applied appropriate accounting policies under the relevant accounting standards.

- Accounting records
  The Directors are responsible for ensuring that the Company shall keep the accounting records, which will reflect the financial position of the Company with reasonable accuracy, enabling the Group to prepare the financial statements in accordance with the requirements of the Listing Rules, Hong Kong Companies Ordinance and the relevant accounting standards.

- Ongoing operation
  After making appropriate enquiries, the Directors believe that the Group has sufficient resources for operation in the foreseeable future. Accordingly, the Group's financial statements are prepared on a going concern basis.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board bears the ultimate responsibility for the Group's risk management and internal control system and for reviewing the effectiveness of the system. The risk management and internal control system is designed to manage rather than eliminate the risk of failing to achieve business objectives and to make reasonable, but not absolute, assurances that there will be no material misstatement or loss. The Board monitors the risk level with the assistance of the Audit and Risk Management Committee (the Supervision Committee) and the management of the Company.

The Company conducts a review of the soundness and effectiveness of the risk management and internal control system at least once annually. The Board will publish the self-assessment annual report on the internal control after it is reviewed by the Audit and Risk Management Committee (the Supervision Committee) and reported to the Board.

The Board reviewed the Group's risk management and internal control system for the Reporting Period through the Audit and Risk Management Committee (the Supervision Committee) and considered that the system was adequate and effective. The review of the Audit and Risk Management Committee (the Supervision Committee) covered material control aspects, including financial controls, operational controls and compliance controls. The Audit and Risk Management Committee (the Supervision Committee) also reviewed the Group's resources, qualifications and experience of the responsible staff, training courses and related budget in respect of the accounting, internal audit, financial reporting functions, environmental, social and governance performance and reporting and expressed satisfaction with the adequacy of such measures. The Board also confirmed that the Company has established effective systems and procedures to ensure the control and management of the strategic risks, financial risks, operational risks, legal risks, contingent risks, etc..

The basic procedures of the Group's risk management include: (1) collection of risk information; (2) identification and assessment of risks; (3) formulation and implementation of risk reduction measures; and (4) monitoring of risk management.

The Company has established a clear organizational structure to allocate responsibilities for formulation, implementation and monitoring as required. An information reporting mechanism has been formed for risk management, which covers the Company's main business units to ensure that significant risks are effectively monitored and coped with within the Group.

The Group ranks the risks based on priority so as to pay special attention to critical risks. It sets risk indicators for critical risks, and monitors and judges the key indicators on a regular basis so that the risks are always under control. All the business units are required to compile a summary of the risks and report to the Risk Management Working Group Office on a regular basis. The Risk Management Working Group Office has set up a monthly reporting procedure to regularly report the risk status and risk tracking to the management and regulatory authorities.

According to the risk assessment in 2024, the main risks that the Group is facing are set out in the section headed "Management's Discussion and Analysis of Financial Position and Operating Results – Risk Factors" of this annual report.

The audit department and legal department of the Company assist the Audit and Risk Management Committee (the Supervision Committee) to analyse and evaluate the adequacy and effectiveness of the Group's internal control and risk management system, and to supervise and evaluate the risk management and internal control of the Group. The audit department and legal department regularly reports the annual, interim work reports and annual audit plans to the Audit and Risk Management Committee (the Supervision Committee) for review of risk management and internal control system. The Audit and Risk Management Committee (the Supervision Committee) reviews the reporting compliance, reviews and monitors the effectiveness of the internal audit, internal control development and risk compliance, keeps tracks of the corrective actions for the problems spotted and guides business units to operate efficiently.

The Company has implemented a registration and record-keeping system for the insiders and established records on such insiders, who are obligated to maintain confidentiality for the inside information they are aware of. The Board should ensure the truthfulness, accuracy and completeness of the records of the insiders. The Company will conduct regular and occasional inquiries on the trading of shares and derivatives of the Company by the insiders. If insiders are found to have involved in insider dealing or have breached the laws and regulations due to dereliction of duty, the Company will ensure that the relevant personnel are held accountable in accordance with relevant laws and regulations and the Company's policies. The Company is also aware of its obligations under the SFO and the Listing Rules for the handling and disclosure of inside information, and unless the information falls within the "Safe Harbor", the Company will disclose such inside information to the public as soon as practicable.

COMPANY SECRETARY

From 1 January 2024 to 27 March 2024, the joint company secretaries of the Company were Mr. Huang Bin and Mr. Huen Ho Yin. From 28 March 2024 to 31 December 2024, the joint company secretaries of the Company were changed to Mr. Xiao Feng and Mr. Huen Ho Yin due to the retirement of Mr. Huang Bin. Please refer to the announcement of the Company dated 28 March 2024 for details.

The joint company secretaries are responsible for facilitating the procedures of the Board, as well as facilitating the communications among Board members, and communications with shareholders and with the management. Mr. Xiao Feng is the main contact person of Mr. Huen Ho Yin at the Company. The biographies of the joint company secretaries are set out in the section headed "Profile of Directors, Supervisors and Senior Management" of this annual report. During the Reporting Period, the joint company secretaries respectively attended a total of more than 15 hours of professional training to update their skills and knowledge.

AUDITORS AND THEIR REMUNERATION

In 2024, the international and domestic auditors of the Company are Deloitte Touche Tohmatsu and Deloitte Touche Tohmatsu Certified Public Accountants LLP respectively. Breakdown of the remuneration to the Company's external auditors for providing audit and non-audit services for the Reporting Period is as follows:

RMB10.242 million (including value-added tax) was charged in aggregate for the review of the Group's condensed consolidated financial statements for the six months ended 30 June 2024 and for the audit of the Group's consolidated financial statements for the year ended 31 December 2024; an aggregate amount of RMB7.375 million (including value-added tax) was charged for the audit of the financial statements of certain subsidiaries of the Group for the year ended 31 December 2024 and RMB3.23 million (including value-added tax) was charged for other audit services; an aggregate of RMB1 million (including value-added tax) was charged for providing internal control audit services to the Group; and an aggregate of RMB1.54 million (including value-added tax) was charged for the rendering of other non-audit services, such as tax advisory services, to the Group.

AMENDMENTS TO THE ARTICLES OF ASSOCIATION

The Company made amendments to the Articles of Association twice during the Reporting Period:

1. On 7 February 2024, as the total share capital in issue and the registered capital of the Company changed to 16,593,720,146 shares and RMB16,593,720,146 respectively following the completion of the issuance of 392,927,308 H Shares to CNACG, the Company made amendments to relevant articles in the Articles of Association. Please refer to the announcement of the Company dated 7 February 2024 for details.

2. On 12 December 2024, as the total share capital in issue and the registered capital of the Company changed to 17,448,421,000 shares and RMB17,448,421,000 respectively following the completion of the issuance of 854,700,854 A Shares to CNAHC, the Company made amendments to relevant articles in the Articles of Association. Please refer to the announcement of the Company dated 12 December 2024 for details.

SHAREHOLDER'S COMMUNICATION POLICY

The Company attaches great importance to the communication with shareholders and has formulated "Measures for Investor Relation Management" to regulate and strengthen its communication with shareholders and investors. During the Reporting Period, the Company continued to establish various communication channels with its shareholders through the publication of annual reports, interim reports and quarterly reports, press releases and announcements on the websites of the Company and the stock exchanges, results presentations, roadshows, briefings on dividend distribution, etc., thus maintaining active, effective and transparent communication with shareholders.

Moreover, the annual general meeting represents an effective means for the shareholders to exchange their views with the Board. The Chairman of the Board, as well as the respective chairmen of the Audit and Risk Management Committee (the Supervision Committee), Remuneration and Appraisal Committee, Nomination Committee, Strategy and Investment Committee and Aviation Safety Committee will answer queries raised by shareholders at the general meeting. Resolutions in respect of independent matters shall be tabled as separate resolutions at the annual general meeting.

Other than the annual general meeting, the Company would also hold extraordinary general meeting as required. In accordance with articles 57 and 58 of the Articles of Association, shareholder(s), individually or in aggregate, holding more than 10% of the shares of the Company may request the Board to convene an extraordinary general meeting by making one or more written request(s) in the same form to the Board with a clearly stated topics for discussion. The Board shall respond to such written request(s) within ten days of receipt of such written request(s). If the Board agrees to convene an extraordinary general meeting, it shall within five days of the Board resolution resolving to hold an extraordinary general meeting issue a notice convening an extraordinary general meeting and the extraordinary general meeting should be held within two months of such request(s) from the shareholder(s). If the Board does not accept the request(s) from shareholder(s) for a meeting or fails to respond within ten days of the receipt of such written request(s), such shareholder(s) shall request the Supervisory Committee to convene an extraordinary general meeting by written request(s). If the Supervisory Committee fails to issue a notice convening a meeting within five days of the receipt of such written request(s), shareholder(s), individually or in aggregate, holding more than 10% of the shares of the Company for a consecutive 90 days or more may convene and hold a meeting by themselves.

For including a resolution relating to other matters in a general meeting, shareholders are requested to follow the requirements and procedures as set out in article 59 of the Articles of Association which provides that shareholder(s), individually or in aggregate, holding more than 3% of the shares of the Company may put forward proposal(s) by providing a written request to the convener of the meeting not less than ten days before the meeting. The convener of the meeting shall, within two days of the receipt of such written request, give supplemental meeting notice to shareholders which specifies information on such proposal(s).

During the Reporting Period, the Company convened 1 annual general meeting and 3 extraordinary general meetings. During the Reporting Period, the Company held 1 results presentation and 3 results briefings to interact with investors in regard to their concerns. The Company has conducted a review on the implementation and effectiveness of the aforesaid shareholder's communication policies during the Reporting Period, and is satisfied with the review result.

The Board values the views and input of shareholders. Shareholders may send their enquiries and concerns to the Board at any time by addressing them to the Company Secretary, whose contact details are as follows:

Address: Air China Headquarter, 30 Tian Zhu Road, Shunyi District, Beijing, 101312
Email: ir@airchina.com
Telephone number: 86-10-61462560

STRATEGIC OBJECTIVES

The Group will, on the basis of enhancing safety management, continue to advance the implementation of its strategies; improve global network coverage to increase the commercial value of hub network; optimise the allocation of its core resources to improve the efficiency of resource utilisation; reasonably deploy transport capacity to grasp opportunities in the market; take multiple measures to strengthen marketing competitiveness; enhance service management, promote product innovation to improve customer experience with an aim to ensure sound operation and bring better returns to its shareholders and investors.

GROUP ACTIVITIES AND RESULTS

The Group is a provider of air passenger, air cargo and airline-related services. The results of the Group for the year ended 31 December 2024 and the financial position of the Group and the Company as at the same date are set out in the audited financial statements of this annual report.

REVIEW OF BUSINESS

A fair review of the Group's business and the analysis using the financial key performance indicators, the description of the principal risks and uncertainties facing the Group, future prospects of the Group's business, environment policy and performance of the Group, compliance of laws and regulations that have a material impact on the Group and the important relations statement with employees, customers and suppliers of the Group are set out in this Report of the Directors, the section headed "Business Overview" and the section headed "Management's Discussion and Analysis of Financial Position and Operating Results" of this annual report, as well as the 2024 Sustainability and ESG Report published by the Group.

FIVE-YEAR FINANCIAL HIGHLIGHTS

The Group's results and balance sheet prepared in accordance with IFRS Accounting Standards for the five years ended 31 December 2024 are summarized and set out in the section headed "Summary of Financial Information" of this annual report.

SHARE CAPITAL STRUCTURE

As at the end of the Reporting Period, the Company had a total share capital of RMB17,448,421,000, divided into 17,448,421,000 shares with par value of RMB1.00 each. The following table sets out the share capital structure of the Company as at the end of the Reporting Period:

Type of shares	Number of shares	Percentage of the total share capital
A Shares	12,492,810,328	71.60%
H Shares	4,955,610,672	28.40%
Total	17,448,421,000	100.00%

SIGNIFICANT INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

As at the end of the Reporting Period, to the knowledge of the Directors, Supervisors and chief executive of the Company, the interests or short positions of the following persons (other than a Director, Supervisor or chief executive of the Company) in the shares and underlying shares of the Company which were required to be recorded in the register kept by the Company pursuant to Section 336 of the SFO are as follows:

Total long positions in the shares and underlying shares of the Company

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 positions
CNAHC	Beneficial owner	7,421,462,701 A Shares	42.53%	59.41%	–	–
CNAHC(1)	Equity attributable	1,332,482,920 A Shares	7.64%	10.67%	–	–
CNAHC(1)	Equity attributable	616,779,308 H Shares	3.54%	–	12.45%	–
CNACG	Beneficial owner	1,332,482,920 A Shares	7.64%	10.67%	–	–
CNACG	Beneficial owner	616,779,308 H Shares	3.54%	–	12.45%	–
Cathay Pacific	Beneficial owner	2,633,725,455 H Shares	15.09%	–	53.15%	–
Swire Pacific Limited(2)	Equity attributable	2,633,725,455 H Shares	15.09%	–	53.15%	–
John Swire & Sons (H.K.) Limited(2)	Equity attributable	2,633,725,455 H Shares	15.09%	–	53.15%	–
John Swire & Sons Limited(2)	Equity attributable	2,633,725,455 H Shares	15.09%	–	53.15%	–

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

1. By virtue of CNAHC's 100% interest in CNACG, CNAHC was deemed to be interested in the 1,332,482,920 A Shares and 616,779,308 H Shares directly held by CNACG.

2. By virtue of John Swire & Sons Limited's 100% interest in John Swire & Sons (H.K.) Limited and their approximately 63.05% equity interest and 70.13% voting rights in Swire Pacific Limited, and Swire Pacific Limited's approximately 44.98% 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.

Total short positions in the shares and underlying shares of the Company

As at the end of the Reporting Period, the Company was not aware of any substantial shareholders holding short positions in the shares or underlying shares of the Company.

Save as disclosed above, as at the end of the Reporting Period, to the knowledge of the Directors, Supervisors and chief executive of the Company, no other person had an interest or short position in the Shares or underlying shares of the Company which were required to be recorded in the register kept by the Company pursuant to Section 336 of the SFO.

INFORMATION OF SHAREHOLDERS

Total number of shareholders

Total number of holders of ordinary shares as at the end of the Reporting Period (account)	139,671 accounts, of which 2,824 accounts are registered holders of H Shares
Total number of holders of ordinary shares as at the end of the month preceding to the disclosing date of the annual report (account)	162,730 accounts, of which 2,806 accounts are registered holders of H Shares

Shareholdings of the top 10 shareholders and the top 10 holders of tradable shares (or shares not subject to selling restrictions) as at the end of the Reporting Period

Unit: Share

Shareholdings of the top 10 shareholders (excluding shares lent through securities lending and refinancing)

Name of shareholder (full name)	Change(s) during the Reporting Period	Number of shares held as at the end of the Reporting Period	Shareholding percentage (%)	Number of shares held subject to selling restrictions	Shares pledged, marked or frozen: Status	Shares pledged, marked or frozen: Number	Nature of shareholder
China National Aviation Holding Corporation Limited	854,700,854	7,421,462,701	42.53	854,700,854	Frozen	127,445,536	State-owned legal person
Cathay Pacific Airways Limited	0	2,633,725,455	15.09	0	Nil	0	Foreign legal person
China National Aviation Corporation (Group) Limited	392,927,308	1,949,262,228	11.18	392,927,308	Frozen	36,454,464	Foreign legal person
HKSCC NOMINEES LIMITED	570,000	1,689,605,335	9.68	0	Nil	0	Foreign legal person
China Securities Finance Corporation Limited	0	311,302,365	1.78	0	Nil	0	Other
Hong Kong Securities Clearing Company Limited	118,798,743	300,355,440	1.72	0	Nil	0	Foreign legal person
China National Aviation Fuel Group Limited	0	238,524,158	1.37	0	Nil	0	State-owned legal person
Industrial and Commercial Bank of China – Huatai-PineBridge CSI 300 Exchange-traded Open-end Index Securities Investment Fund (中國工商銀行股份有限公司－華泰柏瑞滬深300交易型開放式指數證券投資基金)	30,295,167	64,623,069	0.37	0	Nil	0	Other
China Structural Reform Fund Co., Ltd. (中國國有企業結構調整基金股份有限公司)	-14,205,400	52,833,706	0.30	0	Nil	0	State-owned legal person
China Merchants Bank Co., Ltd.-Xingquan Herun Hybrid Securities Investment Fund (招商銀行股份有限公司－興全合潤混合型證券投資基金)	46,730,827	46,730,827	0.27	0	Nil	0	Other

Shareholdings of the top 10 shareholders (excluding shares lent through securities lending and refinancing) not subject to selling restrictions

Name of shareholder	Number of tradable shares held not subject to selling restrictions	Type and number of shares: Type	Number
China National Aviation Holding Corporation Limited	6,566,761,847	RMB ordinary shares	6,566,761,847
Cathay Pacific Airways Limited	2,633,725,455	Overseas listed foreign shares	2,633,725,455
HKSCC NOMINEES LIMITED	1,689,605,335	Overseas listed foreign shares	1,689,605,335
China National Aviation Corporation (Group) Limited	1,556,334,920	RMB ordinary shares	1,332,482,920
		Overseas listed foreign shares	223,852,000
China Securities Finance Corporation Limited	311,302,365	RMB ordinary shares	311,302,365
Hong Kong Securities Clearing Company Limited	300,355,440	RMB ordinary shares	300,355,440
China National Aviation Fuel Group Limited	238,524,158	RMB ordinary shares	238,524,158
Industrial and Commercial Bank of China – Huatai-PineBridge CSI 300 Exchange-traded Open-end Index Securities Investment Fund (中國工商銀行股份有限公司－華泰柏瑞滬深300交易型開放式指數證券投資基金)	64,623,069	RMB ordinary shares	64,623,069
China Structural Reform Fund Co., Ltd. (中國國有企業結構調整基金股份有限公司)	52,833,706	RMB ordinary shares	52,833,706
China Merchants Bank Co., Ltd.-Xingquan Herun Hybrid Securities Investment Fund (招商銀行股份有限公司－興全合潤混合型證券投資基金)	46,730,827	RMB ordinary shares	46,730,827
Explanation on the repurchase special accounts among the top 10 shareholders	Nil		
Explanation on the right to vote by proxy, proxy and abstention from voting among the above shareholders	Nil		
Explanation on connected relationship or action in concert among the above shareholders	CNACG is a wholly-owned subsidiary of CNAHC. Accordingly, CNAHC is directly and indirectly interested in 53.71% of the shares of the Company.		
Explanation on preference shareholders whose voting rights have been restored and the number of shares held	Nil		

Notes:

1. 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 1,689,605,335 H Shares held by it in the Company do not include the 166,852,000 shares held by it as nominee of CNACG.

2. 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 and 36,454,464 shares held by CNAHC, the controlling shareholder of the Company, and CNACG respectively are frozen at present.

Share lending by shareholders holding more than 5% of the shares, top ten shareholders and top ten shareholders not subject to selling restrictions through securities lending and refinancing

Unit: Share

Share lending by shareholders holding more than 5% of the shares, top ten shareholders and top ten shareholders not subject to selling restrictions through securities lending and refinancing								
	Shareholding of ordinary and credit accounts at the beginning of the Reporting Period		Outstanding shares lent through securities lending and refinancing as at the beginning of the Reporting Period		Shareholding of ordinary and credit accounts at the end of the Reporting Period		Outstanding shares lent through securities lending and refinancing as at the end of the Reporting Period	
Name of shareholder (full name)	Aggregate number of shares	Percentage (%)	Aggregate number of shares	Percentage (%)	Aggregate number of shares	Percentage (%)	Aggregate number of shares	Percentage (%)
Industrial and Commercial Bank of China – Huatai-PineBridge CSI 300 Exchange-traded Open-end Index Securities Investment Fund (中國工商銀行股份有限公司－華泰柏瑞滬深300交易型開放式指數證券投資基金)	34,327,902	0.21	322,600	0.002	64,623,069	0.37	0	0

Shareholdings of the top 10 shareholders subject to selling restrictions and conditions of selling restrictions

Unit: Share

			Listing and trading status of shares subject to selling restrictions		
No	Name of shareholder subject to selling restrictions	Number of shares held subject to selling restrictions	Date of being permitted for listing and trading	Number of shares to be listed and traded	Selling restrictions
1	China National Aviation Holding Corporation Limited	614,525,150	17 July 2024	614,525,150	Lock-up period of 18 months
2	China National Aviation Holding Corporation Limited	854,700,854	10 December 2027	854,700,854	Lock-up period of 36 months
3	China National Aviation Corporation (Group) Limited	392,927,308	8 February 2027	392,927,308	Lock-up period of 36 months
Explanation on connected relationship or action in concert among the above shareholders		CNACG is a wholly-owned subsidiary of CNAHC.			

PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors as at the latest practicable date prior to the issue of this annual report, the Company has maintained a public float as required by the Listing Rules and agreed by the Hong Kong Stock Exchange.

DIVIDEND POLICY

In accordance with the relevant requirements of the CSRC and the CSRC Beijing Bureau on the cash dividends of listed companies and the provisions of the Articles of Association, the Company implements an active dividend distribution policy and attaches importance to the reasonable return for investment of investors. The Company maintains a consistent and stable dividend distribution policy and prioritizes cash dividends when distributing profits. It is clearly stipulated in the Articles of Association that in the case that the distributable profits realized for the current year in the financial statement of the parent company prepared in accordance with applicable domestic and overseas accounting standards and regulations are positive, the Company will distribute dividends in cash with the cash dividends to be distributed each year no less than 15% of the applicable distributable profits. The applicable distributable profits represent the profits after tax after making up for the losses and making contributions to the common reserve fund in accordance with the provisions of the Articles of Association as well as deducting otherwise approved by the relevant national departments recognized for the current year in the financial statement of the parent company prepared in accordance with applicable domestic and overseas accounting standards and regulations, whichever is lower. The Company should actively communicate with shareholders, especially minority shareholders, through various means (including online voting and inviting minority shareholders to participate in the meetings) to fully understand the opinions and needs of minority shareholders and timely answer the questions of their concerns.

Please refer to Article 178, Article 179 and Article 180 of the Articles of Association for details of the principles and policies of dividend distribution of the Company.

TAXATION ON DIVIDEND

In accordance with the "Enterprise Income Tax Law of the People's Republic of China" and the "Rules for the Implementation of the Enterprise Income Tax Law of the People's Republic of China", both of which came into effect and were implemented on 1 January 2008 and the "Circular on Issues Concerning Withholding of Enterprise Income Tax on Dividends Paid by PRC Resident Enterprises to Offshore Non-resident Enterprise Holders of H Shares" (Guo Shui Han [2008] No. 897) (《關於中國居民企業向境外H股非居民企業股東派發股息代扣代繳企業所得稅有關問題的通知》(國稅函[2008]897號)) promulgated by the State Administration of Taxation on 6 November 2008, the Company is obliged to withhold and pay PRC enterprise income tax on behalf of non-resident enterprise shareholders at a tax rate of 10% from 2008 onwards when the Company distributes any dividends to non-resident enterprise shareholders whose names appear on the register of members of H Shares.

Any H Shares which are not registered in the name(s) of individual(s) (which, for this purpose, includes shares registered in the name(s) of HKSCC Nominees Limited, other nominees, trustees, or other organisations or bodies) shall be deemed to be H Shares held by non-resident enterprise shareholder(s), and their entitlement to dividends will be subject to deduction of enterprise income tax. After receiving the dividends, the non-resident enterprise shareholders may apply for a tax refund (if any) in accordance with the relevant requirements, such as tax agreements (arrangements).

In accordance with the "Circular on Certain Issues Concerning the Policies of Individual Income Tax" (Cai Shui Zi [1994] No. 020) (《關於個人所得稅若干政策問題的通知》(財稅字[1994]020號)) promulgated by the Ministry of Finance of the PRC and the State Administration of Taxation on 13 May 1994, overseas individuals are, tentatively exempted from the PRC individual income tax on dividends or bonuses received from foreign-invested enterprises. As the Company is a foreign-invested enterprise, the Company will not withhold and pay the PRC individual income tax on behalf of individual shareholders whose names appear on the register of members of H Shares of the Company at the time of payment of the final dividends.

Pursuant to the Circular on Tax Policies Concerning the Pilot Programme of the Shanghai and Hong Kong Stock Market Trading Interconnection Mechanism (Cai Shui [2014] No. 81) (《關於滬港股票市場交易互聯互通機制試點有關稅收政策的通知》(財稅[2014]81號)) promulgated on 31 October 2014 and the Circular on the Tax Policies Concerning the Pilot Programme of the Shenzhen and Hong Kong Stock Market Trading Interconnection Mechanism (Cai Shui [2016] No. 127) (《關於深港股票市場交易互聯互通機制試點有關稅收政策的通知》(財稅[2016]127號)) promulgated on 5 November 2016 by the Ministry of Finance of the PRC, the State Administration of Taxation and the CSRC:

The Company is obliged to withhold PRC individual income tax on behalf of Mainland individual shareholders at a tax rate of 20% when the Company distributes the final dividends to Mainland individual investors who invest in the H Shares of the Company through Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect. Where individual investors have already paid foreign withholding taxes for such income, investors may apply to the competent tax authorities of China Securities Depository and Clearing Corporation Limited for foreign tax credit with valid tax withholding certificates. The Company is obliged to withhold PRC individual income tax on behalf of Mainland securities investment funds investing in H Shares of the Company through Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect in accordance with the aforementioned requirements when the Company distributes the final dividends; and the Company will not withhold income tax on behalf of Mainland enterprise investors investing in H Shares of the Company through Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect when the Company distributes the final dividends. The Mainland enterprise investors shall report the income and make tax payment by themselves.

Shareholders are recommended to consult their tax advisors regarding the PRC, Hong Kong and other tax implications of owning and disposing of the H Shares of the Company.

DIVIDENDS

According to the audited financial statements of the Company prepared in accordance with the CASs and the IFRS Accounting Standards, the Company recorded negative profits available for distribution to shareholders in 2024. As considered and approved by the 2nd meeting of the seventh session of the Board of the Company, the Company proposed not to make profit distribution for the year of 2024.

ANNUAL GENERAL MEETING

The Company proposed to hold the annual general meeting (the "**AGM**") on Wednesday, 28 May 2025. The register of members of H Shares will be closed from Wednesday, 21 May 2025 to Wednesday, 28 May 2025 (both days inclusive), during which period no transfer of H shares will be effected. In order to qualify for attendance and voting at the AGM, the holders of H Shares must return all the transfer documents to the Company's H Shares registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong by 4:30 p.m. on Tuesday, 20 May 2025. The holders of H Shares whose names appear on the register of members of the Company at the close of business on Tuesday, 20 May 2025 are entitled to attend and vote at the AGM.

PURCHASES, SALES OR REDEMPTION OF LISTED SECURITIES

During the Reporting Period, neither the Company nor any of its subsidiaries purchased, sold or redeemed any listed securities (including Treasury Shares) (the term "securities" has the meaning ascribed to it under Paragraph 1 of Appendix D2 to the Listing Rules) of the Company.

As at the end of the Reporting Period, the Company did not hold any Treasury Shares.

PRE-EMPTIVE RIGHTS

The Articles of Association does not provide for any pre-emptive rights requiring the Company to offer new shares to the existing shareholders in proportion to their existing shareholdings.

USE OF PROCEEDS RAISED FROM THE ISSUANCE OF H SHARES TO SPECIFIC INVESTOR

In order to enhance fleet strength, consolidate competitive advantages, accelerate the realization of the Company's strategic planning, replenish working capital, implement safety production responsibilities, meet the Company's capital requirement for business development, improve capital structure, strengthen financial soundness and enhance the Company's comprehensive risk resistance capability, on 7 February 2024, the Company issued 392,927,308 H Shares to CNACG (with a total nominal value of RMB392,927,308) at the issue price of HKD5.09 per share (the "**Issuance of H Shares to Specific Investor**"), raising net proceeds of HKD1,998,769,803.79 or net proceeds of HKD5.0869 per H Share issued to the specific investor. Please refer to the announcement of the Company dated 7 February 2024 for details. On 22 December 2023 (being the date on which the terms of the issue were fixed), the closing price of the Company's H Shares was HKD4.70 per share. During the Reporting Period, the net proceeds from the Issuance of H Shares to Specific Investor have been utilized according to the plan disclosed by the Company. The following table shows the use of net proceeds from the Issuance of H Shares to Specific Investor:

Unit: HKD

Committed investment project	Total committed investment of proceeds raised	Investment during the Reporting Period	Outstanding amount as at the end of the Reporting Period	Expected timeline for the completion of utilisation of proceeds raised
Replenishing working capital	1,998,769,803.79	1,998,769,803.79	Nil	N/A

USE OF PROCEEDS RAISED FROM THE ISSUANCE OF A SHARES TO SPECIFIC INVESTOR

In order to enhance fleet strength, consolidate competitive advantages, accelerate the realization of the Company's strategic planning, replenish working capital, implement safety production responsibilities, meet the Company's capital requirement for business development, improve capital structure, strengthen financial soundness and enhance the Company's comprehensive risk resistance capability, on 10 December 2024, the Company issued 854,700,854 A Shares to CNAHC (with a total nominal value of RMB854,700,854) at the issue price of RMB7.02 per share (the "**Issuance of A Shares to Specific Investor**"), raising net proceeds of RMB5,995,841,631.45 or net proceeds of RMB7.0151 per A Share issued to the specific investor. Please refer to the announcement of the Company dated 12 December 2024 for details. On 22 December 2023 (being the date on which the terms of the issue were fixed), the closing price of the Company's A Shares was RMB7.17 per share. During the Reporting Period, the net proceeds from the Issuance of A Shares to Specific Investor have been utilized according to the plan disclosed by the Company. The following table shows the use of net proceeds from the Issuance of A Shares to Specific Investor:

Unit: RMB

Committed investment project	Total committed investment of proceeds raised	Investment during the Reporting Period	Outstanding amount as at the end of the Reporting Period	Expected timeline for the completion of utilisation of proceeds raised
Introduction of 17 aircraft	4,195,841,631.45	799,601,175.29	3,396,240,456.16	By 31 December 2026[Note]
Replenishing working capital	1,800,000,000.00	1,800,000,000.00	Nil	N/A

Note: The expected timeline for the utilization of the proceeds is estimated based on the Company's current available information and may be subject to change depending on the actual delivery schedule of the aircraft.

DIRECTORS AND SUPERVISORS OF THE COMPANY

Directors

Set out below is the list of Directors during the Reporting Period and as at the date of this annual report (unless otherwise stated).

Name	Date of election and if applicable, leaving office as Director
Ma Chongxian (Chairman and Executive Director)	Elected as executive Director on 20 July 2021, elected as Vice Chairman on 25 February 2022, elected as Chairman and resigned as Vice Chairman on 27 September 2022. Re-appointed as executive Director and Chairman on 25 February 2025.
Wang Mingyuan (Vice Chairman and Executive Director)	Elected on 30 March 2023 and re-appointed as executive Director and Vice Chairman on 25 February 2025.
Feng Gang (Former Non-executive Director)	Elected on 26 May 2020 and ceased to act on 15 July 2024.
Cui Xiaofeng (Non-executive Director)	Elected on 9 August 2024 and re-appointed on 25 February 2025.
Patrick Healy (Non-executive Director)	Elected on 19 December 2019 and re-appointed on 25 February 2025.
Xiao Peng (Employee Representative Director)	Elected on 2 March 2023 and re-appointed on 25 February 2025.
Xu Niansha (Independent Non-executive Director)	Elected on 25 February 2025.
He Yun (Independent Non-executive Director)	Elected on 25 February 2022 and re-appointed on 25 February 2025.
Winnie Tam Wan-chi (Independent Non-executive Director)	Elected on 25 February 2022 and re-appointed on 25 February 2025.
Gao Chunlei (Independent Non-executive Director)	Elected on 25 February 2025.
Li Fushen (Former Independent Non-executive Director)	Elected on 25 February 2022 and resigned on 30 August 2024.
Xu Junxin (Former Independent Non-executive Director)	Elected on 25 February 2022 and ceased to act on 25 February 2025.

Supervisors

Set out below is the list of Supervisors during the Reporting Period and as at the date of this annual report (unless otherwise stated).

Name	Date of election and if applicable, leaving office as Supervisor
Xiao Jian (Chairman of the Supervisory Committee and Shareholder Representative Supervisor)	Elected as shareholder representative supervisor on 10 February 2023, elected as Chairman of the Supervisory Committee on 10 March 2023.
Lyu Yanfang (Shareholder Representative Supervisor)	Elected on 18 December 2020.
Guo Lina (Shareholder Representative Supervisor)	Elected on 25 February 2022.
Wang Mingzhu (Employee Representative Supervisor)	Elected on 2 March 2023.
Li Shuxing (Employee Representative Supervisor)	Elected on 2 March 2023.

CHANGES IN THE DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT OF THE COMPANY DURING THE REPORTING PERIOD AND UP TO THE DATE OF THIS ANNUAL REPORT

On 5 March 2024, Mr. Yan Fei was appointed as the Vice President of the Company at the 27th meeting of the sixth session of the Board of the Company.

On 5 March 2024, Mr. Chen Zhiyong ceased to serve as the Vice President of the Company due to retirement.

On 28 March 2024, Mr. Huang Bin ceased to serve as a secretary to the Board, a joint company secretary and an assistant to the President of the Company due to retirement.

On 28 March 2024, Mr. Xiao Feng was appointed as a secretary to the Board of the Company and a joint company secretary at the 28th meeting of the sixth session of the Board of the Company.

On 15 July 2024, Mr. Feng Gang ceased to serve as a director of the Company due to retirement.

On 15 July 2024, at the 31st meeting of the sixth session of the Board of the Company, the Board considered and agreed to nominate Mr. Cui Xiaofeng as a candidate for non-executive Director for the sixth session of the Board of the Company. On 9 August 2024, Mr. Cui Xiaofeng was elected as a non-executive Director of the Company at the 2024 second extraordinary general meeting of the Company.

On 30 August 2024, Mr. Li Fushen, by reason of age, resigned as an independent non-executive Director of the Company, the chairman of the Audit and Risk Management Committee (the Supervision Committee), and a member of each of the Strategy and Investment Committee, the Nomination Committee, the Remuneration and Appraisal Committee, and the Aviation Safety Committee.

On 25 February 2025, Mr. Ma Chongxian, Mr. Wang Mingyuan, Mr. Cui Xiaofeng and Mr. Patrick Healy were elected as the non-independent Directors of the seventh session of the Board of the Company, and Mr. Xu Niansha, Mr. He Yun, Ms. Winnie Tam Wan-chi and Mr. Gao Chunlei were elected as the independent non-executive Directors of the Company at the 2025 first extraordinary general meeting of the Company. Mr. Xu Junxin ceased to be an independent non-executive Director of the Company due to expiry of term of office. The thirteenth meeting of the third session of the employee representatives congress elected Mr. Xiao Peng as the employee representative Director of the seventh session of the Board of the Company.

DIRECTORS AND SUPERVISORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At any time during the Reporting Period or as at the end of the Reporting Period, none of the Company, its holding company, any of the Company's subsidiaries or fellow subsidiaries was a party to any agreement or arrangement which enables the Directors and Supervisors of the Company to acquire benefits by means of the acquisition of Shares in, or debentures, of the Company or any other body corporate.

INTERESTS AND SHORT POSITIONS OF DIRECTORS, SUPERVISORS AND THE CHIEF EXECUTIVE IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY

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

INTERESTS OF DIRECTORS AND SUPERVISORS IN CONTRACTS AND SERVICE CONTRACTS

Each of the Directors has entered into a service contract with the Company. All Directors shall serve a term of three years.

None of the Directors or Supervisors has any existing or proposed service contract with any member of the Group which is not terminable by the Group within one year without payment of compensation (other than statutory compensation).

Save as disclosed in the section headed “Connected Transactions” set out in this Report of the Directors, none of the Company, its holding company, or any of the Company’s subsidiaries or fellow subsidiaries has entered into any significant transactions, arrangements or contracts relating to the Group’s business, in which a Director or Supervisor or his or her connected entity directly or indirectly had any material interest, and which subsisted at the end of the Reporting Period or at any time during the Reporting Period.

During the Reporting Period, Mr. Ma Chongxian, Mr. Wang Mingyuan (both are executive Directors) and Mr. Patrick Healy (non-executive Director) also served as 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, during the Reporting Period, none of the Directors and their respective close associates (as defined in the Listing Rules) has any competing interests which would be required to be disclosed under Rule 8.10 of the Listing Rules.

PERMITTED INDEMNITY PROVISION

Appropriate directors’ liability insurance coverage has been arranged by the Company to indemnify the Directors for liabilities arising out of corporate activities. Such directors’ liability insurance was valid throughout the financial year ended 31 December 2024 and remains in effect as at the date of this annual report.

EMPLOYEES

The Company implements an open, fair and equal employment policy, insists on equal pay for equal work and is committed to avoiding any discrimination in respect of gender, race, nationality, physical condition, religion and marital status of employees. The Company continues to promote the diversity of employees and protect employees' legitimate rights and interests. The Group will continue to take measures, including recruiting and treating employees in accordance with the principle of gender equality, provide gender equality training and development opportunities, and ensure the rights and interests of female employees, to promote gender diversity at all levels and focus on diversified management talent reserves.

As at the end of the Reporting Period, the Group had a total of 104,909 employees (including 64,464 male employees and 40,445 female employees, accounting for 61.4% and 38.6% of the total employees of the Group respectively), among which, the Company had 46,812 employees and the subsidiaries of the Company had 58,097 employees. The differences in employee background and job requirements are the main factors affecting the gender diversity of employees.

The categories of employees of the Group are as follows:

Professional Categories	As at 31 December 2024
Management personnel	7,097
Functional personnel	5,676
Marketing and sales personnel	5,628
Operation personnel	5,789
Ground handling personnel	13,113
Cabin service personnel	27,271
Logistics and support personnel	6,720
Flight crew	13,550
Engineering and maintenance personnel	17,006
Information technology personnel	1,215
Other personnel	1,844
Total	104,909

REMUNERATION POLICY

In accordance with the requirements for optimizing the income distribution system and based on the principle of "paying salary with reference to the job value, personal ability as well as performance appraisal", the Company established an income distribution mechanism that maintained balance between incentives and constraints and emphasized both efficiency and fairness, so as to drive high-quality corporate development. During the Reporting Period, it stepped up its efforts in performance-based salary distribution, refined secondary assessment and distribution measures within the organisation, and made reasonable adjustments to income difference. The Company continued to prioritize salary distribution towards frontline positions that involved difficult, dirty, dangerous and labour-intensive work and increased the policy support for total wages in key sectors. Moreover, it strengthened the salary control mechanisms for business leaders at all levels, standardised the salary caps, and reasonably adjusted salary growth rates to promote more rational and orderly income distribution. In order to reinforce the positive incentives to core personnel and key talents in technological innovation, it implemented and improved the incentive and protection system for advancing technological innovation. It also enhanced the salary management information system to boost the efficiency and quality of labour cost statistics and analysis.

TRAINING PROGRAMME

In 2024, the Group fully implemented the spirit of the 20th National Congress of the Communist Party of China. It focused on developing a high-quality cadre team that is loyal to the Party, eager to innovate, skilled in enterprise management, effective in driving business forward, and committed to integrity and discipline. The Group actively collaborated with higher-level units to offer training in a steady and orderly manner, with 2,843 participants attending the cadre study sessions on Xi Jinping's thought on socialism with Chinese characteristics for a new era. It conducted three phases of centralized rotational training on implementing Xi Jinping's thought on socialism with Chinese characteristics for a new era and the spirit of the Third Plenary Session of the 20th Central Committee of the Communist Party of China, establishing a total of 17 sub-classrooms with 2,484 personnel participating in the training. The Group actively launched off-job training programs to improve the job performance of leaders and cadres at all levels. It organised one basic rotation training session for young cadres, one job performance enhancement session each for newly appointed senior and mid-level management members, and three international exchange programs in partnership with Rolls-Royce Derby, Rolls-Royce Singapore and Airbus France. In addition, it launched the practical exchange programs with COMAC and Air Macau. In terms of online training, it further standardised the coordination and management of online training courses. It uploaded 26 new online courses to the Leadership Campus of the Online College (網絡學院領導力分院) which included five series of special programs covering topics such as policy interpretation, new quality productive forces and artificial intelligence. Regarding the qualification trainings for pilots, flight attendants, cadet pilots, flight dispatchers and ground service personnel, the Group offered 551,000 person-hours of online training, delivered 157,467 hours of flight simulator training and provided 84,414 hours of other trainings to maintain all operational personnel's valid certifications. The Group also provided training for dispatchers, cabin crew, aviation safety officers and load planners on the C919 model, while expanding the onboarding training programs for crew scheduling specialists and hub operation staff. By improving the training capacity, enriching the training scope, and enhancing the relevance, practicality and effectiveness of training programs, the Company provided a solid foundation for the high-quality development with high-quality training.

In 2025, the Company will further implement the spirit of the National Work Conference on Cadre Education and Training and effectively follow the requirements of the Working Rules on Cadre Education and Training (《幹部教育培訓工作條例》) and the National Cadre Education and Training Plan (2023-2027) (《全國幹部教育培訓規劃 (2023-2027年)》). It will design special training programs to meet specific needs based on a tiered and categorized training system. With the launch of international exchange activities, it will continue to enhance the political skills, execution capacity, and leadership abilities of the leaders and cadres. By accelerating the empowerment of cadre talents, the Company will provide strong talent and intellectual support for the Group to achieve high-quality development and become a world-class enterprise.

SUPPLIER MANAGEMENT

The Company firmly promoted open procurement with a focus on "compliance, efficiency and quality", and strived to improve procurement management capabilities. We facilitated the establishment of procurement system, comprehensively strengthened procurement risk management and control and continuously deepened standardized management, which has resulted in better procurement compliance. The Company also achieved steady improvement in procurement efficiency through dynamic integration of management optimization with service refinement. The Company improved the regulations concerning supplier selection, access management and annual performance appraisal to ensure the good operation and maintenance of supplier information base, and established a good cooperative relationship with its suppliers to achieve sustainable development together.

EMPLOYEES AND EMPLOYEES' PENSION SCHEME

Details of the employees' pension scheme and other welfare are set out in note 9 to the financial statements of this annual report, and retired employees are entitled to benefits under the social pension scheme approved and provided by the labour and social security authority of the local governments.

SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

Details of the subsidiaries, associates and joint ventures of the Group as at the end of the Reporting Period are set out respectively in notes 21, 22 and 23 to the financial statements of this annual report.

BANK LOANS AND OTHER BORROWINGS

Details of the bank loans and other borrowings of the Company and the Group are set out in note 35 to the financial statements of this annual report.

FIXED ASSETS

Changes in the fixed assets of the Group for the year ended 31 December 2024 are set out in note 17 to the financial statements of this annual report.

AIRCRAFT AND FLIGHT EQUIPMENT

The aggregate net book value of the Group's aircraft, engines and flight equipment as at the end of the Reporting Period are set out in note 17 to the financial statements of this annual report. The Group's capital commitment amounts for aircraft and flight equipment as at the end of the Reporting Period are set out in note 42 to the financial statements of this annual report.

CAPITALISED INTERESTS

Details of the capitalised interests of the Group for the year ended 31 December 2024 are set out in note 12 to the financial statements of this annual report.

RESERVES

Changes in the reserves of the Company and the Group during the year are set out in note 40 to the financial statements and the consolidated statement of changes in equity of this annual report.

DONATIONS

During the Reporting Period, the Group made donations for charitable and other purposes amounting to RMB44.2695 million.

MAJOR CUSTOMERS AND SUPPLIERS

During the Reporting Period, the purchases of the Group from the largest supplier accounted for 25.08% of the total purchases of the Group, while the purchases of the Group from the five largest suppliers accounted for 38.55% of the total purchases of the Group. None of the Directors or Supervisors, their associates, nor any shareholder of the Company, who to the knowledge of the Directors owns 5% or more of the Company's share capital, had any interest in the five largest suppliers of the Company.

During the Reporting Period, the sales to the five largest customers of the Group accounted for not more than 30% of the total sales of the Group.

PROPERTY TITLE CERTIFICATE

The Company effected the changes of titles of assets (land, buildings and vehicles), in accordance with its undertakings as disclosed in the Company's prospectus when shares were issued. The title transfer procedures for the underlying assets relating to the above undertakings have been completed.

ENVIRONMENTAL POLICY AND PERFORMANCE OF THE GROUP

During the Reporting Period, the Group placed great emphasis on energy conservation and ecological and environmental protection. With Xi Jinping's thoughts on ecological civilization as the guiding principle, it thoroughly implemented the spirits of the 20th National Congress of the Communist Party of China and the Second and Third Plenary Sessions of the 20th Central Committee of the Communist Party of China, adopted the major decisions on carbon peak and carbon neutrality, and followed General Secretary Xi Jinping's important directives related to civil aviation, which resulted in notable progress in crucial areas such as energy conservation and emission reductions, ecological and environmental protection, as well as carbon peak and carbon neutrality.

The Group continued to enhance the management system and management capabilities, evidenced by the recertification of the ISO14001 environmental management system. In line with the national "dual carbon" strategy, it made active contribution to the collaborative development of sustainable aviation fuels. It optimized the introduction and phase-out of aircraft, operational management and ground support to ensure green and low-carbon operations. It devoted significant efforts in pollution control and maintained strict compliance with regulations. The Group proactively introduced new energy vehicles and exercised strict controls over the emission of pollutants. To promote environmental protection and public welfare, it fulfilled social responsibilities by launching the "Enjoy Clean Flight (淨享飛行)" green travel project which encouraged passengers to adopt eco-friendly consumption and travel habits. In Shanghai, it organized a water deer conservation project to explore ways to achieve harmonious coexistence between humanity and nature in the city.

COMPLIANCE OPERATIONS

As a Chinese company listed on the Hong Kong Stock Exchange and the Shanghai Stock Exchange, the Company shall comply with regulations in relation to listed companies' securities issue and trading, such as the Company Laws of the People's Republic of China, the Securities Law of the People's Republic of China, the SFO of Hong Kong, the Companies Ordinance of Hong Kong, the Stock Listing Rules of the Shanghai Stock Exchange (《上海證券交易所股票上市規則》) and the Listing Rules of the Hong Kong Stock Exchange. CNAF, a non-wholly owned subsidiary of the Company, as a non-bank financial institution established in Mainland China, shall comply with rules in respect of financial regulation in Mainland China. The Group, with civil aviation transportation and related services as its principal businesses, shall comply with requirements in relation to civil aviation safety regulations of locations where the Group operates, and laws and regulations in respect of consumer rights protection, environmental protection, anti-monopoly, anti-unfair competition and tax, etc.

The Group has the procedure of compliance in place to ensure compliance with applicable laws, regulations and normative legal documents, and in particular those having a significant impact on its principal businesses. The Group will notify the relevant employees and operating teams of any change in applicable laws, regulations and normative legal documents relating to its principal businesses from time to time.

During the Reporting Period, so far as the Directors of the Company were aware, the Group did not commit any violations of laws and regulations in all material aspects that would have a significant impact on the Group.

As at the end of the Reporting Period, the Company was not involved in any significant litigation or arbitration and to the knowledge of the Company, there was no litigation or claim of material importance pending, threatened or initiated against the Company.

CONNECTED TRANSACTIONS

The Group has entered into several connected transaction agreements with certain connected persons of the Group as described in the paragraphs below. The Company has complied with the disclosure requirements of the connected transactions in accordance with Chapter 14A of the Listing Rules.

For the purpose of this section headed “Connected Transactions” in this Report of the Directors, “CNAHC Group” refers to CNAHC, its subsidiaries and associates (as defined under the Listing Rules) excluding the Group, “ACC Group” refers to Air China Cargo, its subsidiaries and its 30%-controlled companies (as defined under the Listing Rules), “Cathay Pacific Group” refers to Cathay Pacific and its subsidiaries (as defined under the Listing Rules).

ONE-OFF CONNECTED TRANSACTIONS

On 7 February 2024, the Company issued 392,927,308 H Shares to CNACG (with a total nominal value of RMB392,927,308) at the issue price of HKD5.09 per share, raising net proceeds of HKD1,998,769,803.79 or net proceeds of HKD5.0869 per H Share issued. For the use of net proceeds and other details of this transaction, please refer to the section headed “Use of Proceeds Raised from the Issuance of H Shares to Specific Investor” of this Report of the Directors.

On 10 December 2024, the Company issued 854,700,854 A Shares to CNAHC (with a total nominal value of RMB854,700,854) at the issue price of RMB7.02 per share, raising net proceeds of RMB5,995,841,631.45 or net proceeds of RMB7.0151 per A Share issued. For the use of net proceeds and other details of this transaction, please refer to the section headed “Use of Proceeds Raised from the Issuance of A Shares to Specific Investor” of this Report of the Directors.

Since CNAHC is a substantial shareholder of the Company and CNACG is a wholly-owned subsidiary of CNAHC, CNAHC and CNACG are connected persons of the Company, and each of the issuance of A Shares to CNAHC and the issuance of H Shares to CNACG constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. For details, please refer to the announcements of the Company dated 7 February 2024 and 12 December 2024.

CONTINUING CONNECTED TRANSACTIONS

During the Reporting Period, the transactions under the following continuing connected transaction framework agreements constituted non-exempt continuing connected transactions of the Company:

	Agreement	Parties and Connected Relationship	Execution Date and Term of Agreement	Contents of Agreement	Pricing Policy
1	Properties Leasing Framework Agreement	The Company and CNAHC (a substantial shareholder of the Company and therefore a connected person of the Company)	Renewed on 29 October 2021 with a term from 1 January 2022 to 31 December 2024, and subsequently renewed on 30 October 2024 with a term from 1 January 2025 to 31 December 2027 The details are set out in the announcements of the Company dated 29 October 2021 and 30 October 2024	The Group and CNAHC Group agreed to lease from each other certain properties (including ancillary facilities) and land use rights owned by each other for their respective production and operation, office and storage use.	The Group (as lessor) may rent out its own properties (including properties constructed by the Group or customized upon the request of CNAHC Group) or land with legal use rights to CNAHC Group for its production and operation, office and storage use. The pricing principles and conducting of the transaction shall be as follows: First, the Group shall provide quotation for the leased properties or land to CNAHC Group after taking into account the factors including the relevant costs, tax and reasonable profit margin relating to the properties or land. The related costs include, among others, construction costs, depreciation costs, funding costs and maintenance costs. Then, the rent payable for the leased properties or land shall be determined through arm's length negotiations between the Group and CNAHC Group after CNAHC Group takes into account the factors such as the location of the leased properties or land and the service quality. Such rent shall not be lower than the rent offered by the Group to an independent third party (if any) in comparable circumstances. The Group (as lessee) may lease properties owned by CNAHC Group and land with legal use right from CNAHC Group based on its production and operation, office and storage needs. The pricing principles and conducting of the transaction shall be as follows: First, the Group shall conduct market research and collect, consolidate and analyze information in respect of provision of leasing services by independent third parties for the same type of properties or land (if any) in close proximity to the properties or land. Then, (i) if there is comparable market of the same type found through market research, the parties shall determine the rental prices for the leased properties or land through arm's length negotiations with reference to the market price for the same type of services available from at least two independent third parties and take into account certain factors; (ii) if there is no comparable market of the same type found in the neighboring areas through market research, the price shall be determined by adopting the cost-plus approach: the rental price of the leased properties or land shall be determined through arm's length negotiations between the parties based on the relevant costs, tax and reasonable profit margin of the properties or land offered by CNAHC Group. When leasing each other's properties or land, the parties may determine the price for leasing their respective properties or land based on the above pricing principles, and then exchange the properties or land use right in accordance with the principle of equivalent exchange.

	Agreement	Parties and Connected Relationship	Execution Date and Term of Agreement	Contents of Agreement	Pricing Policy
2	Comprehensive Services Framework Agreement	The same as above	The same as above	(i) The Group accepts CNAHC Group's appointment to provide CNAHC Group with products or services including but not limited to retiree management services, human resources services (including general, servicing and consulting services in respect of personnel employment, archival information, salaries and benefits, social insurance and employee services), information technology services, procurement services, training services, air passenger transportation agency services and in-flight supplies. (ii) CNAHC Group was appointed by the Group as the provider of ancillary production services or the administrator of supply services of the Group for which CNAHC Group shall provide the following products or services to the Group including but not limited to (provided that the provider has obtained the relevant qualifications and certifications): (1) on-board catering and food supply management services on global flights; (2) operation and management services of office buildings; (3) property management services in office buildings and the regions at which the office buildings are located; (4) support services for resident group, support services for delayed flights passengers and scenario mileage payment products; (5) catering support and cleaning services for check-in area and lounge for high-end passengers at terminals; (6) other commissioned services. (iii) CNAHC Group was engaged by the Group as one of the providers of ancillary production or supply services of the Group, which CNAHC Group shall provide the Group with the following products or services including but not limited to (provided that the provider has obtained the relevant qualifications and certifications): (1) hotel accommodation and staff recuperation services; (2) air ticket printing services and other printed materials; (3) air passenger transportation agency services; (4) other services such as airline catering services and provision of all kinds of on-board services supplies. (iv) The Group and CNAHC Group commission each other for the human resources sharing business within the two groups.	For the services mentioned in item (i), the price to be charged by the Group will be determined after arm's length negotiations between the parties on the basis of the costs of the Group adding a reasonable service fee (generally ranging from 3% to 10% of the costs) and/or with reference to the price for the same type of products or services provided by the Group to other parties under non-related (non-connected) transactions. For the services mentioned in item (ii), the parties shall, according to the service items and specific needs, determine the relevant service fees through arm's length negotiations in accordance with the following principles: (1) the final transaction price shall be determined after arm's length negotiations between the parties based on the quotations provided by CNAHC Group, with reference to the market price (if any) for the same type of services available from at least two independent third parties in the market and take into account factors including the service standard, service scope, business volume and specific needs of the parties; and/or (2) the service fee shall be determined after arm's length negotiations between the parties based on the costs of CNAHC Group adding a reasonable service fee, and offering rewards or imposing penalties depending on the management of CNAHC Group, the final settlement of which shall be made on the basis of the actual transaction amount. For the services mentioned in item (iii), (1) if government-set or guided price is available, government-set or guided price shall be adopted; (2) in the absence of government-set or guided price, the final transaction price shall be determined after arm's length negotiations between the parties with reference to the market price (if any) for the same type of products or services available from at least two independent third parties in the market, by taking into account certain factors including the service standard, service scope, business volume and specific needs of the parties; (3) if open market price is not available or there are no identical or similar business activities in the market, the parties shall settle the actual transaction amount based on the costs of CNAHC Group adding a reasonable service fee, and offering rewards or imposing penalties depending on the management of CNAHC Group. For the services mentioned in item (iv), in principle, the transaction price shall be determined through arm's length negotiations between the parties based on the labor costs incurred, and the transaction price shall be fully borne by the worksite employer.

	Agreement	Parties and Connected Relationship	Execution Date and Term of Agreement	Contents of Agreement	Pricing Policy
3	Government Charter Flight Service Framework Agreement	The same as above	The same as above	CNAHC shall use the charter flight services of the Company for fulfilling its government charter flight assignments.	The parties will determine the price for the Government Charter Flight Services through arm's length negotiations based on the cost incurred by the carrier in providing the Government Charter Flight Services adding a reasonable profit (the reasonable profit margin generally ranges from 5% to 10%). The costs include direct costs and indirect costs.
4	Media Services Framework Agreement	The Company and CNAMC (CNAMC is a wholly-owned subsidiary of CNAHC and therefore a connected person of the Company)	The same as above	CNAMC has agreed to provide Media Services to the Group. Of which, the Company grants CNAMC an exclusive right to distribute in-flight reading materials, movies, TV series, music, sound effect and other cultural contents. The Company has commissioned CNAMC as the general service provider with respect to the Media Services of the Company which CNAMC shall provide the Company with the following Media Services (the "**Entrusted Services**"): (1) in-flight entertainment system business and in-flight network platform business; (2) brand communication and product marketing business; (3) news and publicity business, including but not limited to external media operation and maintenance and internal newspaper production; (4) advertisement management business and media cooperation and management business; (5) other Media Services entrusted by the Company.	For the Entrusted Services, the Group will make reference to the service items and specific requirements, and (i) the parties shall determine the final transaction price through arm's length negotiations based on the quotations provided by CNAMC with reference to the market price (if any) for the same type of services available from at least two independent third parties after taking into account factors including the service standard, service scope, business volume and specific needs of the parties; and/or (ii) the service fees shall be determined after arm's length negotiations between the parties based on the costs of CNAMC adding a reasonable service fee, and offering rewards or imposing penalty depending on the management of CNAMC, the final settlement of which shall be made on the basis of the actual transaction amount. In respect of the media products or services other than the Entrusted Services that are purchased by the Company from CNAMC, the Group shall determine and pay the relevant services fees in accordance with the following principles and the arm's length negotiations with CNAMC: (1) if government-set or guided price is available, government-set or guided price shall be adopted; (2) in the absence of government-set or guided price, the final transaction price shall be determined after arm's length negotiations between the parties based on the quotation provided by CNAMC with reference to the market price (if any) for the same type of services available from at least two independent third parties in the market after taking into account certain factors including the service standard, service scope, business volume and specific needs of the parties; (3) if open market price is not available or there are no identical or similar business activities in the market, the parties shall settle the actual transaction amount based on the costs of CNAMC adding a reasonable service fee, and offering rewards or imposing penalties depending on the management of CNAMC. In respect of the Company's media used by CNAMC in operating the Media Services, CNAMC shall pay the Company an annual media resource fee of RMB13.8915 million for each of the three years of 2022, 2023 and 2024 as per the comparable market prices of the media resources.

	Agreement	Parties and Connected Relationship	Execution Date and Term of Agreement	Contents of Agreement	Pricing Policy
5	Construction Project Commissioned Management Framework Agreement	The Company and CNACD (a wholly-owned subsidiary of CNAHC and therefore a connected person of the Company)	Renewed on 29 October 2021 with a term from 1 January 2022 to 31 December 2024 The details are set out in the announcement of the Company dated 29 October 2021	CNACD Group is commissioned by the Company to serve as a manager of the construction projects and establish project department. CNACD Group shall provide management services for the Company's projects based on project characteristics using its industry expertise and professional skills. The subsidiaries of the Company may also commission CNACD Group to carry out the project management work.	CNACD Group receives service fees based on the size of or investment in the projects in accordance with the commissioned management scope, and the service fees shall be calculated as per actual expenses and rewards and penalties-related expenses on a full labor cost basis (including reward for labor cost budget surplus, rewards and penalty for construction period management and reward and penalty for investment control balance) based on the human resources invested by CNACD Group as verified by the Company, and the particulars to be specified in relevant agreements.
6	Financial Services Framework Agreement	The Company and CNAF (CNAF is a non-wholly owned subsidiary of the Company that CNAHC holds 49% of its equity interest and therefore a connected subsidiary of the Company)	Renewed on 30 March 2023 with a term from 1 January 2024 to 31 December 2026 The details are set out in the announcement of the Company dated 30 March 2023	CNAF agreed to provide the Group with a range of financial services including deposit services, credit services and other financial services.	Interest rates applicable to deposits: should (i) comply with the requirements on the interest rates prescribed by the People's Bank of China for such type of deposits; and (ii) not be lower than the interest rates offered by state-owned commercial banks to the Group for the same type of services under the same conditions. Interest rates applicable to credit services: should (i) comply with the requirements on the interest rates prescribed by the People's Bank of China for such type of services; and (ii) not be higher than the interest rates charged by state-owned commercial banks to the Group for the same type of services under the same conditions. Fees for other paid financial services: should (i) comply with the relevant rate standards (if any) prescribed by the People's Bank of China, CBIRC, CSRC, NAFMII or other regulatory authorities; and (ii) not be higher than those for the same type of services charged by state-owned commercial banks to the Group under the same conditions.

	Agreement	Parties and Connected Relationship	Execution Date and Term of Agreement	Contents of Agreement	Pricing Policy
7	Financial Services Framework Agreement	CNAF (a non-wholly owned subsidiary of the Company), and CNAHC (a substantial shareholder of the Company and therefore a connected person of the Company)	The same as above	CNAF agreed to provide CNAHC Group with a range of financial services including deposit services, comprehensive credit line services and other financial services.	Interest rates applicable to deposits: should (i) comply with the requirements on interest rates prescribed by the People's Bank of China for such type of deposits; and (ii) not be higher than the interest rates offered by state-owned commercial banks to CNAHC Group for the same type of services under the same conditions. Interest rates applicable to loan and bill discounting services: should (i) be in compliance with the requirements on interest rates prescribed by People's Bank of China for such type of services; and (ii) be not lower than the interest rates charged by state-owned commercial banks to the CNAHC Group for the same type of services under the same conditions. Fees for other paid financial services: should (i) comply with the relevant rate standards (if any) prescribed by the People's Bank of China, CBIRC, CSRC, NAFMII or other regulatory authorities; and (ii) not be lower than those for the same type of services charged by state-owned commercial banks to the CNAHC Group under the same conditions.
8	ACC Financial Services Agreement	CNAF and Air China Cargo	Entered into on 30 March 2023 with a term from 1 January 2024 to 31 December 2026 The details are set out in the announcement of the Company dated 30 March 2023	CNAF has agreed to provide the ACC Group with a range of financial services including deposit services, comprehensive credit line services and other financial services.	Interest rates applicable to deposits: should (i) comply with the requirements on interest rates prescribed by the People's Bank of China for such type of deposits; and (ii) not be higher than the interest rates offered by state-owned commercial banks to ACC Group for the same type of services under the same conditions. Interest rates applicable to loan and bill discounting services: should (i) be in compliance with the requirements on interest rates prescribed by People's Bank of China for such type of services; and (ii) be not lower than the interest rates charged by state-owned commercial banks to ACC Group for the same type of services under the same conditions. Fees for other paid financial services: should (i) comply with the relevant rate standards (if any) prescribed by the People's Bank of China, CBIRC, CSRC, NAFMII or other regulatory authorities; and (ii) not be lower than those for the same type of services charged by state-owned commercial banks to ACC Group under the same conditions.

	Agreement	Parties and Connected Relationship	Execution Date and Term of Agreement	Contents of Agreement	Pricing Policy
9	Related (Connected) Transaction Framework Agreement	The Company and CNACG (CNACG is a substantial shareholder of the Company and therefore a connected person of the Company)	Renewed on 20 September 2022 with a term from 1 January 2023 to 31 December 2025 The details are set out in the announcement of the Company dated 20 September 2022	Finance and operating lease services: CNACG Group shall provide finance and operating lease services in respect of, including but not limited to, aircraft, engines, simulators, aircraft-related materials, equipment and vehicles to the Group; the Group shall provide finance and operating lease services in respect of, including but not limited to, equipment and vehicles to CNACG Group. Ground support services and other services: including but not limited to the following transactions conducted between any member of the Group on the one hand and any member of CNACG Group on the other hand: ground support services, aircraft maintenance services, aircraft repair services, property investment and management services, ticket and tourism services, logistics services, administrative management services, cleaning and washing services, resident security services, lounge supplies procurement services and aircraft material procurement services.	Finance and operating lease services: the final transaction price will be determined on arm's length negotiations between both parties with reference to the prices for the same type of lease services offered by independent third parties and after taking into account certain factors. Such factors include purchasing price of the leasing subject, interest rate and arrangement fees (if any) (for finance lease), rental fee (for operating lease), the lease terms, the features of the leasing subject and the comparable market rental prices. The final transaction price shall not be higher than the transaction prices offered by at least two independent third parties on the same conditions. Ground support services and other services: (1) Follow the government pricing or guidance price if it is available; (2) If no government pricing or guidance price is available, the final transaction price will be determined on arm's length negotiations between the parties, with reference to the market prices offered by at least two independent third parties on the market for the same type of service, and after taking into account certain factors such as the service standard, service scope, business volume and specific needs of the parties. If any service needs of the service recipient change, appropriate adjustment will be made to the transaction price after negotiation between both parties based on the extent of variation in the relevant costs, service quality or other factors; (3) If neither of the above cases is applicable, the price will be determined on the basis of costs plus reasonable profit. The costs are mainly based on the costs and expenses of the service provider, including costs of human resources and costs of facility, equipment and materials. Reasonable profit margin will be determined with mainly making reference to the historical average prices of similar products or services (where possible) published in the relevant industry, and/or the profit margin of the comparable products and services disclosed by other listed companies. The profit margin of CNACG Group shall not exceed 10%. The final transaction prices shall be determined on terms that, to the Group, are no less favorable than those provided by independent third parties to the Group or those provided by CNACG Group to independent third parties (with regards to the receiving of services by the Group), or no more favorable than those provided by the Group to the independent third parties (with regards to the rendering of services by the Group).

	Agreement	Parties and Connected Relationship	Execution Date and Term of Agreement	Contents of Agreement	Pricing Policy
10	Framework Agreement	The Company and Cathay Pacific (Cathay Pacific is a substantial shareholder of the Company and therefore a connected person of the Company)	Renewed on 30 August 2022 with a term from 1 January 2023 to 31 December 2025 The details are set out in the announcement of the Company dated 30 August 2022	Providing a framework for the transactions between the Group and Cathay Pacific Group arising from interline arrangements, code sharing arrangements, joint operating arrangements, aircraft leasing, frequent flyer programmes, the provision of airline catering, ground support and engineering services and other services and transactions agreed.	Interline arrangements and codeshare arrangements: revenue is apportioned between the parties in accordance with bilateral prorate agreements which follow the principles in the Multi-lateral Prorate Agreement of International Air Transport Association. Joint operating arrangements: revenue is apportioned between the parties having regard to the fleet capacity of both parties and the values of seats sold by each party. Aircraft leasing: rentals payable under aircraft leases are determined after negotiations at arm's length between the parties having regard to rentals payable under comparable leases between unconnected parties for comparable aircraft and comparable periods and prevailing long-term interest rates. Frequent flyer programmes: frequent flyers of either party can earn mileage credits by taking the other party's flights. Payments by each party to the other for mileage values are determined by the parties on an arm's length basis having regard to comparable mileage values payable by unconnected airlines to each other. Airline catering: the parties determine the pricing of airline catering having regard to quotations provided by unconnected caterers, taking due account of material and labor costs, quality, assurance of supply, safety and innovation (including changes in the foregoing matters). Ground support and engineering services: the pricing is required to be no less favorable than that offered for comparable services to unconnected parties taking due account of the quality of services. Other products and services (including leasing premises and handling customs clearance): the pricing is determined having regard to relevant market information (including independent third party quotations for comparable products and services), costs incurred by the relevant party and the quality of products and services (including changes in any of the foregoing).

Report of the Directors

	Agreement	Parties and Connected Relationship	Execution Date and Term of Agreement	Contents of Agreement	Pricing Policy
11	Framework Agreement	The Company and Air China Cargo (a 45%-owned subsidiary of CNAHC and therefore a connected person of the Company)	Renewed on 20 September 2022 with a term from 14 October 2022 to 31 December 2024, and subsequently renewed on 30 October 2024 with a term from 1 January 2025 to 31 December 2027 The details are set out in the announcements of the Company dated 20 September 2022 and 30 October 2024	Exclusive operation of the passenger aircraft cargo business: the Group and the ACC Group have determined to carry out a long-term collaboration for the passenger aircraft cargo business under an exclusive operating model. The entire passenger aircraft cargo business of the Group will be operated exclusively by the ACC Group, and the ACC Group shall undertake the overall responsibilities for transporting the cargos to the consignors with respect to the cargos which are transported through the passenger aircraft. Ground support services and other services: the ground support services and other services provided by the Group to the ACC Group include but are not limited to operation support services, IT sharing services, comprehensive support services, engine and aircraft-related materials sharing services, retiree management services, training services, human resources services, and procurement and maintenance services. The ground support services and other services provided by the ACC Group to the Group include but are not limited to ground support services (cargo terminal services and airport apron services), container and pallet management services, engine and aircraft-related materials sharing services.	Exclusive operation of the passenger aircraft cargo business: During the exclusive operation term, the Group shall charge the ACC Group the transportation service fee regularly in each year. Such transportation service fee shall be determined based on the ACC Group's actual cargo revenue generated from the exclusive operation of the Group's passenger aircraft cargo business after deducting certain operating fee rate. The specific formulas are as follows: Transportation service fee = actual revenue from the passenger aircraft cargo business × (1 – operating fee rate) Ground support services and other services: (1) Follow the government and industry pricing or guidance price if it is available; (2) If no government pricing or guidance price is available, the final transaction price shall be determined on arm's length negotiations between the parties, with reference to the market prices offered by at least two independent third parties on the market for the same type of service, and after taking certain factors into account such as the service standard, service scope, business volume and specific needs of parties. If any service needs of the service recipient change, appropriate adjustment will be made to the transaction price after negotiation between both parties based on the extent of variation in relevant costs, service quality or other factors; (3) If neither of the above cases is applicable, the price shall be determined on the basis of costs plus reasonable profit. The costs are mainly based on the costs and expenses of the service provider, including costs of human resources and costs of facility, equipment and materials. Reasonable profit margin will be determined with mainly making reference to the historical average prices of similar products or services (where possible) published in the relevant industry, and/or the profit margin of the comparable products and services disclosed by other listed companies. The reasonable profit margin of ACC Group shall not exceed 10%. The final transaction prices shall be determined on terms that, to the Group, are no less favorable than those provided by independent third parties to the Group or those provided by ACC Group to independent third parties.

Agreement	Parties and Connected Relationship	Execution Date and Term of Agreement	Contents of Agreement	Pricing Policy
			Property leasing: the Group may rent out its own properties or land with legal use rights to ACC Group for its production and operation, office and storage use, and the Group may lease ACC Group's self-owned properties and land with legal use rights from the ACC Group in the event that its own properties could not be able to meet its business needs such as production and operation, office and storage.	Property leasing services: (1) The Group as lessor: first, the Group shall provide quotation of the leased properties or land to ACC Group after taking into account the factors including the relevant costs, tax and reasonable profit margin relating to the properties or land. Then, the rental prices for the leased properties or land shall be determined through arm's length negotiations between the Group and ACC Group after ACC Group takes into account the factors such as the location of the leased properties or land and the service quality. Such rental prices shall not be lower than the rent offered by the Group to an independent third party (if any) in comparable circumstances. (2) The Group as lessee: first, the Group shall conduct market research and collect, consolidate and analyze information in respect of provision of leasing services by independent third parties for the same type of properties or land (if any) in close proximity to the properties or land to be leased. Then, (a) if there is comparable market of the same type identified through market research, the parties shall determine the rental prices for the leased properties or land through arm's length negotiations with reference to the market price for the same type of services available from at least two independent third parties after taking into account the relevant factors. The relevant factors include the geographical location, function and layout, furnishing, ancillary facilities and property services of the property or land as well as the specific needs of the lessee; and (b) if there is no comparable market of the same type found in the neighboring areas through market research, the price shall be determined by adopting the cost-plus approach: the rental price of the leased properties or land shall be determined through arm's length negotiations between the parties based on the relevant costs, tax and reasonable profit margin of the properties or land offered by ACC Group. The relevant costs include construction costs, depreciation costs, funding costs and maintenance costs. Reasonable profit margin will be determined with mainly making reference to the historical average prices on similar services (where possible) published regarding the property leasing industry, and/or the profit margin of the comparable services disclosed by other listed companies, and the reasonable profit margin of ACC Group shall not exceed 10%. The abovementioned rental prices shall not be higher than those offered by ACC Group to the independent third parties (if any) in comparable circumstances. (3) The Group as lessee and lessor: when leasing each other's properties or land, as a separate matter, the parties may determine the quotation for the rental prices of their respective properties or land based on the above pricing principles, and then exchange the properties and land use right in accordance with the principle of equivalent exchange.

The Company has confirmed that the execution and implementation of the specific agreements under the continuing connected transactions set out above during the Reporting Period has followed the pricing policies of such continuing connected transactions.

Transaction Caps and Actual Transaction Amounts for the Reporting Period

Actual transaction amounts and transaction caps of the above-mentioned continuing connected transactions for the Reporting Period are as follows:

	Currency	Total amount for the Reporting Period Annual cap (in millions)	Actual amount (in millions)
Transactions with CNAHC Group:			
Revenue from charter flight services	RMB	900	472
Revenue from comprehensive services	RMB	121	82
Expenditure on comprehensive services	RMB	2,780	2,304
Revenue from property leasing	RMB	176	18
Total value of right-of-use assets involved in property leasing	RMB	390	20
Single rent received from customized properties	RMB	330	–
Expenditure on media and advertising services	RMB	600	157
Expenditure on construction project management services	RMB	90	35
Maximum daily balance of loans granted by CNAF to CNAHC Group	RMB	5,500	408
Transactions with CNACG Group:			
Expenditure on ground handling and other services	RMB	800	540
Total value of right-of-use assets involved in financing and operating leasing	RMB	16,500	1,948
Annual rental fee in relation to the operating leases not accounted for as right-of-use assets provided by the CNACG Group	RMB	140	18
Transactions with Cathay Pacific Group:			
Aggregate amount payable/paid by the Group to Cathy Pacific Group	HKD	800	110
Aggregate amount payable/paid by Cathay Pacific Group to the Group	HKD	800	365
Transactions with ACC Group:			
Transportation service fee of the passenger aircraft cargo business paid by ACC Group to the Group	RMB	18,000	6,849
Aggregate amount of ground handling and other services paid by ACC Group to the Group	RMB	2,700	995
Aggregate amount of ground handling and other services paid by the Group to ACC Group	RMB	1,600	871
Revenue from property leasing services	RMB	250	131
Transactions with CNAF:			
Maximum daily balance of deposits placed by the Group with CNAF	RMB	22,000	17,808

CONFIRMATION FROM INDEPENDENT NON-EXECUTIVE DIRECTORS

The independent non-executive Directors of the Company have confirmed that during the Reporting Period, all continuing connected transactions to which the Company was a party have been entered into in the ordinary and usual course of business of the Company, on normal commercial terms or better and have been carried out according to the agreements governing them and that the terms of them were fair and reasonable and in the interests of the shareholders of the Company as a whole.

CONFIRMATION FROM THE AUDITOR

Pursuant to Rule 14A.56 of the Listing Rules, the listed issuer must engage its auditors to report on the continuing connected transactions every year. The auditor must provide a letter to the listed issuer's board of directors confirming whether anything has come to their attention that causes them to believe that the continuing connected transactions:

(1) have not been approved by the listed issuer's board of directors;

(2) were not, in all material respects, in accordance with the pricing policies of the listed issuer's group for transactions involving the provision of goods or services by the listed issuer's group;

(3) were not entered into, in all material respects, in accordance with the relevant agreements governing the transactions; and

(4) have exceeded the annual cap.

Pursuant to the above requirement under Rule 14A.56 of the Listing Rules, the Board engaged the auditors of the Company to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 (Revised) "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditors have issued their unmodified letter containing their conclusion in respect of the continuing connected transactions in accordance with Rule 14A.56 of the Listing Rules.

RELATED PARTY TRANSACTIONS

Details of the significant related party transactions entered into by the Group during the Reporting Period are set out in note 46 to the financial statements of this annual report. None of these related party transactions constitutes a disclosable connected transaction as defined under the Listing Rules, except for the transactions described in the section headed "Connected Transactions" in this Report of the Directors, in respect of which the disclosure requirements under Chapter 14A of the Listing Rules have been complied with.

CONTRACT OF SIGNIFICANCE

Save as disclosed in the section headed "Connected Transactions" of this Report of the Directors, none of the Company or any of its subsidiaries entered into any contract of significance with the controlling shareholder or any of its subsidiaries, and there is no contract of significance in relation to provision of services by the controlling shareholder or any of its subsidiaries to the Company or any of its subsidiaries.

CORPORATE BONDS AS AT THE END OF THE REPORTING PERIOD

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

Unit: RMB billion, Currency: RMB

Name of Corporate Bond	Abbreviation	Code	Issue Date	Value Date	Expiry Date	Balance of the Bond	Interest Rate (%)	Payment of principal and interest	Investor suitability arrangement (if any)	Trading Mechanism
Shenzhen Airlines Company Limited 2022 Non-public Issuance of Corporate Bond for Professional Investors (First Tranche)	22SA01	133201	23 February 2022	25 February 2022	25 February 2025	1.541	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 Issuance of Corporate Bond for Professional Investors (Second Tranche)	22SA02	133215	17 March 2022	21 March 2022	21 March 2025	1.027	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 Issuance of Corporate Bond for Professional Investors (Third Tranche)	22SA03	133229	1 April 2022	7 April 2022	7 April 2025	1.537	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 Issuance of Corporate Bond for Professional Investors (Fourth Tranche)	22SA04	133240	25 April 2022	26 April 2022	26 April 2025	0.716	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

"22SA01", "22SA02", "22SA03" and "22SA04" are traded on the Shenzhen Stock Exchange (SZSE). The principal underwriter of "22SA01" include Guotai Junan Securities Co., Ltd., CITIC Securities Co., Ltd., CSC Financial Co., Ltd., China International Capital Corporation Limited, Ping An Securities Co., Ltd. and Shenwan Hongyuan Securities Co., Ltd. The principal underwriter of "22SA02" include Guotai Junan Securities Co., Ltd., CITIC Securities Co., Ltd., CSC Financial Co., Ltd. and Shenwan Hongyuan Securities Co., Ltd. The principal underwriter of "22SA03" include Guotai Junan Securities Co., Ltd., CSC Financial Co., Ltd. and China International Capital Corporation Limited. The principal underwriter of "22SA04" include Guotai Junan Securities Co., Ltd., CITIC Securities Co., Ltd., China International Capital Corporation Limited and Shenwan Hongyuan Securities Co., Ltd. No bond in the table is subject to the risk of termination of listing and trading.

The corporate bonds issued by the subsidiary of the Company, namely "22SA01", "22SA02", "22SA03" and "22SA04", are all unsecured bonds. During the Reporting Period, the debt repayment plans and debt repayment protective measures for corporate bonds were in line with the provisions and relevant undertakings provided in the prospectuses and there was no change. The Company paid interest to bondholders in strict accordance with the provisions of the prospectus.

Payment of principal and interest for corporate bonds during the Reporting Period

Name of Corporate Bond	Payment of Principal and Interest
Shenzhen Airlines Company Limited 2022 Non-public Issuance of Corporate Bond for Professional Investors (First Tranche)	On 25 February 2024, the interest payment on the non-public issuance of "22SA01" Corporate Bond was completed.
Shenzhen Airlines Company Limited 2022 Non-public Issuance of Corporate Bond for Professional Investors (Second Tranche)	On 21 March 2024, the interest payment on the non-public issuance of "22SA02" Corporate Bond was completed.
Shenzhen Airlines Company Limited 2022 Non-public Issuance of Corporate Bond for Professional Investors (Third Tranche)	On 7 April 2024, the interest payment on the non-public issuance of "22SA03" Corporate Bond was completed.
Shenzhen Airlines Company Limited 2022 Non-public Issuance of Corporate Bond for Professional Investors (Fourth Tranche)	On 26 April 2024, the interest payment on the non-public issuance of "22SA04" Corporate Bond was completed.

BASIC INFORMATION ON DEBT FINANCING INSTRUMENTS AS AT THE END OF THE REPORTING PERIOD

Unit: RMB 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 2024 Super Short-term Commercial Paper (Third Tranche)	24ACSCP003	012483169	24 September 2024	25 September 2024	20 June 2025	1.005	2.00	One-off payment of principal and interest on maturity
Air China Limited 2024 Super Short-term Commercial Paper (Fourth Tranche)	24ACSCP004	012483540	8 November 2024	11 November 2024	9 May 2025	1.003	1.96	One-off payment of principal and interest on maturity
Air China Limited 2024 Super Short-term Commercial Paper (Fifth Tranche)	24ACSCP005	012483539	8 November 2024	11 November 2024	9 May 2025	1.003	1.96	One-off payment of principal and interest on maturity
Air China Limited 2022 Medium Term Note (First Tranche)	22ACMTN001	102282150	22 September 2022	23 September 2022	23 September 2025	3.021	2.54	Interest on annual basis Repayment of principal on maturity
Air China Limited 2024 Medium Term Note (First Tranche)	24ACMTN001	102482159	4 June 2024	5 June 2024	5 June 2027	1.013	2.25	Interest on annual basis Repayment of principal on maturity
Air China Limited 2024 Medium Term Note (Second Tranche)	24ACMTN002	102484189	19 September 2024	20 September 2024	20 September 2027	3.017	2.03	Interest on annual basis Repayment of principal on maturity
Air China Limited 2024 Medium Term Note (Third Tranche)	24ACMTN003	102484862	11 November 2024	12 November 2024	12 November 2027	2.006	2.15	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	1.539	2.99	Interest on annual basis Repayment of principal on maturity

In terms of the place of trading, "24ACSCP003", "24ACSCP004", "24ACSCP005", "22ACMTN001", "24ACMTN001", "24ACMTN002", "24ACMTN003" and "22SAMTN001" are all traded on the interbank bond market. In terms of investor suitability arrangement, they are all issued to institutional investors in the national interbank bond market. In terms of trading mechanism, they follow 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.

Payment of principal and interest for corporate bonds during the Reporting Period

Name of Corporate Bond	Payment of Principal and Interest
Air China Limited 2022 Medium Term Note (First Tranche)	On 23 September 2024, Air China completed the interest payment on "22ACMTN001" Medium Term Note.
Shenzhen Airlines Company Limited 2021 Medium Term Note (First Tranche)	On 23 August 2024, Shenzhen Airlines completed the interest payment on "21SAMTN001" Medium Term Note.
Shenzhen Airlines Company Limited 2022 Medium Term Note (First Tranche)	On 18 February 2024, Shenzhen Airlines completed the interest payment on "22SAMTN001" Medium Term Note.

SUBSEQUENT EVENTS

The Company completed the election of the new session of the Board on 25 February 2025. For details, please refer to the announcement of the Company dated 25 February 2025.

AUDITOR

The Company has appointed Deloitte Touche Tohmatsu and Deloitte Touche Tohmatsu Certified Public Accountants LLP (collectively, "**Deloitte**") as the Company's international auditor and domestic auditor respectively for the year of 2024. The auditor of the Company has been changed to Deloitte since 2017.

On 27 March 2025, the Board of the Company proposed to appoint KPMG Huazhen LLP as the Company's domestic auditor and internal control auditor for 2025 and KPMG as the Company's international auditor for 2025, subject to the consideration and approval of the shareholders of the Company at the AGM. For details, please refer to the announcement of the Company dated 27 March 2025.

The sections, reports or notes of this annual report mentioned above constitute a part of this Report of the Directors.

By Order of the Board
Ma Chongxian
Chairman
27 March 2025

Profile of Directors, Supervisors and Senior Management

DIRECTORS

Mr. Ma Chongxian, aged 59, graduated from the department of economics of Inner Mongolia University majoring in planning and statistics with a bachelor's degree, and holds a degree of EMBA in Tsinghua University. Mr. Ma started his career in the civil aviation industry in July 1988. Mr. Ma has been serving as the Vice President and a member of the Standing Committee of the Party Committee of Air China from April 2010 to May 2021. From December 2016 to April 2021, he served as deputy general manager and a member of the Party Leadership Group of CNAHC. He was the deputy secretary of the Party Leadership Group of CNAHC from April 2021 to September 2022, as well as the director of CNAHC from May 2021. He was the general manager of CNAHC, and concurrently the President and deputy secretary of the Party Committee of the Company from May 2021 to September 2022. He has also served as the vice chairman of the board of directors of Cathay Pacific since November 2022 and an executive Director of the Company since July 2021. He served as the Vice Chairman of the Company from July 2021 to September 2022. He has been serving as the chairman and secretary of the Party Leadership Group of CNAHC, the Chairman and secretary of the Party Committee of the Company since September 2022.

Mr. Wang Mingyuan, aged 59, graduated from Xiamen University majoring in planning and statistics. Mr. Wang started his career in the civil aviation industry in July 1988. Mr. Wang was appointed as a member of the Standing Committee of the Party Committee of the Company in February 2011, and served as the Vice President of the Company from February 2011 to March 2023. He was appointed as a member of the Party Leadership Group of CNAHC in April 2020, and served as the deputy general manager of CNAHC from April 2020 to January 2023. He has also served as the vice chairman of Tibet Airlines Co., Ltd. since June 2020 and the chairman of Air Macau Company Limited from March 2022 to February 2025. He was appointed as a director, the general manager and deputy secretary of the Party Leadership Group of CNAHC in January 2023, and was appointed as the deputy secretary of the Party Committee of the Company in February 2023. He has been serving as the President, Director and Vice Chairman of the Company since March 2023, and as a non-executive director of Cathay Pacific Airways Limited since April 2023.

Mr. Cui Xiaofeng, aged 55, graduated from Shaanxi Normal University majoring in political education with a bachelor's degree, and holds a master's degree in engineering and a master's degree in business administration. Mr. Cui started working in the civil aviation industry in July 1992. Mr. Cui served as the deputy director and a member of the Party Leadership Group of the Civil Aviation Administration of China from June 2019 to June 2024. He has served as a director and the deputy secretary of the Party Leadership Group of China National Aviation Holding Corporation Limited since June 2024, and has served as the deputy secretary of the Party Committee of the Company since July 2024. He has been serving as a non-executive Director of the Company since August 2024.

Mr. Patrick Healy, aged 59, graduated from the University of Cambridge with a master's degree in Modern Languages. He has acted as an executive director of the beverages division of Swire Pacific Limited since January 2013 and a director of John Swire & Sons (H.K.) Limited since December 2014. He has been serving as the chairman of Swire Coca-Cola Limited since October 2019 and the executive director and chairman of Cathay Pacific Airways Limited since November 2019. He has been serving as a non-executive Director of the Company since December 2019, and a director of Swire Pacific Limited since August 2021. He is a member of the International Air Transport Association Board of Governors and its Chair Committee.

Mr. Xiao Peng, aged 59, graduated from Civil Aviation College of China majoring in maintenance of aircraft engine under the department of aviation machinery. He started his career in the civil aviation industry in August 1988. He has been serving as the chairman of the labor union of CNAHC and the chairman of the labor union and Chief Engineer of the Company since November 2022, as well as the employee representative Director of CNAHC and the employee representative Director of the Company since March 2023.

Mr. Xu Niansha, aged 67, holds a doctorate degree in economics from Peking University and a doctorate degree in law from China University of Political Science and Law. He has acted as the chairman of CITIC Offshore Helicopter Co., Ltd., the chairman of China Ocean Aviation Group Limited, and the secretary of the Party Committee and the vice chairman of China National Machinery Industry Corporation. He served as the secretary of the Party Committee and the chairman of China Poly Group Corporation Limited from May 2013 to March 2021, and an outside director of COFCO Corporation from July 2021 to December 2024. He has been serving as the secretary of the Party Committee of the China Machinery Industry Federation since August 2021 and as the chairman of the China Machinery Industry Federation since August 2022. He has been an independent non-executive Director of the Company since February 2025. He is concurrently the chairman of the ICC China Commission on Corporate Responsibility and Anti-Corruption, the vice president of China National Light Industry Council and the president of the China Arts and Crafts Association.

Mr. He Yun, aged 63, holds a postgraduate diploma in software engineering from Beijing Institute of Technology. He served as the head of the fourth corporate audit office of the National Audit Office from April 2018 to March 2021. He has been serving as an independent non-executive Director of the Company since February 2022.

Ms. Winnie Tam Wan-chi, aged 63, graduated from the Faculty of Law of The University of Hong Kong, a barrister, international arbitrator and mediator. She was appointed as a "Senior Counsel" in 2006, and was awarded the Justice of the Peace and the Silver Bauhinia Star for her contributions to public service. She is currently the head of Chambers of Des Voeux Chambers, the chairman of the Hong Kong Communications Authority, a member of the Chief Executive's Advisory Council (Innovation and Entrepreneurship), a member of the Law Reform Commission, a member of the Independent Commission on Remuneration for Members of the Executive Council and the Legislature and Officials under the Political Appointment System of the Hong Kong Special Administrative Region appointed by the government and a member of the board of governors of Hong Kong Philharmonic Society Limited. She has been serving as an independent non-executive Director of the Company since February 2022.

Mr. Gao Chunlei, aged 58, holds a doctorate degree in business administration and is a senior economist. Mr. Gao served as the chief accountant of China Tower Corporation Limited from August 2014 to February 2022, and served as a director and the deputy secretary of the Party Committee of China Tower Corporation Limited from February 2022 to November 2024. He has been a full-time outside director for state-owned enterprises since November 2024. He has been serving as an independent non-executive Director of the Company since February 2025.

SUPERVISORS

Mr. Xiao Jian, aged 61, graduated from the Graduate School of the Party School of the Central Committee of Communist Party of China majoring in economics and holds a postgraduate diploma. Mr. Xiao started his career in the civil aviation industry in 1983. He has been serving as a director and a member of the Party Committee of CNACG from March 2016 to August 2023. From March 2016 to October 2022, he was the secretary of the Party Committee, vice president and secretary of the Committee for Discipline Inspection of CNACG. Between October 2022 and August 2023, he was the president of CNACG. He has been serving as a Supervisor of the Company since February 2023 and the Chairman of the Supervisory Committee of the Company since March 2023.

Ms. Lyu Yanfang, aged 53, graduated from Northwest Institute of Politics and Law majoring in law and holds a bachelor's degree in law. She joined Air China in 1996 and served as the general manager of the legal department of CNAHC (Air China) since August 2017. From April 2018 to November 2024, she has been serving as the supervisor of China National Aviation Capital Holding Co., Ltd. From August 2018, she has served as the chairwoman of the supervisory committee of China National Aviation Finance Co., Ltd. She has been serving as the Supervisor of the Company since December 2020. She has been a supervisor of Shenzhen Airlines Company Limited from June 2021 to December 2024.

Ms. Guo Lina, aged 54, graduated from Chinese Academy of Fiscal Sciences of the Ministry of Finance majoring in finance and obtained a master degree in economics. She also graduated from the School of Economics and Management of Tsinghua University majoring in executive business administration and obtained a master's degree in business administration, and is a senior accountant. She started her career in the civil aviation industry in October 2001. From April 2017 to December 2024, she has served as the supervisor of Air China Inner Mongolia Co., Ltd. She has also served as a supervisor of Dalian Airlines Company Limited from July 2020 to December 2024. Since February 2022, she has been serving as a Supervisor of the Company. From February 2022 to March 2024, she was the general manager of the audit department of CNAHC. From March 2022 to March 2024, she served as the general manager of the audit department of the Company. Since March 2024, she has been serving as the vice president and chief accountant of Shenzhen Airlines Company Limited.

Mr. Wang Mingzhu, aged 57, graduated from Hebei University majoring in philosophy. He is a senior political work specialist. He started his career in the civil aviation industry in July 1991. He has been serving as the secretary of the Party Committee and deputy general manager of the Company's general fleet since December 2022, and the Supervisor of the Company since March 2023.

Mr. Li Shuxing, aged 57, holds a bachelor's degree in agronomy from Inner Mongolia Agricultural College. He started his career in the civil aviation industry in July 1991. He has been serving as the secretary of the Party Committee, deputy director and chairman of the labor union of the Company's commercial committee from October 2022 to July 2024, and the Supervisor of the Company since March 2023. He has been the director and chairman of Shenzhen Airlines Company Limited since July 2024.

SENIOR MANAGEMENT

Mr. Wang Mingyuan: Please refer to "Directors" for his biographies.

Mr. Tan Huanmin, aged 60, graduated from Jilin University School of Law majoring in constitutional law and holds a postgraduate diploma. Mr. Tan is a senior political work specialist. From December 2016 to January 2019, Mr. Tan was a member of the Party Leadership Group and team leader of the Discipline Inspection Group of Party Leadership Group of China Aerospace Science & Technology Corporation. Since January 2019, Mr. Tan has been serving as team leader of the Discipline Inspection and Supervision Group and a member of the Party Leadership Group of CNAHC, and in January 2019, he was appointed as a standing member of the Party Committee and the secretary of Committee for Discipline Inspection of the Company.

Mr. Zhang Sheng, aged 52, graduated from the Renmin University of China/American City University with a bachelor's degree in business administration and a master's degree in business administration. Mr. Zhang started his career in the civil aviation industry in July 1992. In May 2020, he was appointed as the deputy general manager and a member of the Party Leadership Group of CNAHC as well as a member of the Standing Committee of the Party Committee of the Company. In June 2020, he was appointed as the Vice President of the Company.

Mr. Sun Yuquan, aged 51, graduated from Nanjing University of Science & Technology majoring in accounting. He is a professional senior engineer and a senior accountant. He served as the general manager of the finance department of China Rong Tong Asset Management Group Corporation Limited from July 2019 to February 2022. He has been serving as the chief accountant and a member of the Party Leadership Group of CNAHC since February 2022. Since March 2022, he has been serving as a member of the Standing Committee of the Party Committee of the Company, and concurrently as the non-executive director of Cathay Pacific Airways Limited, the chairman of China National Aviation Capital Holding Co., Ltd. and the chairman of China National Aviation Media Co., Ltd. He became the Chief Accountant of the Company in March 2023. He has also been serving as the chairman of China National Aviation Finance Co., Ltd. since November 2023. He has been the director of Travelsky Technology Limited since January 2024. Concurrently, he has been serving as the chairman of China National Aviation Corporation (Group) Limited since April 2024.

Mr. Ni Jiliang, aged 58, graduated from Civil Aviation College of China majoring in maintenance of aircraft, engines and equipment under the department of aviation machinery. He joined Air China in July 1988. He has been the chief executive officer and the deputy secretary of the Party Committee of Aircraft Maintenance and Engineering Corporation between September 2017 and April 2020, and the Chief Engineer of the Company from January 2020 to November 2022. Since April 2020, he has served as the chairman and secretary of the Party Committee of AMECO. He has been serving as the deputy general manager and a member of the Party Leadership Group of CNAHC since April 2022, and the Vice President and a member of the Standing Committee of the Party Committee of the Company since May 2022. He was also appointed as the chairman of Beijing Aero-Engine Services Co., Ltd. in August 2022, and the chairman of Sichuan Services Aero-Engine Maintenance Co., Ltd. in September 2022.

Mr. Zheng Weimin, aged 59, graduated from the First Aviation Academy of Air Force majoring in aviation and holds a postgraduate diploma. Mr. Zheng is a senior pilot. He started his career in civil aviation industry in 1987 and served as the chief captain of the general fleet and deputy secretary of the Party Committee of the Company from December 2014 to March 2021. Between March 2021 to July 2023, he served as an assistant to the general manager of CNAHC. He was also appointed as the chairman of Air China Inner Mongolia Co., Ltd. from March 2023 to December 2024, and was appointed as the deputy general manager and a member of the Party Leadership Group of CNAHC, as well as a standing member of the Party Committee of the Company in July 2023. He has been serving as the Vice President of the Company since August 2023.

Mr. Yan Fei, aged 56, graduated from Tianjin University majoring in business administration and holds a master's degree in business administration. Mr. Yan started his career in civil aviation industry in July 1992. From December 2018 to September 2021, he served as the general manager of the ground service department and the deputy secretary of the Party Committee of the Company. Between September 2021 and June 2022, he was the deputy general manager of Tianjin Branch of the Company, being responsible for overseeing the works of the branch. He served as the general manager and the deputy secretary of the Party Committee of Tianjin Branch of the Company from June 2022 to January 2024. He has been serving as the deputy general manager and a member of the Party Leadership Group of CNAHC since January 2024. He has also been serving as the Vice President and a member of the Party Committee of the Company since March 2024. Since May 2024, he has concurrently served as the chairman of Air China Development Corporation (Hong Kong) Limited. Since June 2024, he has also been serving as the chairman of Air China Cargo Co., Ltd.

Mr. Zhang Hua, aged 59, graduated from Zhongnan University of Finance and Economics majoring in industrial economics and is an on-job postgraduate of the Party School of the Central Committee of the Communist Party of China majoring in economics and management. He was appointed as the general legal counsel of CNAHC and of the Company in August 2016 and August 2017, respectively. He has been a chairman of Dalian Airlines Company Limited since March 2020 and chairman of Beijing Airlines Company Limited from September 2022 to August 2024. Since December 2022, he has concurrently served as the Chief Compliance Officer of CNAHC and the Company.

Mr. Xiao Peng: Please refer to "Directors" for his biographies.

Mr. Xiao Feng, aged 56, graduated from the Management Engineering Department of Harbin Civil Engineering & Architectural Institute majoring in accounting. He holds a master's degree in business administration from China Europe International Business School and is a senior accountant. He joined Air China in July 1990. He served as the Chief Accountant of the Company from July 2014 to March 2023. Since November 2015, he has been serving as the chairman of China National Aviation Company Limited, and from February 2016 to November 2023, he became the chairman of China National Aviation Finance Co., Ltd. He served as a non-executive director of Cathay Pacific Airways Limited since January 2017. He became the Chief Economist of the Company in March 2023. He has concurrently served as the secretary to the Board of the Company since March 2024.

Mr. Yan Simeng, aged 42, graduated from the Department of Physics of Peking University and obtained his doctorate in theoretical and computational physics from the University of California, Irvine. Mr. Yan has been serving as Chief Information Officer of the Company since September 2021.

Mr. Shen Jianming, aged 57, graduated from the First Flying Academy of China Air Force with a bachelor's degree in airplane piloting. Mr. Shen is a first-class pilot. He started his career in the civil aviation industry in 1987. He has been serving as the Chief Safety Officer of the Company since October 2022.

Mr. Li Yunchuan, aged 57, graduated from Civil Aviation Flight University of China majoring in flight technology and holds a postgraduate diploma. Mr. Li is a senior pilot. He started his career in the civil aviation industry in 1988. He has been serving as the Chief Pilot of the Company since October 2023 and the director of Beijing Airlines since March 2024.

JOINT COMPANY SECRETARIES

Mr. Xiao Feng: Please refer to "Senior Management" for his biographies.

Mr. Huen Ho Yin, aged 63, holds a Bachelor of Laws (Hons) Degree from the University of Leicester in the United Kingdom and a Postgraduate Certificate in Laws from the University of Hong Kong. Mr. Huen has been practicing as a solicitor of the High Court of Hong Kong. He is currently a partner of Huen & Partners Solicitors. From August 1994 to April 2003, he served as a partner of Richard Tai & Co., Solicitors. Since April 2003, he has been serving as a partner of Huen & Partners Solicitors. From June 2018 to February 2020, he served as an independent non-executive director of Grand Peace Group Holdings Limited. From April 2020 to August 2020, Mr. Huen served as joint company secretary of the Company. Mr. Huen has been serving as joint company secretary of the Company since September 2021.

INDEPENDENT AUDITOR'S REPORT

Deloitte. 德勤

TO THE SHAREHOLDERS 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)

OPINION

We have audited the consolidated financial statements of Air China Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 91 to 196, which comprise the consolidated statement of financial position as at 31 December 2024, and the consolidated statement of profit or loss and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information and other explanatory information.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2024, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board ("IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

KEY AUDIT MATTERS (continued)

Key audit matter	How our audit addressed the key audit matter
Provision for major overhauls	
As at 31 December 2024, the provision for major overhauls of RMB15,939 million was recorded in the consolidated statement of financial position. The Group held certain aircraft under leases at 31 December 2024. Under the terms of the lease arrangements, the Group is contractually committed to return the aircraft to the lessors in a certain condition agreed with the lessors at the inception of each lease. In order to fulfil these return conditions, major overhauls are required to be conducted on a regular basis. Management estimates the maintenance costs of major overhauls for aircraft held under leases at the end of each reporting period and accrues such costs over the lease terms. The calculation of such costs includes a number of variable factors and assumptions, including the anticipated utilisation of the aircraft and the expected costs of maintenance. We identified provision for major overhauls to fulfil the return condition of aircraft under leases as a key audit matter because of the significant management estimation and judgement required in assessing the variable factors and assumptions in order to quantify the amount of provision required at each reporting date. Details of the related estimation uncertainty are set out in Notes 4, 5 and 36 to the consolidated financial statements.	Our procedures in relation to provision for major overhauls to fulfil the return condition of aircraft under leases included: • Testing and evaluating the design and operating effectiveness of the key internal controls relevant to the audit of provision for major overhauls to fulfil the return condition of aircraft under leases; • Evaluating the appropriateness of the methodology and key assumptions adopted by management in estimating the provision for these major overhauls. This evaluation based on the terms of the leases and the Group's maintenance cost experience; • Performing a retrospective review of the provision for major overhauls to evaluate the appropriateness of the assumptions adopted by management by comparing the assumptions adopted by management in prior years with actual maintenance costs incurred; • Discussing with managers in the engineering department responsible for aircraft engineering about the utilisation pattern of aircraft, obtaining relevant operating data, performing recalculation, and checking the assumptions adopted by management and the mathematical accuracy of the calculation of provision for major overhauls prepared by management for those aircraft under leases.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRS Accounting Standards issued by the IASB and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion 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. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the group as a basis for forming an opinion on the group financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Ng Kwok Ho.

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong
27 March 2025

Consolidated Statement of Profit or Loss

For the Year Ended 31 December 2024

	NOTES	2024 RMB'000	2023 RMB'000
Revenue	6	**166,698,880**	141,100,234
Other income and gains	8	**7,319,912**	7,401,756
		174,018,792	148,501,990
Operating expenses			
Jet fuel costs		**(53,720,436)**	(46,725,219)
Employee compensation costs	9	**(34,268,745)**	(29,300,310)
Depreciation and amortisation	11	**(29,102,968)**	(27,110,507)
Take-off, landing and depot charges		**(20,915,459)**	(15,554,795)
Aircraft maintenance, repair and overhaul costs		**(12,848,288)**	(9,921,853)
Air catering charges		**(4,165,874)**	(3,002,720)
Aircraft and engine lease expense		**(358,885)**	(237,319)
Other lease expenses		**(598,621)**	(602,403)
Other flight operation expenses		**(9,119,619)**	(7,838,908)
Selling and marketing expenses		**(4,695,760)**	(3,423,478)
General and administrative expenses		**(1,872,201)**	(1,683,284)
Impairment loss recognised on non-current assets	11	**(143,240)**	(187,054)
Net impairment loss reversed/(recognised) under expected credit loss model	10	**9,507**	(24,617)
		(171,800,589)	(145,612,467)
Profit from operations	11	**2,218,203**	2,889,523
Finance income		**521,356**	605,004
Finance costs	12	**(6,398,748)**	(6,943,087)
Share of results of associates		**2,610,723**	2,554,412
Share of results of joint ventures		**209,121**	279,566
Exchange losses, net		**(759,523)**	(1,035,197)
Loss before taxation		**(1,598,868)**	(1,649,779)
Income tax (expense)/credit	14	**(846,474)**	88,531
Loss for the year		**(2,445,342)**	(1,561,248)
Attributable to:			
– Equity shareholders of the Company		**(232,557)**	(1,038,411)
– Non-controlling interests		**(2,212,785)**	(522,837)
		(2,445,342)	(1,561,248)
Loss per share			
– Basic and diluted	15	**RMB(1.47) cents**	RMB(6.74) cents

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the Year Ended 31 December 2024

	2024 RMB'000	2023 RMB'000
Loss for the year	**(2,445,342)**	(1,561,248)
Other comprehensive (expense)/income for the year		
Items that will not be reclassified to profit or loss:		
– Fair value (losses)/gains on investments in equity instruments at fair value through other comprehensive income	**(79,126)**	149,253
– Remeasurement of net defined benefit liability	**(15,130)**	(912)
– Share of other comprehensive (expense)/income of associates and joint ventures	**(31,632)**	43,458
– Income tax credit/(expense) relating to items that will not be reclassified to profit or loss	**19,782**	(37,313)
Items that may be reclassified subsequently to profit or loss:		
– Fair value gains on investments in debt instruments at fair value through other comprehensive income	**27,772**	9,138
– Impairment loss reversed/(recognised) on investments in debt instruments at fair value through other comprehensive income	**394**	(6,688)
– Share of other comprehensive expense of associates and joint ventures	**(28,272)**	(472,484)
– Exchange differences on translation of foreign operations	**434,021**	250,817
– Income tax relating to items that may be reclassified subsequently to profit or loss	**(7,042)**	(613)
Other comprehensive income/(expense) for the year (net of tax)	**320,767**	(65,344)
Total comprehensive expense for the year	**(2,124,575)**	(1,626,592)
Attributable to:		
– Equity shareholders of the Company	**114,293**	(1,097,758)
– Non-controlling interests	**(2,238,868)**	(528,834)
	(2,124,575)	(1,626,592)

Consolidated Statement of Financial Position

At 31 December 2024

	NOTES	31 December 2024 RMB'000	31 December 2023 RMB'000
Non-current assets			
Property, plant and equipment	17	**122,180,871**	117,728,498
Right-of-use assets	18	**118,832,142**	120,971,059
Investment properties	19	**693,059**	726,594
Intangible assets		**106,563**	106,580
Goodwill	20	**4,095,732**	4,095,732
Interests in associates	22	**14,632,923**	12,863,023
Interests in joint ventures	23	**2,423,853**	2,413,799
Advance payments for aircraft and flight equipment		**24,689,737**	26,114,064
Deposits for aircraft under leases		**526,004**	525,463
Equity instruments at fair value through other comprehensive income	24	**1,791,273**	1,547,986
Debt instruments at fair value through other comprehensive income	25	**1,426,851**	1,397,310
Deferred tax assets	26	**12,959,766**	13,757,180
Other non-current assets		**704,196**	696,685
		305,062,970	302,943,973
Current assets			
Inventories	27	**4,224,992**	3,682,821
Accounts receivable	28	**3,670,252**	3,182,797
Bills receivable		**7,785**	3,601
Prepayments, deposits and other receivables	29	**5,223,257**	5,852,345
Financial assets at fair value through profit or loss		**37,559**	2,505
Restricted bank deposits	30	**1,428,429**	611,692
Cash and cash equivalents	30	**21,039,472**	15,016,804
Assets held for sale		**94,829**	108,527
Other current assets	31	**4,960,628**	3,873,629
		40,687,203	32,334,721
Total assets		**345,750,173**	335,278,694
Current liabilities			
Air traffic liabilities		**(11,098,740)**	(8,366,222)
Accounts payable	32	**(18,869,784)**	(17,954,298)
Bills payable		**–**	(500,160)
Dividends payable		**(98,000)**	(98,000)
Other payables and accruals	33	**(13,437,502)**	(15,701,546)
Advance		**(36,270)**	–
Current taxation		**(130,653)**	(76,662)
Lease liabilities	34	**(17,464,654)**	(18,175,349)
Interest-bearing borrowings	35	**(74,544,705)**	(47,271,768)
Provision for return condition checks	36	**(758,575)**	(650,777)
Contract liabilities	37	**(1,171,172)**	(1,522,492)
		(137,610,055)	(110,317,274)
Net current liabilities		**(96,922,852)**	(77,982,553)

Consolidated Statement of Financial Position

At 31 December 2024

	NOTES	31 December 2024 RMB'000	31 December 2023 RMB'000
Total assets less current liabilities		**208,140,118**	224,961,420
Non-current liabilities			
Lease liabilities	34	**(59,134,187)**	(64,053,967)
Interest-bearing borrowings	35	**(84,836,960)**	(104,759,631)
Provision for return condition checks	36	**(19,228,054)**	(17,196,982)
Provision for early retirement benefit obligations		**(359)**	(720)
Long-term payables		**(727,741)**	(1,082,301)
Contract liabilities	37	**(2,565,188)**	(1,663,987)
Defined benefit obligations	38	**(186,700)**	(187,810)
Deferred income	39	**(406,943)**	(404,103)
Deferred tax liabilities	26	**(128,016)**	(347,910)
		(167,214,148)	(189,697,411)
NET ASSETS		**40,925,970**	35,264,009
CAPITAL AND RESERVES			
Issued capital	40	**17,448,421**	16,200,793
Treasury shares	40	**(3,047,564)**	(3,047,564)
Reserves		**30,727,315**	24,052,746
Total equity attributable to equity shareholders of the Company		**45,128,172**	37,205,975
Non-controlling interests		**(4,202,202)**	(1,941,966)
TOTAL EQUITY		**40,925,970**	35,264,009

The consolidated financial statements on pages 91 to 196 were approved and authorised for issue by the board of directors on 27 March 2025 and signed on its behalf by:

Ma Chongxian
DIRECTOR

Wang Mingyuan
DIRECTOR

Consolidated Statement of Changes in Equity

For the Year Ended 31 December 2024

		Attributable to equity shareholders of the Company									
	NOTE	Issued capital RMB'000	Treasury shares RMB'000	Capital reserve and revaluation reserve RMB'000	Reserve funds RMB'000	General reserve and safety fund RMB'000	Foreign exchange translation reserve RMB'000	accumulated losses RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
As at 1 January 2023		14,524,815	(3,047,564)	30,552,858	11,564,287	137,138	(1,424,734)	(28,729,624)	23,577,176	(2,048,948)	21,528,228
Changes in equity for 2023											
Loss for the year		–	–	–	–	–	–	(1,038,411)	(1,038,411)	(522,837)	(1,561,248)
Other comprehensive (expense)/income		–	–	(307,841)	–	–	248,494	–	(59,347)	(5,997)	(65,344)
Total comprehensive (expense)/income		–	–	(307,841)	–	–	248,494	(1,038,411)	(1,097,758)	(528,834)	(1,626,592)
Issue of new shares		1,675,978	–	13,317,039	–	–	–	–	14,993,017	–	14,993,017
Acquisition of a subsidiary		–	–	(146,162)	–	3,047	–	146,162	3,047	405,039	408,086
Equity transaction with non-controlling shareholders		–	–	(133)	–	–	–	–	(133)	120	(13)
Dissolution of a subsidiary		–	–	–	–	–	–	–	–	(5,282)	(5,282)
Capital reduction by a non-controlling shareholder		–	–	–	–	–	–	(268,952)	(268,952)	252,952	(16,000)
Dividends paid to non-controlling shareholders		–	–	–	–	–	–	–	–	(16,734)	(16,734)
Appropriation of discretionary reserve funds and others		–	–	–	–	–	–	(335)	(335)	(224)	(559)
Appropriation of general reserve		–	–	–	–	16,609	–	(16,609)	–	–	–
Others		–	–	20	–	(107)	–	–	(87)	(55)	(142)
As at 31 December 2023 and 1 January 2024		16,200,793	(3,047,564)	43,415,781	11,564,287	156,687	(1,176,240)	(29,907,769)	37,205,975	(1,941,966)	35,264,009
Changes in equity for 2024											
Loss for the year		**–**	**–**	**–**	**–**	**–**	**–**	**(232,557)**	**(232,557)**	**(2,212,785)**	**(2,445,342)**
Other comprehensive (expense)/income		**–**	**–**	**(86,365)**	**–**	**–**	**433,215**	**–**	**346,850**	**(26,083)**	**320,767**
Total comprehensive (expense)/income		**–**	**–**	**(86,365)**	**–**	**–**	**433,215**	**(232,557)**	**114,293**	**(2,238,868)**	**(2,124,575)**
Issue of new shares	40	**1,247,628**	**–**	**6,563,956**	**–**	**–**	**–**	**–**	**7,811,584**	**–**	**7,811,584**
Disposal of equity instruments at fair value through other comprehensive income		**–**	**–**	**(12,082)**	**–**	**–**	**–**	**12,082**	**–**	**–**	**–**
Equity transaction with non-controlling shareholders		**–**	**–**	**(360)**	**–**	**–**	**–**	**–**	**(360)**	**(362)**	**(722)**
Dividends paid to non-controlling shareholders		**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(19,491)**	**(19,491)**
Appropriation of general reserve		**–**	**–**	**–**	**–**	**23,759**	**–**	**(23,759)**	**–**	**–**	**–**
Others		**–**	**–**	**(380)**	**–**	**(2,940)**	**–**	**–**	**(3,320)**	**(1,515)**	**(4,835)**
As at 31 December 2024		**17,448,421**	**(3,047,564)**	**49,880,550**	**11,564,287**	**177,506**	**(743,025)**	**(30,152,003)**	**45,128,172**	**(4,202,202)**	**40,925,970**

Consolidated Statement of Cash Flows

For the Year Ended 31 December 2024

	2024 RMB'000	2023 RMB'000
Operating activities		
Loss before taxation	**(1,598,868)**	(1,649,779)
Adjustments for:		
Share of results of associates and joint ventures	**(2,819,844)**	(2,833,978)
Exchange losses, net	**759,523**	1,035,197
Finance income	**(521,356)**	(605,004)
Finance costs	**6,398,748**	6,943,087
Fair value changes of financial assets at fair value through profit or loss	**(54)**	893
Gain on disposal of property, plant and equipment,right-of-use assets and investment properties	**(994,891)**	(900,086)
Gain/(loss) on disposal of assets held for sale	**17,527**	(18,519)
Depreciation of property, plant and equipment	**13,439,898**	11,611,121
Depreciation of right-of-use assets	**15,629,518**	15,468,124
Depreciation of investment properties	**33,535**	31,256
Amortisation of intangible assets	**17**	6
Impairment loss recognised on property, plant and equipment	**143,240**	184,166
Impairment losses recognised on inventories	**12,760**	35,049
Impairment losses recognised on interests in associates	**–**	2,888
Impairment loss recognised on accounts receivable, net	**4,000**	22,785
Impairment losses recognised in financial assets include in other current assets, net	**2,918**	5,211
Impairment losses (reversed)/recognised on deposits and other receivables, net	**(18,960)**	3,309
Impairment loss recognised (reversed) on debt instruments at fair value through other comprehensive income, net	**394**	(6,688)
Dividend income	**(36,740)**	(14,286)
Operating cash flows before movements in working capital	**30,451,365**	29,314,752
(Increase)/decrease in deposits for aircraft under leases	**(541)**	14,161
Decrease/(increase) in other non-current assets	**306**	(445,289)
Increase in inventories	**(432,413)**	(623,648)
Increase in accounts receivable	**(565,195)**	(740,308)
(Increase)/decrease in bills receivable	**(4,184)**	9,854
Decrease/(increase) in prepayments, deposits and other receivables	**4,564,222**	(1,004,702)
Increase in other current assets	**(948,131)**	(323,580)
Increase in air traffic liabilities	**2,372,236**	5,248,339
Increase in accounts payable	**504,009**	3,986,902
(Decrease)/increase in bills payable	**(500,160)**	322,204
Decrease in other payables and accruals	**(2,264,047)**	(2,058,569)
Increase in provision for return condition checks	**1,423,711**	1,121,382
Decrease in provision for early retirement benefit obligations	**(361)**	(87)
Decrease in defined benefit obligations	**(22,951)**	(23,194)
Increase/(decrease) in in deferred income	**2,840**	(14,097)
Increase in contract liabilities	**549,881**	581,839
Decrease in advance	**(36,270)**	(58,970)
(Decrease)/increase in long-term payables	**(354,560)**	272,549
Cash generated from operations	**34,739,757**	35,579,538
Income tax paid	**(194,050)**	(161,068)
Interest paid	**(6,561,686)**	(7,513,966)
Net cash from operating activities	**27,984,021**	27,904,504

Consolidated Statement of Cash Flows

For the Year Ended 31 December 2024

	NOTE	2024 RMB'000	2023 RMB'000
Investing activities			
Advance payments for aircraft and flight equipment		**(10,948,426)**	(13,118,593)
Payments for the purchase of property, plant and equipment		**(9,155,889)**	(9,650,751)
Payments for the purchase of debt instruments and equity instruments at fair value through other comprehensive income		**(752,861)**	(1,354,692)
Placement of term deposits		**(627,763)**	–
Purchase of debt instruments at amortised cost		**(500,000)**	–
Payments for the interest in a joint venture		**(148,991)**	(61,838)
Decrease in restricted bank deposits against aircraft leases and others		**(917)**	(4,456)
Proceeds from disposal of property, plant and equipment, and assets held for sale		**1,673,765**	1,323,832
Dividends received from associates and joint ventures		**1,514,842**	141,907
Interest received		**521,356**	605,004
Proceeds from disposal of debt instruments and equity instruments at fair value through other comprehensive income		**476,033**	1,408,988
Interests received from debt instruments at fair value through other comprehensive income		**43,644**	59,343
Dividends received from equity instruments at fair value through other comprehensive income		**36,740**	13,440
Disposal of interest in joint venture		**5,915**	–
Net cash inflows arising on acquisition of a subsidiary		**–**	5,392,113
Net cash used in investing activities		**(17,862,552)**	(15,245,703)
Financing activities			
Repayments of bank loans and other borrowings		**(53,977,115)**	(42,035,455)
Repayments of lease liabilities		**(19,121,281)**	(25,400,182)
Repayments of corporate bonds and short-term commercial papers		**(6,000,000)**	(10,500,000)
Dividends paid		**(19,491)**	(16,734)
Transaction costs attributable to issue of new shares		**(5,276)**	(6,983)
Payments for acquisition of non-controlling interests		**(722)**	(13)
Proceeds from new bank loans and other borrowings		**54,310,833**	51,226,029
Proceeds from issuance of corporate bonds		**13,000,000**	–
Proceeds from issue of new shares		**7,816,860**	15,000,000
Capital contribution from a non-controlling shareholder of a subsidiary		**–**	3,400,000
Net cash used in financing activities		**(3,996,192)**	(8,333,338)
Net increase in cash and cash equivalents		**6,125,277**	4,325,463
Cash and cash equivalents at 1 January	30	**15,016,804**	10,607,711
Effect of foreign exchange rate changes		**(102,609)**	83,630
Cash and cash equivalents at 31 December	30	**21,039,472**	15,016,804

Notes to the Consolidated Financial Statements

For the Year Ended 31 December 2024

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 PRC state-owned enterprise 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, the PRC.

The 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

As at 31 December 2024, the Group's current liabilities exceeded its current assets by approximately RMB96,923 million. The liquidity of the Group is primarily dependent on its ability to maintain adequate cash inflows from operations and sufficient financing to meet its financial obligations as and when they fall due. Considering the Company's sources of liquidity and the unutilised bank facilities of RMB144,106 million as at 31 December 2024, the Directors believe that adequate funding is available to fulfil the Group's debt obligations and capital expenditure requirements to continue in operational existence for the foreseeable future when preparing the consolidated financial statements for the year ended 31 December 2024. Accordingly, the consolidated financial statements have been prepared on a basis that the Group will be able to continue as a going concern.

The consolidated financial statements have been prepared in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board ("IASB"). For the purpose of preparation of the consolidated financial statements, information is considered material if such information is reasonably expected to influence decisions made by primary users. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") and by the Hong Kong Companies Ordinance ("Companies Ordinance").

The consolidated financial statements have been prepared on the historical cost basis, except for certain financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies set out below. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

2. BASIS OF PREPARATION (continued)

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for leasing transactions that are accounted for in accordance with IFRS 16 *Leases*, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 *Inventories* or value in use in IAS 36 *Impairment of Assets*.

For financial instruments which are transacted at fair value and a valuation technique that unobservable inputs is to be used to measure fair value in subsequent periods, the valuation technique is calibrated so that at initial recognition the results of the valuation technique equals the transaction price.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

- Level 3 inputs are unobservable inputs for the asset or liability.

3. APPLICATION OF NEW AND AMENDMENTS TO IFRS ACCOUNTING STANDARDS

Amendments to IFRS Accounting Standards that are mandatorily effective for the current year

In the current year, the Group has applied the following new and amendments to IFRS Accounting Standards issued by the IASB for the first time, which are mandatorily effective for the Group's annual period beginning on 1 January 2024 for the preparation of the consolidated financial statements:

Amendments to IFRS 16	*Lease Liability in a Sale and Leaseback*
Amendments to IAS 1	*Classification of Liabilities as Current or Non-current*
Amendments to IAS 1	*Non-current Liabilities with Covenants*
Amendments to IAS 7 and IFRS 7	*Supplier Finance Arrangements*

Notes to the Consolidated Financial Statements

For the Year Ended 31 December 2024

3. APPLICATION OF NEW AND AMENDMENTS TO IFRS ACCOUNTING STANDARDS (continued)

Amendments to IFRS Accounting Standards in issue but not yet effective

The Group has not early applied the following amendments to IFRS Accounting Standards that have been issued but are not yet effective:

Amendments to IFRS 9 and IFRS 7	*Amendments to the Classification and Measurement of Financial Instruments*[3]
Amendments to IFRS 9 and IFRS 7	*Contracts Referencing Nature- dependent Electricity*[3]
Amendments to IFRS 10 and IFRS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[1]
Amendments to IFRS Accounting Standards	*Annual Improvements to IFRS Accounting Standards– Volume 11*[3]
Amendments to IAS 21	*Lack of Exchangeability*[2]
IFRS 18	*Presentation and Disclosure in Financial Statements*[4]

1 Effective for annual periods beginning on or after a date to be determined.
2 Effective for annual periods beginning on or 1 January 2025.
3 Effective for annual periods beginning on or 1 January 2026.
4 Effective for annual periods beginning on or 1 January 2027.

Except for the new IFRS Accounting Standard mentioned below, the Directors anticipate that the application of all other amendments to IFRS Accounting Standards will have no material impact on the consolidated financial statements in the foreseeable future.

IFRS 18 Presentation and Disclosure in Financial Statements

IFRS 18 Presentation and Disclosure in Financial Statements, which sets out requirements on presentation and disclosures in financial statements, will replace IAS 1 Presentation of Financial Statements. This new IFRS Accounting Standard, while carrying forward many of the requirements in IAS 1, introduces new requirements to present specified categories and defined subtotals in the statement of profit or loss; provide disclosures on management-defined performance measures in the notes to the financial statements and improve aggregation and disaggregation of information to be disclosed in the financial statements. In addition, some IAS 1 paragraphs have been moved to IAS 8 and IFRS 7. Minor amendments to IAS 7 Statement of Cash Flows and IAS 33 Earnings per Share are also made.

IFRS 18, and amendments to other standards, will be effective for annual periods beginning on or after 1 January 2027, with early application permitted. The application of the new standard is expected to affect the presentation of the statement of profit or loss and disclosures in the future financial statements. The Group is in the process of assessing the detailed impact of IFRS 18 on the Group's consolidated financial statements.

4. MATERIAL ACCOUNTING POLICY INFORMATION

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests ("NCI"). Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the NCI even if this results in the NCI having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

NCI in subsidiaries are presented separately from the Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

Business combinations

Acquisitions of businesses, other than business combination under common control are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

The identifiable assets acquired and liabilities assumed must meet the definitions of an asset and a liability in the Conceptual Framework for Financial Reporting (the "Conceptual Framework") except for transactions and events within the scope of IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* or IFRIC-Int 21 *Levies*, in which the Group applies IAS 37 or IFRIC-Int 21 instead of the Conceptual Framework to identify the liabilities it has assumed in a business combination. Contingent assets are not recognised.

4. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Business combinations (continued)

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with IAS 12 *Income Taxes* and IAS 19 *Employee Benefits respectively*;

- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS2 *Share-based Payment* at the acquisition date (see the accounting policy below);

- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that standard; and

- lease liabilities are recognised and measured at the present value of the remaining lease payments (as defined in IFRS 16 *Leases*) as if the acquired leases were new leases at the acquisition date, except for leases for which (a) the lease term ends within 12 months of the acquisition date; or (b) the underlying asset is of low value. Right-of-use assets are recognised and measured at the same amount as the relevant lease liabilities, adjusted to reflect favourable or unfavourable terms of the lease when compared with market terms.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any NCI in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree over the net amount of the identifiable assets acquired and the liabilities assumed as at acquisition date. If, after re-assessment, the net amount of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any NCI in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

NCI that are present ownership interests and entitle their holders to a proportionate share of the relevant subsidiary's net assets in the event of liquidation are initially measured at the NCIs' proportionate share of the recognised amounts of the acquiree's identifiable net assets or at fair value.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control), and the resulting gain or loss, if any, is recognised in profit or loss or other comprehensive income, as appropriate. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income and measured under IFRS 9 would be accounted for on the same basis as would be required if the Group had disposed directly of the previously held equity interest.

4. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see the accounting policy above) less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or group of cash-generating units) that is expected to benefit from the synergies of the combination, which represent the lowest level at which the goodwill is monitored for internal management purposes and not larger than an operating segment.

A cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment annually or more frequently when there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit (or group of cash-generating units).

The Group's policy for goodwill arising on the acquisition of an associate and a joint venture is described below.

Investments in associates and joint ventures

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of associates or joint ventures are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, an investment in an associate or a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate or joint venture. When the Group's share of losses of an associate or a joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment in an associate or a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

4. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Investments in associates and joint ventures (continued)

The Group assesses whether there is an objective evidence that the interest in an associate or a joint venture may be impaired. When any objective evidence exists, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised is not allocated to any asset, including goodwill, that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When the Group ceases to have significant influence over an associate or joint control over a joint venture, it is accounted for as a disposal of the entire interest in the investee with a resulting gain or loss being recognised in profit or loss. When the Group retains an interest in the former associate or joint venture and the retained interest is a financial asset within the scope of IFRS 9 Financial instruments, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition. The difference between the carrying amount of the associate or joint venture and the fair value of any retained interest and any proceeds from disposing relevant interest in the associate or joint venture is included in the determination of the gain or loss on disposal of the associate or joint venture. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate or joint venture on the same basis as would be required if that associate or joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate or joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) upon disposal/partial disposal of the relevant associate or joint venture.

When a group entity transacts with an associate or a joint venture of the Group, profits and losses resulting from the transactions with the associate or joint venture are recognised in the Group's consolidated financial statements only to the extent of interests in the associate or joint venture that are not related to the Group.

Revenue from contracts with customers

Information about the Group's accounting policies relating to revenue from contracts with customers is provided in Notes 5, 6 and 37.

Maintenance and overhaul costs

In respect of aircraft and engines, costs of major overhauls are recognised in the carrying amount of the property, plant and equipment or right-of-use assets as a replacement if the recognition criteria are satisfied. Overhaul components subject to replacement during major overhauls are depreciated over the expected life between major overhauls.

The Group has the responsibility to fulfil certain return conditions under the relevant leases agreements. In order to fulfil these return conditions, major overhauls are required to be conducted. Accordingly, estimated overhaul costs for aircraft under leases are accrued and charged to the profit or loss over the lease terms using the ratios per flying hours/cycles. Differences between the estimated costs and the actual costs of overhauls are included in the profit or loss in the period of overhaul.

All other routine repair and maintenance costs incurred in restoring such property, plant and equipment and leased assets to their normal working condition are charged to the profit or loss as and when incurred.

4. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Leases

The Group assesses whether a contract is or contains a lease based on the definition under IFRS 16 at inception of the contract. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified on or after the date of initial application or arising from business combinations, the Group assesses whether a contract is or contains a lease based on the definition under IFRS 16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

The Group as a lessee

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to leases of buildings and other equipment that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption for lease of low-value assets. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis or another systematic basis over the lease term.

Right-of-use assets

The cost of right-of-use assets includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term are depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

When the Group obtains ownership of the underlying leased assets at the end of the lease term, upon exercising purchase options, the cost of the relevant right-of-use assets and the related accumulated depreciation and impairment loss are transferred to property, plant and equipment.

The Group presents right-of-use assets as a separate line item on the consolidated statement of financial position.

4. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Leases (continued)

The Group as a lessee (continued)

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the Group under residual value guarantees;
- the exercise price of a purchase option if the Group is reasonably certain to exercise the option; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising an option to terminate the lease.

Variable lease payments that reflect changes in market rental rates are initially measured using the market rental rates as at the commencement date. Variable lease payments that do not depend on an index or a rate are not included in the measurement of lease liabilities and right-of-use assets, and are recognised as expense in the period on which the event or condition that triggers the payment occurs.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.
- the lease payments change due to changes in market rental rates following a market rent review/expected payment under a guaranteed residual value, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.
- a lease contract is modified and the lease modification is not accounted for as a separate lease.

The Group presents lease liabilities as a separate line item on the consolidated statement of financial position.

4. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Leases (continued)

The Group as a lessee (continued)

Lease modifications

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group accounts for the remeasurement of lease liabilities by making corresponding adjustments to the relevant right-of-use assets.

When the modified contract contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the modified contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

The Group as a lessor

Classification and measurement of leases

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset, and such costs are recognised as an expense on a straight-line basis over the lease term.

Sale and leaseback transactions

The Group applies the requirements of IFRS 15 Revenue from Contracts with Customers to assess whether sale and leaseback transaction constitutes a sale by the Group.

The Group acts as a seller-lessee

For a transfer that does not satisfy the requirements as a sale, the Group as a seller-lessee continues to recognise the assets and accounts for the transfer proceeds as borrowings within the scope of IFRS 9.

Notes to the Consolidated Financial Statements

For the Year Ended 31 December 2024

4. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions.

At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. When a fair value gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is also recognised in profit or loss. When a fair value gain or loss on a non-monetary item is recognised in other comprehensive income, any exchange component of that gain or loss is also recognised in other comprehensive income. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. RMB) at the rate of exchange prevailing at the end of the reporting period. Income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the year, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of foreign exchange translation reserve (attributed to NCI as appropriate).

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Any specific borrowing that remain outstanding after the related asset is ready for its intended use or sale is included in the general borrowing pool for calculation of capitalisation rate on general borrowings. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

4. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred income in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants related to income that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the periods in which they become receivable.

Employee benefits

Retirement benefit costs

Payments to defined contribution retirement benefit plans are recognised as an expense when employees have rendered service entitling them to the contributions.

For defined benefit retirement benefit plans, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at the end of each annual reporting period. In determining the present value of the Group's defined benefit obligations and the related current service cost and, where applicable, past service cost, the Group attributes benefit to periods of service under the plan's benefit formula. However, if an employee's service in later years will lead to a materially higher level of benefit than earlier years, the Group attributes the benefit on a straight-line basis from:

(a) the date when service by the employee first leads to benefits under the plan (whether or not the benefits are conditional on further service); until

(b) the date when further service by the employee will lead to no material amount of further benefits under the plan, other than from further salary increases.

Remeasurement, comprising actuarial gains and losses, the effect of the changes to the asset ceiling (if applicable) and the return on plan assets (excluding interest), is reflected immediately in the consolidated statement of financial position with a charge or credit recognised in other comprehensive income in the period in which they occur. Remeasurement recognised in other comprehensive income will not be reclassified to profit or loss.

Past service cost is recognised in profit or loss in the period of a plan amendment or curtailment and a gain or loss on settlement is recognised when settlement occurs. When determining past service cost, or a gain or loss on settlement, an entity shall remeasure the net defined benefit liability or asset using the current fair value of plan assets and current actuarial assumptions, reflecting the benefits offered under the plan and the plan assets before and after the plan amendment, curtailment or settlement, without considering the effect of asset ceiling (i.e. the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan).

4. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Employee benefits (continued)

Retirement benefit costs (continued)

Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset. However, if the Group remeasures the net defined benefit liability or asset before plan amendment, curtailment or settlement, the Group determines net interest for the remainder of the annual reporting period after the plan amendment, curtailment or settlement using the benefits offered under the plan and the plan assets after the plan amendment, curtailment or settlement and the discount rate used to remeasure such net defined benefit liability or asset, taking into account any changes in the net defined benefit liability or asset during the period resulting from contributions or benefit payments.

Defined benefit costs are categorised as follows:

- service cost (including current service cost, past service cost, as well as gains and losses on curtailments and settlements);
- net interest expense or income; and
- remeasurement.

The retirement benefit obligation recognised in the consolidated statement of financial position represents the actual deficit or surplus in the Group's defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any economic benefits available in the form of refunds from the plans or reductions in future contributions to the plans.

Termination benefits

A liability for a termination benefit is recognised at the earlier of when the Group entity can no longer withdraw the offer of the termination benefit and when it recognises any related restructuring costs.

Short-term and other long-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another IFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries, annual leave and sick leave) after deducting any amount already paid.

Liabilities recognised in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Group in respect of services provided by employees up to the reporting date. Any changes in the liabilities' carrying amounts resulting from service cost, interest and remeasurements are recognised in profit or loss except to the extent that another IFRS requires or permits their inclusion in the cost of an asset.

4. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Taxation

Income tax expense represents the sum of current and deferred income tax expense

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit/loss before tax because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit and at the time of the transaction does not give rise to equal taxable and deductible temporary differences. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the periods in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

4. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Taxation (continued)

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies IAS 12 Income Taxes requirements to the lease liabilities, the provision for return condition checks, the provision for major overhauls and the related assets separately. The Group recognises a deferred tax asset related to lease liabilities to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised and a deferred tax liability for all taxable temporary differences.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied to the same taxable entity by the same taxation authority.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for business combination.

Property, plant and equipment

Property, plant and equipment including buildings held for use in the production or supply of goods or services, or for administrative purposes (other than construction in progress), are stated in the consolidated statement of financial position at cost, less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less recognised impairment loss, if any. Costs include any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management, including costs of testing whether the related assets are functioning properly, and, for qualifying assets, borrowing costs capitalised in accordance with the Group’s accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation of overhaul components of engines is calculated using the units of production method based on the estimated flying hours. Depreciation for other property, plant and equipment is recognised so as to write off the cost of items of property, plant and equipment less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives as well as the estimated flying hours, residual values and depreciation method are reviewed at the end of the reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

4. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Impairment of tangible and intangible assets (other than goodwill)

At the end of the reporting period, the Group reviews the carrying amounts of its tangible and intangible assets with finite useful lives to determine whether there is any indication that these assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss (if any). Intangible assets with indefinite useful lives are tested for impairment at least annually, and whenever there is an indication that they may be impaired.

The recoverable amount of tangible and intangible assets are estimated individually. When it is not possible to estimate the recoverable amount of an asset individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

In testing a cash-generating unit for impairment, corporate assets are allocated to the relevant cash-generating unit when a reasonable and consistent basis of allocation can be established, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be established. The recoverable amount is determined for the cash-generating unit or group of cash-generating units to which the corporate asset belongs, and is compared with the carrying amount of the relevant cash-generating unit or group of cash-generating units.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a cash-generating unit) for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount.

For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a cash-generating unit, the Group compares the carrying amount of a group of cash-generating units, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of cash-generating units, with the recoverable amount of the group of cash-generating units. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit or the group of cash-generating units. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit or the group of cash-generating units. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit or a group of cash-generating units) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash- generating unit or a group of cash-generating units) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Notes to the Consolidated Financial Statements

For the Year Ended 31 December 2024

4. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on a weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Costs necessary to make the sale include incremental costs directly attributable to the sale and non-incremental costs which the Group must incur to make the sale.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

Present obligations arising under onerous contracts are recognised and measured as provisions. An onerous contract is considered to exist where the Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received from the contract. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the net cost of fulfilling it and any compensation or penalties arising from failure to fulfil it.

When assessing whether a contract is onerous or loss-making, the Group includes costs that relate directly to the contract, consisting of both the incremental costs and an allocation of other costs that relate directly to fulfilling contracts.

Provisions for the costs to restore leased assets to their original condition, as required by the terms and conditions of the lease, are recognised at the date of inception of the lease at the Directors' best estimate of the expenditure that would be required to restore the assets. Estimates are regularly reviewed and adjusted as appropriate for new circumstances.

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Financial assets and financial liabilities are initially measured at fair value except for accounts receivable arising from contracts with customers which are initially measured in accordance with IFRS 15. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss ("FVTPL")) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

4. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Financial instruments (continued)

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period.

The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Financial assets

Classification and subsequent measurement of financial assets

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets that meet the following conditions are subsequently measured at fair value through other comprehensive income ("FVTOCI"):

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at FVTPL, except that at initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which IFRS 3 *Business Combinations* applies.

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not a designated and effective hedging instrument.

In addition, the Group may irrevocably designate a financial asset that are required to be measured at the amortised cost or FVTOCI as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

Notes to the Consolidated Financial Statements

For the Year Ended 31 December 2024

4. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Financial instruments (continued)

Financial assets (continued)

Classification and subsequent measurement of financial assets (continued)

(i) Amortised cost and interest income

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost and at FVTOCI. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial assets from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit impaired.

(ii) Debt instruments classified as at FVTOCI

Subsequent changes in the carrying amounts for debt instruments classified as at FVTOCI as a result of interest income calculated using the effective interest method are recognised in profit or loss. All other changes in the carrying amount of these debt instruments are recognised in other comprehensive income and accumulated under the heading of capital reserve and revaluation reserve. Impairment allowances are recognised in profit or loss with corresponding adjustment to other comprehensive income without reducing the carrying amount of these debt instruments. When these debt instruments are derecognised, the cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss.

(iii) Equity instruments designated as at FVTOCI

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the capital reserve and revaluation reserve; and are not subject to impairment assessment. The cumulative gain or loss is not reclassified to profit or loss on disposal of the equity investments, and is transferred to retained earnings/(accumulated losses).

Dividends from these investments in equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the "other income and gains" line item in profit or loss.

(iv) Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial asset and is included in the "other income and gains" line item.

4. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets and other items subject to impairment assessment under IFRS 9

The Group performs impairment assessment under expected credit loss ("ECL") model on financial assets (including accounts receivable, bills receivable, deposits and other receivables, deposits for aircraft under leases, restricted bank deposits, cash and cash equivalents, financial assets included in other current assets and other non-current assets, and debt instruments at FVTOCI) which are subject to impairment assessment under IFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment is done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for accounts receivable.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless there has been a significant increase in credit risk since initial recognition, in which case the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;

- significant deterioration in external market indicators of credit risk, e.g., a significant increase in the credit spread, the credit default swap prices for the debtor;

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4. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets and other items subject to impairment assessment under IFRS 9 (continued)

(i) Significant increase in credit risk (continued)

- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the aforegoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A debt instrument is determined to have low credit risk if i) it has a low risk of default, ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group considers a debt instrument to have low credit risk when it has an internal or external credit rating of 'investment grade' as per globally understood definitions.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

(ii) Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

4. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets and other items subject to impairment assessment under IFRS 9 (continued)

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event;

(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or

(e) the disappearance of an active market for that financial asset because of financial difficulties.

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e., the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data and forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights. The Group uses a practical expedient in estimating ECL on accounts receivable using a provision matrix taking into consideration historical credit loss experience and forward-looking information that is available without undue cost or effort.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

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For the Year Ended 31 December 2024

4. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets and other items subject to impairment assessment under IFRS 9 (continued)

(v) Measurement and recognition of ECL (continued)

For a lease receivable, the cash flows used for determining the ECL is consistent with the cash flows used in measuring the lease receivable in accordance with IFRS 16.

For collective assessment, the Group takes into consideration the following characteristics when formulating the grouping:

- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

Except for investments in debt instruments that are measured at FVTOCI, the Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount through a loss allowance account. For investments in debt instruments that are measured at FVTOCI, the loss allowance is recognised in other comprehensive income and accumulated in the capital reserve and revaluation reserve without reducing the carrying amounts of these debt instruments. Such amount represents the changes in the capital reserve and revaluation reserve in relation to accumulated loss allowance.

Financial liabilities and equity

Classification as debt or equity

Debt and equity instruments are classified either as financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the group entities after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments (treasury shares) is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments.

4. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Financial instruments (continued)

Financial liabilities and equity (continued)

Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method or at FVTPL.

Financial liabilities at amortised cost

Financial liabilities (including accounts payable, bills payable, dividends payables, other payables, interest-bearing borrowings and financial liabilities included in long-term payables) are subsequently measured at amortised cost using the effective interest method.

Derecognition/modification of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

For non-substantial modifications of financial liabilities that do not result in derecognition, the carrying amount of the relevant financial liabilities will be calculated at the present value of the modified contractual cash flows discounted at the financial liabilities' original effective interest rate. Transaction costs or fees incurred are adjusted to the carrying amount of the modified financial liabilities and are amortised over the remaining term. Any adjustment to the carrying amount of the financial liability is recognised in profit or loss at the date of modification.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 4, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Impairment test on goodwill

Determining whether goodwill is impaired requires an estimation of the recoverable amount of the cash-generating unit (or group of cash-generating units) to which goodwill has been allocated, which is the higher of the value in use or fair value less costs of disposal. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit (or group of cash-generating units) and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, or change in facts and circumstances which results in downward revision of the future cash flows or upward revision of discount rate, a further impairment loss may rise.

As at 31 December 2024, the carrying amount of goodwill was RMB4,096 million (2023: RMB4,096 million) (net of impairment). Details of the recoverable amount calculation are disclosed in Note 20.

Impairment of non-financial assets (other than goodwill)

The Group assesses whether there are any indicators of impairment for all non-financial assets at the end of each reporting period. Intangible assets with indefinite life are tested for impairment annually and at other times when such indicator exists. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be fully recoverable. If any such indication exists, the recoverable amount of the individual asset or the cash-generating unit to which the asset belongs is estimated in order to determine the extent of the impairment loss (if any). The recoverable amount of the individual asset or the cash-generating unit is determined based on the higher of fair value less costs of disposal and value in use.

In estimating the aforesaid recoverable amount of the individual asset or the cash-generating unit, management consider all relevant factors, including but not limited to the future cash flows and discount rate with reasonable and supportable assumptions to make significant accounting estimations and judgement.

The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposal of the asset.

When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

During the year, the Group recognised impairment loss of approximately RMB143 million (2023: RMB178 million) for certain aircrafts that are about to retire from service in advance. As at 31 December 2024, the aggregate carrying amount of property, plant and equipment, right-of-use assets, investment properties, intangible assets, interests in associates and interests in joint ventures was RMB258,869 million (2023: RMB254,810 million). Details of related items are disclosed in Notes 17, 18, 19, 22 and 23.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Overhaul provisions

Overhaul provisions for aircraft under leases are accrued using the estimated maintenance costs for aircraft to fulfil these return conditions. Management estimates the maintenance costs of major overhauls for aircraft held under leases at the end of each reporting period and accrues such costs over the lease term. The calculation of such costs includes a number of variable factors and assumptions, including the anticipated utilisation of the aircraft and the expected costs of maintenance. Different estimates could significantly affect the estimated overhaul provision and the results of operations.

As at 31 December 2024, provision for major overhauls of the Group amounted to RMB15,939 million (2023: RMB13,739 million) and details are disclosed in Note 36.

Frequent-flyer programme

The transaction price allocated to the miles earned by the members of the Group's frequent-flyer programme is estimated based on the stand-alone selling price of the miles awarded. The stand-alone selling price of the miles awarded is estimated based on expected redemption rate. The expected redemption rate was estimated considering expected future redemption activities, including the number of the miles that will be available for redemption in the future after allowing for miles which are not expected to be redeemed. Any change in estimate would affect profit or loss in future years.

As at 31 December 2024, the contract liabilities related to frequent-flyer programme was RMB2,757 million (2023: RMB2,172 million) and details are disclosed in Note 37.

Expected breakage

For those passenger flight tickets the Group expects to be entitled to breakage because the passenger has not required the Group to perform and is unlikely to do so, the Group recognises the expected breakage amount as revenue in proportion to the pattern of rights exercised by the passenger (or flown revenue) based on historical experience. The air traffic liabilities recorded in the consolidated statement of financial position is after adjusting the effect of expected breakage.

Deferred tax assets

Deferred tax assets are recognised for all unused tax losses and deductible temporary differences to the extent that it is probable that taxable profit will be available against which the losses and deductible temporary differences can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. In cases where the actual future profits generated are less or more than expected, or effective tax rate is changed, or change in facts and circumstances which result in revision of future taxable profits estimation, a material reversal or further recognition of deferred tax assets may arise, which would be recognised in profit or loss for the period in which such change takes places.

As at 31 December 2024, deferred tax assets of RMB21,991 million (2023: RMB23,182 million) in relation to deductible temporary differences and tax losses have been recognised. No deferred tax asset has been recognised on the deductible tax losses of RMB66,710 million (2023: RMB59,113 million) and other deductible temporary differences of RMB268 million (2023: RMB327 million) due to the unpredictability of the future streams and details are disclosed in Note 26.

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For the Year Ended 31 December 2024

6. REVENUE

	2024 RMB'000	2023 RMB'000
Revenue from contracts with customers	**166,390,725**	140,721,730
Rental income (included in revenue of airline operations segment)	**308,155**	378,504
Total revenue	**166,698,880**	141,100,234

Disaggregation of revenue from contracts with customers

	2024		2023	
Segments	Airline operations RMB'000	Other operations RMB'000	Airline operations RMB'000	Other operations RMB'000
Type of goods or services				
Airline operations				
Passenger	**151,788,672**	–	130,516,558	–
Cargo and mail	**7,413,855**	–	4,164,743	–
Others	**1,876,406**	–	1,704,339	–
	161,078,933	–	136,385,640	–
Other operations				
Aircraft engineering income	–	**5,179,776**	–	4,238,926
Others	–	**132,016**	–	97,164
	–	**5,311,792**	–	4,336,090
Total	**161,078,933**	**5,311,792**	136,385,640	4,336,090
Geographical markets				
Mainland China	**112,871,422**	**5,311,792**	108,050,710	4,336,090
Hong Kong Special Administrative Region ("SAR"), Macau SAR and Taiwan, China	**5,118,889**	–	4,126,997	–
International	**43,088,622**	–	24,207,933	–
Total	**161,078,933**	**5,311,792**	136,385,640	4,336,090

6. REVENUE (continued)

Performance obligations for contracts with customers

Passenger revenue is recognised when transportation services are provided. Besides, the Group recognises the expected breakage amount as passenger revenue in proportion to the pattern of rights exercised by the passenger (or flown revenue) based on historical experience. Ticket sales for transportation not yet provided are recorded in air traffic liabilities.

The Group operates frequent-flyer programme and provides free services or products to the customers according to the miles they earn. The Group allocates the transaction price to each performance obligation on a relative stand-alone selling price basis. The amount allocated to the miles earned by the frequent-flyer programme members is recorded in contract liabilities and deferred until the miles are redeemed when the Group fulfils its obligations to supply services or products or when the miles expire. During the year, the Group recognised revenue of RMB1,351 million (2023: RMB1,455 million) which was included in contract liabilities in relation to frequent-flyer programme at the beginning of the year.

Cargo and mail revenue is recognised when contract services are provided.

Revenue from other airline-related services is recognised when the related performance obligations are satisfied.

Sale of goods is recognised when control of the goods has transferred to the customer, being at the point the goods are delivered to the customer.

Transaction price allocated to the remaining performance obligation for contracts with customers

The customer loyalty points in frequent-flyer programme have a three-year term and these points can be redeemed anytime at customers' discretion during the valid period.

7. 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.

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

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For the Year Ended 31 December 2024

7. SEGMENT INFORMATION (continued)

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 years ended 31 December 2024 and 2023, and the reconciliations of reportable segment revenue and loss before taxation to the Group's consolidated amounts under IFRS Accounting Standards:

Year ended 31 December 2024

	Airline operations RMB'000	Other operations RMB'000	Elimination RMB'000	Total RMB'000
Revenue				
Sales to external customers	**161,387,088**	**5,311,792**	**–**	**166,698,880**
Inter-segment sales	**229,651**	**9,268,619**	**(9,498,270)**	**–**
Revenue for reportable segments under CASs and IFRS Accounting Standards	**161,616,739**	**14,580,411**	**(9,498,270)**	**166,698,880**
Segment (loss)/profit before taxation				
(Loss)/profit before taxation for reportable segments under CASs	**(2,239,127)**	**795,124**	**(161,195)**	**(1,605,198)**
Effect of differences between IFRS Accounting Standards and CASs				**6,330**
Loss before taxation for the year under IFRS Accounting Standards				**(1,598,868)**

7. SEGMENT INFORMATION (continued)

Operating segments (continued)

Year ended 31 December 2023

	Airline operations RMB'000	Other operations RMB'000	Elimination RMB'000	Total RMB'000
Revenue				
Sales to external customers	136,764,144	4,336,090	–	141,100,234
Inter-segment sales	206,970	7,909,425	(8,116,395)	–
Revenue for reportable segments under CASs and IFRS Accounting Standards	136,971,114	12,245,515	(8,116,395)	141,100,234
Segment (loss)/profit before taxation				
(Loss)/profit before taxation for reportable segments under CASs	(2,084,670)	475,041	(50,778)	(1,660,407)
Effect of differences between IFRS Accounting Standards and CASs				10,628
Loss before taxation for the year under IFRS Accounting Standards				(1,649,779)

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For the Year Ended 31 December 2024

7. SEGMENT INFORMATION (continued)

Operating segments (continued)

The following tables present the assets, liabilities and other information of the Group's operating segments under CASs as at 31 December 2024 and 2023 and the reconciliations of reportable segment assets, segment liabilities and other segment information to the Group's consolidated amounts under IFRS Accounting Standards:

	Airline operations RMB'000	Other operations RMB'000	Elimination RMB'000	Total RMB'000
Segment assets				
Total assets for reportable segments as at 31 December 2024 under CASs	335,387,462	35,068,041	(24,686,091)	345,769,412
Effect of differences between IFRS Accounting Standards and CASs				(19,239)
Total assets under IFRS Accounting Standards				345,750,173
Total assets for reportable segments as at 31 December 2023 under CASs	323,324,926	30,250,454	(18,272,699)	335,302,681
Effect of differences between IFRS Accounting Standards and CASs				(23,987)
Total assets under IFRS Accounting Standards				335,278,694
Segment liabilities				
Total liabilities for reportable segments as at 31 December 2024 under CASs and IFRS Accounting Standards	301,829,477	27,135,795	(24,141,069)	304,824,203
Total liabilities for reportable segments as at 31 December 2023 under CASs and IFRS Accounting Standards	294,072,306	23,748,047	(17,805,668)	300,014,685

7. SEGMENT INFORMATION (continued)

Operating segments (continued)

Year ended 31 December 2024

	Airline operations RMB'000	Other operations RMB'000	Elimination RMB'000	Total RMB'000	Effect of differences between IFRS Accounting Standards and CASs RMB'000	Amounts under IFRS Accounting Standards RMB'000
Other segment information						
Share of profit of associates and joint ventures	2,535,142	284,702	–	2,819,844	–	2,819,844
Net impairment losses (reversed)/ recognised on financial assets	(11,792)	27,985	(25,700)	(9,507)	–	(9,507)
Impairment losses recognised on non-financial assets	145,588	10,412	–	156,000	–	156,000
Depreciation and amortisation	28,827,562	448,312	(166,617)	29,109,257	(6,289)	29,102,968
Income tax expense	(656,490)	(211,035)	22,633	(844,892)	(1,582)	(846,474)
Interests in associates and joint ventures	14,310,136	2,693,530	(86,809)	16,916,857	139,919	17,056,776
Additions to non-current assets	34,264,696	401,343	(442,547)	34,223,492	–	34,223,492

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For the Year Ended 31 December 2024

7. SEGMENT INFORMATION (continued)

Operating segments (continued)

Year ended 31 December 2023

	Airline operations RMB'000	Other operations RMB'000	Elimination RMB'000	Total RMB'000	Effect of differences between IFRS Accounting Standards and CASs RMB'000	Amounts under IFRS Accounting Standards RMB'000
Other segment information						
Share of profit of associates and joint ventures	2,501,992	331,986	–	2,833,978	–	2,833,978
Net impairment losses recognised/(reversed) on financial assets	18,271	(41,094)	47,440	24,617	–	24,617
Impairment losses recognised on non-financial assets	192,203	29,900	–	222,103	–	222,103
Depreciation and amortisation	26,839,044	437,075	(154,982)	27,121,137	(10,630)	27,110,507
Income tax credit/(expense)	254,127	(170,957)	8,018	91,188	(2,657)	88,531
Interests in associates and joint ventures	12,559,126	2,656,782	(79,005)	15,136,903	139,919	15,276,822
Additions to non-current assets	25,053,588	346,788	(17,211)	25,383,165	–	25,383,165

7. SEGMENT INFORMATION (continued)

Geographical information

The following table presents the Group's consolidated revenue under IFRS Accounting Standards by geographical location for the years ended 31 December 2024 and 2023, respectively:

Year ended 31 December 2024

	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	**118,491,369**	**5,118,889**	**43,088,622**	**166,698,880**

Year ended 31 December 2023

	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	112,765,304	4,126,997	24,207,933	141,100,234

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.

8. OTHER INCOME AND GAINS

	2024 RMB'000	2023 RMB'000
Co-operation routes income and subsidy income	**4,295,552**	4,450,650
Dividend income	**36,740**	14,286
Gains/(losses) on disposal of:		
– Property, plant and equipment and right-of-use assets	**1,029,912**	934,614
– Asset held for sale	**(17,527)**	18,519
– Investment properties	**–**	(315)
Gain/(loss) arising on financial assets at FVTPL	**54**	(893)
Others (Note)	**1,975,181**	1,984,895
	7,319,912	7,401,756

Note: These mainly include engines and flight operation remedies.

9. EMPLOYEE COMPENSATION COSTS

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

	2024 RMB'000	2023 RMB'000
Wages, salaries and other benefits	**29,898,033**	25,769,065
Retirement benefit costs:		
– Contributions to defined contribution retirement scheme	**4,360,431**	3,530,426
– Early retirement benefits	**10,281**	819
	34,268,745	29,300,310

The employees of the Group in the PRC are members of a state-managed retirement benefits scheme operated by the PRC government. The Group is required to contribute a specific percentage of the total monthly basic salaries of its current employees to the retirement benefits scheme to fund the benefits.

In addition to the above benefits scheme, the Group also provides annuity schemes for certain qualified employees in the PRC. The employees' and the Group's contributions for the annuity schemes are calculated based on certain percentage of the Group's salaries and recognised in profit or loss as expense in profit or loss when incurred.

There were no forfeited contributions in respect of the Group's defined contribution plan as mentioned above.

10. NET IMPAIRMENT LOSS REVERSED/(RECOGNISED) UNDER EXPECTED CREDIT LOSSMODEL

	2024 RMB'000	2023 RMB'000
Impairment losses reversed/(recognised) on financial assets:		
– Deposits and other receivables	**18,960**	(3,309)
– Accounts receivable	**(4,000)**	(22,785)
– Financial assets included in other current assets	**(2,918)**	(5,211)
– Debt instruments at FVTOCI	**(394)**	6,688
– Others	**(2,141)**	–
	9,507	(24,617)

Details of impairment assessment are set out in Note 43.

11. PROFIT FROM OPERATIONS

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

	2024 RMB'000	2023 RMB'000
Depreciation of property, plant and equipment	**13,439,898**	11,611,121
Depreciation of right-of-use assets	**15,629,518**	15,468,124
Depreciation of investment properties	**33,535**	31,256
Amortisation of intangible assets	**17**	6
Total depreciation and amortisation	**29,102,968**	27,110,507
Impairment losses recognised on property, plant and equipment	**143,240**	184,166
Impairment losses recognised on inventories	**12,760**	35,049
Impairment losses recognised on interests in associates	**–**	2,888
Auditors' remuneration:		
– Audit related services	**21,847**	19,395
– Other services	**1,540**	1,088

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12. FINANCE COSTS

	2024 RMB'000	2023 RMB'000
Interest on interest-bearing borrowings	**4,025,619**	3,872,746
Interest on lease liabilities	**2,683,519**	3,328,563
Imputed interest expenses on defined benefit obligations	**5,147**	6,204
	6,714,285	7,207,513
Less: Interest capitalised (Note)	**(315,537)**	(264,426)
	6,398,748	6,943,087

Note: The interest capitalisation rates ranged from 2.40% to 4.00% per annum (2023: 2.40% to 4.45% per annum) relating to the costs of related borrowings during the year.

13. DIRECTORS', CHIEF EXECUTIVE'S, SUPERVISORS' AND EMPLOYEES' EMOLUMENTS

Directors', chief executive's and supervisors' remuneration for the year, disclosed pursuant to the applicable Listing Rules and Companies Ordinance, was as follows:

	2024 RMB'000	2023 RMB'000
Directors' fee	**107**	113
Salaries and other allowances	**2,393**	1,973
Discretionary bonus	**2,610**	1,781
Retirement benefit scheme contributions	**617**	503
	5,727	4,370

13. DIRECTORS', CHIEF EXECUTIVE'S, SUPERVISORS' AND EMPLOYEES' EMOLUMENTS (continued)

For the year ended 31 December 2024

	Directors' fee RMB'000	Salaries and other allowances RMB'000	Discretionary bonus RMB'000	Retirement benefit scheme contributions RMB'000	Total RMB'000
Executive directors					
Ma Chongxian (Notes (a))	–	–	–	–	–
Wang Mingyuan (Note (a) and (e))	–	–	–	–	–
Non-executive directors					
Feng Gang (Note (a)) (Resigned on 15 July 2024)	–	–	–	–	–
Cui Xiaofeng (Note(a)) (Appointed on 9 August 2024)	–	–	–	–	–
Patrick Healy (Note (b))	–	–	–	–	–
Xiao Peng	–	585	248	137	970
	–	585	248	137	970
Independent non-executive directors					
Li Fushen (Resigned on 30 August 2024)	–	–	–	–	–
He Yun	–	–	–	–	–
Xu Junxin	–	–	–	–	–
Winnie Tam Wan-chi	107	–	–	–	107
	107	–	–	–	107
Supervisors					
Xiao Jian (Note (a))	–	–	–	–	–
Lyu Yanfang	–	383	483	122	988
Guo Lina	–	539	585	100	1,224
Wang Mingzhu	–	354	682	133	1,169
Li Shuxing	–	532	612	125	1,269
	–	1,808	2,362	480	4,650
	107	2,393	2,610	617	5,727

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13. DIRECTORS', CHIEF EXECUTIVE'S, SUPERVISORS' AND EMPLOYEES' EMOLUMENTS (continued)

For the year ended 31 December 2023

	Directors' fee RMB'000	Salaries and other allowances RMB'000	Discretionary bonus RMB'000	Retirement benefit scheme contributions RMB'000	Total RMB'000
Executive directors					
Ma Chongxian (Notes (a))	–	–	–	–	–
Wang Mingyuan (Note (a) and (e))					
(Appointed on 30 March 2023)	–	–	–	–	–
Non-executive directors					
Feng Gang (Note (a))	–	–	–	–	–
Patrick Healy (Note (b))	–	–	–	–	–
Xiao Peng					
(Appointed on 2 March 2023)	–	580	241	102	923
	–	580	241	102	923
Independent non-executive directors					
Li Fushen	–	–	–	–	–
He Yun	–	–	–	–	–
Xu Junxin	–	–	–	–	–
Winnie Tam Wan-chi	113	–	–	–	113
	113	–	–	–	113
Supervisors					
He Chaofan (Note (a))					
(Resigned on 13 January 2023)	–	–	–	–	–
Wang Jie (Note (a))					
(Resigned on 2 March 2023)	–	–	–	–	–
Qin Hao					
(Resigned on 2 March 2023)	–	83	367	50	500
Xiao Jian (Note (a))					
(Appointed on 10 February 2023)	–	–	–	–	–
Lyu Yanfang	–	379	350	106	835
Guo Lina	–	394	340	96	830
Wang Mingzhu					
(Appointed on 2 March 2023)	–	263	238	75	576
Li Shuxing					
(Appointed on 2 March 2023)	–	274	245	74	593
	–	1,393	1,540	401	3,334
	113	1,973	1,781	503	4,370

13. DIRECTORS', CHIEF EXECUTIVE'S, SUPERVISORS' AND EMPLOYEES' EMOLUMENTS (continued)

Notes:

(a) These directors or supervisors did not receive any remuneration for their services in the capacity of the directors or supervisors of the Company. They also held management positions in CNAHC and their remuneration were borne by CNAHC.

(b) These directors did not receive any remuneration for their services in the capacity of the directors. They also held management positions in Cathay Pacific Airways Limited ("Cathay Pacific"), the associate of the Group, and their remuneration were borne by Cathay Pacific.

(c) None of the directors, supervisors and chief executive has waived any emoluments during the years ended 31 December 2024 and 2023.

(d) For the year ended 31 December 2024, the Group received service fee of Hong Kong Dollar ("HKD") 2,672,000 (2023: HKD2,351,000) from Cathay Pacific for the directors' services provided by certain directors and management to Cathay Pacific.

(e) Being the chief executive of the Company.

Five highest paid individuals

For both 2024 and 2023, the five highest paid employees were not directors, supervisors nor chief executive of the Group.

Details of the remuneration of the five highest paid individuals during the year were as follows:

	2024 RMB'000	2023 RMB'000
Salaries and other allowances	**11,493**	11,566
Discretionary bonuses	**125**	51
Retirement benefit scheme contributions	**246**	238
	11,864	11,855

Discretionary bonuses are calculated based on the Group's or respective employee's performance for such financial year.

The number of the five highest paid individuals whose remuneration fell within the following bands is as follows:

	2024	2023
HKD2,000,001 to HKD2,500,000	**–**	–
HKD2,500,001 to HKD3,000,000	**5**	5
	5	5

During both years, no emoluments were paid by the Group to any of the directors, supervisors, chief executive, or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

14. INCOME TAX EXPENSE/(CREDIT)

	2024 RMB'000	2023 RMB'000
Current income tax:		
– Mainland China	**247,162**	214,771
– Hong Kong SAR and Macau SAR, China	**–**	–
Under provision in respect of prior years	**879**	13,600
Deferred tax (Note 26)	**598,433**	(316,902)
	846,474	(88,531)

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, except for three (2023: three) branches and five (2023: five) subsidiaries of the Company, and some branches of two (2023: two) subsidiaries of the Company which are taxed at a preferential rate of 15% (2023: 15%), all group companies located in Mainland China are subject to a income tax rate of 25% during the year (2023: 25%). Subsidiaries in Hong Kong SAR, China are taxed at profits tax rate of 16.5% (2023: 16.5%) and subsidiaries in Macau SAR, China are taxed at profits tax rate of 12% (2023: 12%), for each reporting period.

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 years.

The taxation for the year can be reconciled to the loss before taxation per consolidated statement of profit or loss as follows:

	2024 RMB'000	2023 RMB'000
Loss before taxation	**(1,598,868)**	(1,649,779)
Tax at the applicable tax rate of 25%	**(399,717)**	(412,445)
Preferential tax rates on income of group entities	**111,747**	85,063
Tax effect of share of results of associates and joint ventures	**(713,367)**	(703,457)
Tax effect of non-deductible expenses	**190,830**	139,600
Tax effect of non-taxable income	**(16,259)**	(18,395)
Reversal of tax losses recognised as deferred tax assets in prior years	**907,589**	–
Tax effect of deductible temporary differences and tax losses not recognised	**1,058,113**	1,005,444
Utilisation of tax losses and deductible temporary differences not recognised in prior years	**(17,067)**	(197,941)
Under provision in respect of prior years	**879**	13,600
Reversal of unrealised equity investment income recognised as deferred tax liabilities in prior years	**(276,274)**	–
Income tax expense/(credit)	**846,474**	(88,531)

15. LOSS PER SHARE

The calculation of the basic and diluted loss per share attributable to equity shareholders of the Company is based on the following data:

	2024 RMB'000	2023 RMB'000
Loss		
Loss for the purpose of basic and diluted loss per share	**(232,557)**	(1,038,411)

	2024 '000	2023 '000
Number of shares		
Number of ordinary shares for the purpose of basic and diluted loss per share	**15,864,560**	15,401,755

The number of ordinary shares for the purpose of basic and diluted loss per share is calculated based on the number of ordinary shares in issue during the year, as adjusted to reflect the number of treasury shares held by Cathay Pacific through reciprocal shareholding (Note 40(c)).

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

16. DIVIDENDS

No dividend was paid or proposed for ordinary shareholders of the Company during the years ended 31 December 2023 and 2024, nor has any dividend been proposed since the end of both reporting periods.

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17. PROPERTY, PLANT AND EQUIPMENT

	Aircraft, engines and flight equipment RMB'000	**Buildings** RMB'000	**Other equipment** RMB'000	**Construction in progress** RMB'000	**Total** RMB'000
Cost					
At 1 January 2023	161,639,964	15,810,388	13,230,846	12,813,818	203,495,016
Additions	1,474,811	–	345,048	19,095,961	20,915,820
Acquired on the acquisition of a subsidiary	3,984,723	2,250,124	378,651	581,635	7,195,133
Transfer from construction in progress	14,198,998	2,351,893	1,077,561	(17,628,452)	–
Transfer from right-of-use assets upon obtaining ownership of the underlying leased assets	8,230,018	–	147,229	–	8,377,247
Transfer from investment properties	–	72	–	–	72
Transfer to right-of-use assets	–	–	–	(2,562,597)	(2,562,597)
Transfer to assets held for sale	(1,745,995)	–	–	–	(1,745,995)
Disposals	(3,590,606)	(501,950)	(662,077)	–	(4,754,633)
Exchange realignment	34,773	–	3,315	–	38,088
At 31 December 2023	184,226,686	19,910,527	14,520,573	12,300,365	230,958,151
Additions	3,267,965	615,283	394,283	18,668,581	22,946,112
Transfer from construction in progress	9,627,710	831,228	711,792	(11,170,730)	–
Transfer from right-of-use assets upon obtaining ownership of the underlying leased assets	6,635,654	–	–	–	6,635,654
Transfer to right-of-use assets	–	–	–	(7,714,233)	(7,714,233)
Transfer to assets held for sale	(1,626,634)	–	–	–	(1,626,634)
Disposals	(5,321,996)	(423,722)	(382,317)	–	(6,128,035)
Exchange realignment	34,011	–	3,294	–	37,305
At 31 December 2024	196,843,396	20,933,316	15,247,625	12,083,983	245,108,320

17. PROPERTY, PLANT AND EQUIPMENT (continued)

	Aircraft, engines and flight equipment RMB'000	Buildings RMB'000	Other equipment RMB'000	Construction in progress RMB'000	Total RMB'000
Accumulated depreciation					
At 1 January 2023	(87,808,408)	(6,476,434)	(9,076,599)	–	(103,361,441)
Depreciation charge for the year	(9,977,790)	(656,050)	(977,281)	–	(11,611,121)
Transfer from right-of-use assets upon obtaining ownership of the underlying leased assets	(3,085,065)	–	(34,099)	–	(3,119,164)
Transfer from investment properties	–	(58)	–	–	(58)
Transfer to assets held for sale	1,484,763	–	–	–	1,484,763
Eliminated on disposals	3,086,662	269,509	566,823	–	3,922,994
Exchange realignment	(14,373)	–	(2,868)	–	(17,241)
At 31 December 2023	(96,314,211)	(6,863,033)	(9,524,024)	–	(112,701,268)
Depreciation charge for the year	(11,791,655)	(711,380)	(936,863)	–	(13,439,898)
Transfer from right-of-use assets upon obtaining ownership of the underlying leased assets	(2,897,676)	–	–	–	(2,897,676)
Transfer to assets held for sale	1,445,651	–	–	–	1,445,651
Eliminated on disposals	4,783,102	56,354	357,765	–	5,197,221
Exchange realignment	(14,984)	–	(2,879)	–	(17,863)
At 31 December 2024	(104,789,773)	(7,518,059)	(10,106,001)	–	(122,413,833)
Impairment					
At 1 January 2023	(559,516)	–	–	–	(559,516)
Recognised for the year	(177,726)	–	–	(6,440)	(184,166)
Transfer to assets held for sale	152,705	–	–	–	152,705
Eliminated on disposals	62,592	–	–	–	62,592
At 31 December 2023	(521,945)	–	–	(6,440)	(528,385)
Recognised for the year	(143,240)	–	–	–	(143,240)
Transfer to assets held for sale	93,798	–	–	–	93,798
Eliminated on disposals	64,211	–	–	–	64,211
At 31 December 2024	(507,176)	–	–	(6,440)	(513,616)
Net book value					
At 31 December 2024	91,546,447	13,415,257	5,141,624	12,077,543	122,180,871
At 31 December 2023	87,390,530	13,047,494	4,996,549	12,293,925	117,728,498

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17. PROPERTY, PLANT AND EQUIPMENT (continued)

During the year, the Group recognised impairment losses amounting to approximately RMB143 million (2023: RMB178 million) for certain aircrafts that are about to retire from service in advance. The impairment provisions refer to the difference between the recoverable amounts of RMB139 million and the carrying amounts of the assets, approximately RMB282 million. The recoverable amounts are based on the fair value of the assets less disposal expenses. Among them, the fair value refers to agreed price of the contractual agreements or the evaluation values of the assets by independent valuers.

In addition, the Company and its subsidiaries, primarily operating as airline operators, performed impairment assessments on their airline operation related assets other than those mentioned above. The airline operation related assets include aircrafts and other operating non-current assets (including property, plant and equipment, right-of-use assets, investment properties and intangible assets) and are grouped as separate cash-generating unit. The recoverable amounts for each of these cash-generating units were determined based on value in use calculations. The calculations used cash flow projections based on financial budgets approved by managements covering a five-year period. Key assumptions for the value in use calculations include budgeted sales and gross margins which are based on each of these cash-generating units' past performances and managements' market development expectations. The discount rates used are pre-tax rates that reflect the risks specific to each unit, ranging from 9% to 10.5% (2023: 9% to 11.5%). The cash flows beyond the five-year period were extrapolated using a 2.5% (2023: 2.5%). As the recoverable amounts are above the carrying amounts of respective cash-generating unit, no further impairment loss was recognised during the year.

Depreciation of overhaul components of engines is calculated using the units of production method based on the estimated flying hours. The items of other property, plant and equipment, less their estimated residual value, if any, except for construction in progress, are depreciated on a straight-line basis at the following rates per annum.

	Estimated useful life/flying hours	**Residual value**	**Depreciation rate per annum/per thousand hours**
Aircraft, engines and flight equipment:			
Core parts of airframe and engines	15 to 30 years	5%	3.17% – 6.33%
Overhaul of airframe and cabin refurbishment	5 to 12 years	Nil	8.33% – 20.00%
Overhaul components of engines	9 to 43 thousand hours	Nil	2.33% – 11.11%
Rotable	3 to 15 years	Nil	6.67% – 33.33%
Buildings	5 to 50 years	3%-5%	1.90% – 19.40%
Other equipment	3 to 20 years	Nil-5%	4.75% – 33.33%

As at 31 December 2024, the Group's aircraft and flight equipment, buildings and other equipment with an aggregate net book value of approximately RMB3,825 million (2023: RMB838 million) were pledged to secure certain bank loans of the Group (Note 35).

As at 31 December 2024, the Group was in the process of applying for the title certificates of certain buildings with an aggregate net book value of approximately RMB6,906 million (2023: RMB7,390 million). The Directors are of the opinion that the Group is entitled to lawfully and validly occupy and use the above-mentioned buildings, and the aforesaid matter did not have any significant impact on the Group's consolidated financial position as at 31 December 2024.

18. RIGHT-OF-USE ASSETS

	Aircraft and engines RMB'000	Land RMB'000	Buildings RMB'000	Others RMB'000	Total RMB'000
Cost					
At 1 January 2023	197,636,294	4,106,134	3,291,541	476,004	205,509,973
Additions	1,253,435	215,003	346,015	54,089	1,868,542
Acquired on the acquisition of a subsidiary subsidiary	10,631,781	863,396	62,158	–	11,557,335
Transfer from property, plant and equipment	2,061,865	500,732	–	–	2,562,597
Transfer to property, plant and equipment upon obtaining ownership of the underlying leased assets	(8,230,018)	–	–	(147,229)	(8,377,247)
Reduction upon completion/early termination of leases	(4,576,768)	(87,864)	(260,804)	(22,183)	(4,947,619)
Exchange adjustments	84,700	–	2,481	–	87,181
At 31 December 2023	198,861,289	5,597,401	3,441,391	360,681	208,260,762
Additions	8,271,333	390,704	1,185,888	269,428	10,117,353
Transfer from property, plant and equipment	7,419,413	294,820	–	–	7,714,233
Transfer to property, plant and equipment upon obtaining ownership of the underlying leased assets	(6,635,654)	–	–	–	(6,635,654)
Reduction upon completion/early termination of leases	(3,079,755)	(419,710)	(664,737)	(10,205)	(4,174,407)
Exchange adjustments	79,551	–	3,071	–	82,622
At 31 December 2024	204,916,177	5,863,215	3,965,613	619,904	215,364,909

18. RIGHT-OF-USE ASSETS (continued)

	Aircraft and engines RMB'000	Land RMB'000	Buildings RMB'000	Others RMB'000	Total RMB'000
Accumulated depreciation					
At 1 January 2023	(76,801,110)	(879,326)	(1,856,483)	(154,453)	(79,691,372)
Depreciation charged for the year	(14,419,495)	(106,817)	(835,601)	(106,211)	(15,468,124)
Transfer to property, plant and equipment upon obtaining ownership of the underlying leased assets	3,085,065	–	–	34,099	3,119,164
Reduction upon completion/early termination of leases	4,490,941	16,898	257,657	22,126	4,787,622
Exchange adjustments	(35,715)	–	(1,278)	–	(36,993)
At 31 December 2023	(83,680,314)	(969,245)	(2,435,705)	(204,439)	(87,289,703)
Depreciation charged for the year	(14,541,088)	(122,276)	(850,246)	(115,908)	(15,629,518)
Transfer to property, plant and equipment upon obtaining ownership of the underlying leased assets	2,897,676	–	–	–	2,897,676
Reduction upon completion/early termination of leases	2,851,654	17,983	650,757	9,203	3,529,597
Exchange adjustments	(38,961)	–	(1,858)	–	(40,819)
At 31 December 2024	(92,511,033)	(1,073,538)	(2,637,052)	(311,144)	(96,532,767)
Net book value					
At 31 December 2024	112,405,144	4,789,677	1,328,561	308,760	118,832,142
At 31 December 2023	115,180,975	4,628,156	1,005,686	156,242	120,971,059

During the year, expense relating to short-term leases amounted to approximately RMB956 million (2023: RMB832 million), expense relating to leases of low-value assets, excluding short-term leases of low value assets, amounted to approximately RMB1,799,000 (2023: RMB7,261,000).

Leases committed

As at 31 December 2024, the Group had future undiscounted lease payments under non-cancellable period of RMB188 million (2023: RMB2 million), which was not recognised as lease liabilities since leases have yet to be commenced.

During the year, total cash outflow for leases was RMB20,079 million (2023: RMB26,240 million).

Details of the lease maturity analysis of lease liabilities are set out in Notes 34 and 43.

As at 31 December 2024, all the Group's land use rights, which are recorded as part of right-of-use assets are located in Mainland China, with an aggregate net book value of approximately RMB23 million (2023 RMB24 million) were pledged to secure certain bank loans and other borrowings of the Group (Note 35).

19. INVESTMENT PROPERTIES

	2024 RMB'000	2023 RMB'000
Cost		
As at 1 January	**948,150**	722,215
Acquired on the acquisition of a subsidiary	–	227,669
Disposals	–	(1,662)
Transfer to property, plant and equipment	–	(72)
As at 31 December	**948,150**	948,150
Accumulated depreciation		
As at 1 January	**(221,556)**	(191,705)
Depreciation for the year	**(33,535)**	(31,257)
Disposals	–	1,348
Transfer to property, plant and equipment	–	58
As at 31 December	**(255,091)**	(221,556)
Net carrying amount		
As at 31 December	**693,059**	726,594

20. GOODWILL

	2024 RMB'000	2023 RMB'000
Cost		
As at 1 January	**4,225,467**	1,229,710
Arising on acquisition of a subsidiary	**–**	2,995,757
At 31 December	**4,225,467**	4,225,467
Impairment		
As at 1 January and 31 December	**(129,735)**	(129,735)
Carrying amount		
As at 31 December	**4,095,732**	4,095,732

For the purposes of impairment testing, goodwill acquired through these business combinations has been allocated to the cash-generating units of Shenzhen Airlines and Shandong Aviation respectively.

The recoverable amounts for both Shenzhen Airlines and Shandong Aviation cash-generating units were determined based on value in use calculations. These calculations used cash flow projections based on financial budgets approved by the managements covering a five-year period and discount rates of 10% and 10.5% for Shenzhen Airlines and Shandong Aviation, respectively (2023: 11% and 11.5% for Shenzhen Airlines and Shandong Aviation, respectively). The discount rates used are pre-tax rates that reflect the risks specific to each unit. The cash flows beyond the five-year period were extrapolated using a 2.5% growth rate for both Shenzhen Airlines and Shandong Aviation (2023: 2.5% for both Shenzhen Airlines and Shandong Aviation). Other key assumptions for value in use calculations include budgeted sales and gross margins which are based on the cash-generating units' past performances and managements' market development expectations.

As the recoverable amounts are significantly above the carrying amounts of Shenzhen Airlines and Shandong Aviation cash-generating units respectively, the management believes that any reasonably possible change in any of these assumptions would not result in impairment.

21. INTERESTS IN SUBSIDIARIES

Details of the subsidiaries directly and indirectly held by the Company at the end of the reporting period are set out below:

Name of Subsidiaries	Place of incorporation/ registration/operations	Legal status	Paid up issued/ registered capital	Proportion of ownership interest and voting power held by the Company Direct 2024 100%	Direct 2023 100%	Indirect 2024 100%	Indirect 2023 100%	Principal activities
China National Aviation Company Limited ("CNAC") (中航興業有限公司)	Hong Kong SAR, China	Limited liability company	HKD331,268,000	69	69	31	31	Investment holding
Air China Import and Export Co., Ltd. (國航進出口有限公司) (Note (a))	PRC/Mainland China	Limited liability company	RMB95,080,786	100	100	-	-	Import and export trading
Zhejiang Aviation Service Co., Ltd. (浙江航空服務有限公司) (Note (a))	PRC/Mainland China	Limited liability company	RMB20,000,000	100	100	-	-	Provision of cabin service and airline catering
Air China Development Corporation (Hong Kong) Limited (國航香港發展有限公司)	Hong Kong SAR, China	Limited liability company	HKD9,379,010	100	95	-	-	Provision of air ticketing services
Air China Shantou Industrial Development Co., Ltd. (中國國際航空汕頭實業發展公司) #	PRC/Mainland China	Limited liability company	RMB18,000,000	51	51	-	-	Airline related service
Beijing Golden Phoenix Human Resource Co., Ltd. (北京金鳳凰人力資源服務有限公司) (Note (a))	PRC/Mainland China	Limited liability company	RMB2,000,000	100	100	-	-	Provision of human resources services
Total Transform Group Ltd. (國航海外控股有限公司)	British Virgin Islands("BVI")	Limited liability company	HKD13,765,440,000	99.94	99.94	0.06	0.06	Investment holding
Air Macau Company Limited (澳門航空股份有限公司)	Macau SAR, China	Limited liability company	Macau Pataca ("MOP") 842,042,000	-	-	66.9	66.9	Airline operator
Beijing Airlines Co., Ltd. (北京航空有限責任公司) (Note (a))	PRC/Mainland China	Limited liability company	RMB1,000,000,000	51	51	-	-	Airline operator
Dalian Airlines Co., Ltd. # (大連航空有限責任公司) (Note (a))	PRC/Mainland China	Limited liability company	RMB3,000,000,000	80	80	-	-	Airline operator
Air China Inner Mongolia Co., Ltd. (中國國際航空內蒙古有限公司) (Note (a))	PRC/Mainland China	Limited liability company	RMB1,000,000,000	80	80	-	-	Airline operator

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21. INTERESTS IN SUBSIDIARIES (continued)

Name of Subsidiaries	Place of incorporation/ registration/operations	Legal status	Paid up issued/ registered capital	Proportion of ownership interest and voting power held by the Company Direct 2024 100%	Direct 2023 100%	Indirect 2024 100%	Indirect 2023 100%	Principal activities
China National Aviation Finance Co., Ltd. ("CNAF") (中國航空集團財務有限責任公司) (Note (a))	PRC/Mainland China	Limited liability company	RMB1,127,961,864	**51**	51	**-**	-	Provision of financial services
Chengdu Falcon Aircraft Engineering Service Co., Ltd. (成都富凱飛機工程服務有限公司) (Note (b))	PRC/Mainland China	Limited liability company	RMB80,000,000	**30**	30	**30**	30	Provision of aircraft overhaul and maintenance services
Shenzhen Airlines (深圳航空有限責任公司) (Note (b))	PRC/Mainland China	Limited liability company	RMB5,360,000,000	**51**	51	**-**	-	Airline operator
Kunming Airlines Co., Ltd. ("Kunming Airlines") (昆明航空有限公司) (Notes (a))	PRC/Mainland China	Limited liability company	RMB1,064,000,000	**-**	-	**100**	100	Airline operator
Aircraft Maintenance and Engineering Corporation ("AMECO") (北京飛機維修工程有限公司) (Note (b))	PRC/Mainland China	Limited liability company	United State Dollar ("USD") 300,052,800	**75**	75	**-**	-	Provision of aircraft overhaul and maintenance services
Shandong Aviation (山東航空集團有限公司) (Note (a))	PRC/Mainland China	Limited liability company	RMB10,454,489,846.24	**66**	66	**-**	-	Airline related service
Shandong Airline (山東航空股份有限公司) (Note (a))	PRC/Mainland China	Limited liability company	RMB400,000,000	**22.8**	22.8	**42**	42	Airline operator

The English name of the company is direct translations of their Chinese names.

21. INTERESTS IN SUBSIDIARIES (continued)

Notes:

(a) These companies are wholly-domestic owned enterprises.

(b) These companies are sino-foreign equity joint ventures.

The above table lists the subsidiaries of the Company which, in the opinion of the Directors, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the Directors, result in particulars of excessive length.

Information of debt securities, representing corporate bonds and short-term commercial papers, issued by a subsidiary of the Group:

As at 31 December 2024, the Company had a subsidiary which had outstanding issued debt securities as follows:

Name	**Face value of debt securities RMB'000**	**Carrying value of debt securities RMB'000**	**Maturity date**
Shenzhen Airlines:			
	1,500,000	**1,538,968**	**18/02/2025**
	1,500,000	**1,540,584**	**25/02/2025**
	1,000,000	**1,026,821**	**21/03/2025**
	1,500,000	**1,537,481**	**07/04/2025**
	700,000	**716,241**	**26/04/2025**
		6,360,095	

As at 31 December 2023, the Company had a subsidiary which had outstanding issued debt securities as follows:

Name	Face value of debt securities RMB'000	Carrying value of debt securities RMB'000	Maturity date
Shenzhen Airlines:			
	2,000,000	2,022,242	23/08/2024
	1,500,000	1,538,030	18/02/2025
	1,500,000	1,540,063	25/02/2025
	1,000,000	1,026,566	21/03/2025
	1,500,000	1,537,082	07/04/2025
	700,000	716,048	26/04/2025
		8,380,031	

21. INTERESTS IN SUBSIDIARIES (continued)

Composition of the Group

Principal activities	Place of incorporation/ registration and operations	Number of principal subsidiaries 2024	2023
Airline operator	PRC/Macau SAR	**7**	7
Investment holding	Hong Kong SAR/BVI	**2**	2
Import and export trading	PRC	**1**	1
Provision of cabin service and airline catering	PRC	**1**	1
Provision of air ticketing service	Hong Kong SAR	**1**	1
Provision of human resources services	PRC	**1**	1
Provision of aircraft overhaul and maintenance services	PRC	**2**	2
Provision of airline related services	PRC	**2**	2
Provision of financial services	PRC	**1**	1
		18	18

Details of non-wholly owned subsidiaries that have material NCI

The table below shows details of non-wholly owned subsidiaries of the Company that have material NCI:

Name of subsidiaries	Place of registration and operations	Proportion of ownership interest and voting power held by NCI at 31 December		(Loss)/profit allocated to NCI year ended 31 December		Accumulated NCI at 31 December	
		2024	2023	**2024**	2023	**2024**	2023
				RMB'000	RMB'000	**RMB'000**	RMB'000
Shenzhen Airlines	PRC	**49%**	49%	**(1,376,394)**	(855,954)	**(6,547,851)**	(5,155,650)
Shandong Aviation	PRC	**34%**	34%	**(662,362)**	326,024	**15,581**	710,618
Individually immaterial subsidiaries with NCI				**(174,029)**	7,093	**2,330,068**	2,503,066
Total				**(2,212,785)**	(522,837)	**(4,202,202)**	(1,941,966)

Summarised financial information in respect of the Company's subsidiaries that have material NCI is set out below. The summarised financial information below represents amounts before intra-group elimination. The summarised financial information below represents amounts shown in the subsidiaries' financial statements prepared in accordance with IFRS Accounting Standards.

21. INTERESTS IN SUBSIDIARIES (continued)

Details of non-wholly owned subsidiaries that have material NCI (continued)

	Shenzhen Airlines	
	2024	2023
	RMB'000	RMB'000
Current assets	**11,897,107**	5,121,868
Non-current assets	**57,295,324**	58,049,688
Current liabilities	**(37,233,895)**	(27,502,925)
Non-current liabilities	**(45,336,096)**	(46,202,653)
Net liabilities	**(13,377,560)**	(10,534,022)
– Equity contributed to equity shareholders of Shenzhen Airlines	**(13,391,586)**	(10,545,827)
– Equity contributed to the NCI of Shenzhen Airlines' subsidiaries	**14,026**	11,805
Carrying amount of NCI	**(6,547,851)**	(5,155,650)
Revenue	**33,069,720**	29,988,128
Loss for the year	**(2,811,279)**	(1,734,168)
Total comprehensive expense	**(2,843,537)**	(1,741,959)
– attributable to equity shareholders of Shenzhen Airlines	**(2,845,758)**	(1,729,779)
– attributable to NCI of Shenzhen Airlines' subsidiaries	**2,221**	(12,180)
Dividend paid to NCI	**–**	–
Cash from operating activities	**6,897,524**	7,535,277
Cash used in investing activities	**(1,803,852)**	(3,184,482)
Cash from/(used in) financing activities	**1,400,496**	(4,486,825)

21. INTERESTS IN SUBSIDIARIES (continued)

Details of non-wholly owned subsidiaries that have material NCI (continued)

	Shandong Aviation	
	2024	2023
	RMB'000	RMB'000
Current assets	**5,919,023**	4,962,693
Non-current assets	**27,566,976**	26,812,919
Current liabilities	**(6,945,388)**	(9,207,792)
Non-current liabilities	**(23,259,019)**	(17,650,278)
Net assets	**3,281,592**	4,917,542
– Equity contributed to equity shareholders of Shandong Aviation	**8,420,192**	8,946,512
– Equity contributed to the NCI of Shandong Aviation' subsidiaries	**(5,138,600)**	(4,028,970)
Carrying amount of NCI	**15,581**	710,618
Revenue	**20,446,285**	15,674,953
(Loss)/profit for the year	**(1,580,837)**	906,335
Total comprehensive (expense)/income	**(1,619,505)**	879,751
– attributable to equity shareholders of Shandong Aviation	**(544,435)**	575,816
– attributable to NCI of Shandong Aviation' subsidiaries	**(1,075,070)**	303,935
Dividend paid to NCI	**11,990**	7,339
Cash from operating activities	**3,936,596**	2,363,998
Cash used in investing activities	**(1,867,814)**	(1,190,298)
Cash used in financing activities	**(1,752,279)**	(4,177,576)

22. INTERESTS IN ASSOCIATES

	2024	2023
	RMB'000	RMB'000
Share of net assets		
– Listed shares in Hong Kong SAR, China	**11,682,645**	10,024,259
– Unlisted investments	**322,205**	266,939
Goodwill	**2,628,073**	2,571,825
As at 31 December	**14,632,923**	12,863,023
Market value of listed shares	**17,054,995**	14,275,696

22. INTERESTS IN ASSOCIATES (continued)

Details of each of the Group's associates at the end of the reporting period are as follows:

Company name	Place of incorporation/ registration and operations	Paid up issued/ registered capital	Percentage of equity interests attributable to the Group as at 31 December 2024 %	2023 %	Principal activities
Cathay Pacific* (國泰航空有限公司)	Hong Kong SAR, China	HKD28,822,000,000	**29.98**	29.99	Airline operator
Menzies Macau Airport Services Limited* (明捷澳門機場服務有限公司)	Macau SAR, China	MOP10,000,000	**41**	41	Provision of airport ground handling services
Chongqing Civil Aviation Cares Information Technology Co., Ltd. (重慶民航凱亞信息技術有限公司)	PRC/Mainland China	RMB14,800,000	**24.5**	24.5	Provision of airline-related information system services
Chengdu Civil Aviation Southwest Cares Co., Ltd. (成都民航西南凱亞有限責任公司)	PRC/Mainland China	RMB10,000,000	**35**	35	Provision of airline-related information system services
Tibet Airlines Co., Ltd. (西藏航空有限公司)	PRC/Mainland China	RMB280,000,000	**31**	31	Airline operator
ZhengZhou Aircraft Maintenance and Engineering Co.,Ltd.# (鄭州飛機維修工程有限公司)	PRC/Mainland China	RMB150,000,000	**30**	30	Provision of overhaul and maintenance services
Staeco (Beijing) Business Jet Maintenance Co.,Ltd.* (北京山太公務機維修技術有限公司) ("Staeco Business Jet Maintenance")	PRC/Mainland China	RMB5,000,000	**40**	40	Provision of overhaul and maintenance services
Shandong Airlines Rainbow Jet Co.,Ltd.* (山東航空彩虹公務機有限公司) ("Shandong Airlines Rainbow")	PRC/Mainland China	RMB50,000,000	**51**	51	Airline operator

* The equity interests of these associates are held indirectly through certain subsidiaries of the Company.

\# The English names of these companies are direct translations of their Chinese names.

The above table lists the associates of the Group which, in the opinion of the Directors, principally affected the results or assets of the Group. To give details of other associates would, in the opinion of the Directors, result in particulars of excessive length.

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22. INTERESTS IN ASSOCIATES (continued)

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 consolidated financial statements, are set out below. The summarised financial information below represents amounts shown in the associate's financial statements.

Cathay Pacific

	2024 RMB'000	2023 RMB'000
Gross amounts of the associate's		
Current assets	**17,822,566**	20,615,599
Non-current assets	**140,756,228**	137,170,897
Current liabilities	**(46,523,324)**	(41,226,666)
Non-current liabilities	**(63,431,888)**	(62,156,724)
Equity	**48,623,582**	54,403,106
– Equity contributed to equity shareholders of the associate	**48,130,929**	44,911,357
– Equity contributed to preferred shareholders of the associate	**–**	9,008,733
– Equity contributed to NCI of the associate	**6,482**	6,344
– Equity contributed to convertible bond holders of the associate	**486,171**	476,672
Revenue	**95,617,404**	85,012,406
Profit for the year	**9,058,693**	8,741,428
Other comprehensive expense	**(420,504)**	(1,667,227)
Total comprehensive income	**8,638,189**	7,074,201
Dividend received from the associate	**1,114,220**	–
Reconciled to the Group's interests in the associate		
Gross amounts of net assets of the associate attributable to equity shareholders	**48,130,929**	44,911,357
Group's effective interest	**29.98%**	29.99%
Group's share of net assets of the associate	**14,429,653**	13,468,916
Elimination of reciprocal shareholding	**(2,747,008)**	(3,444,657)
Goodwill	**2,628,073**	2,571,825
Carrying amount in the consolidated financial statements	**14,310,718**	12,596,084

22. INTERESTS IN ASSOCIATES (continued)

Aggregate information of associates that are not individually material:

	2024 RMB'000	2023 RMB'000
Aggregate carrying amounts of individually immaterial associates in the consolidated financial statements	**322,205**	266,939
Aggregate amounts of the Group's share of those associates'		
– Profit for the year	**111,957**	122,300
– Other comprehensive income for the year	**1,482**	698
– Total comprehensive income for the year	**113,439**	122,998

23. INTERESTS IN JOINT VENTURES

	2024 RMB'000	2023 RMB'000
Share of net assets	**2,417,358**	2,407,304
Goodwill	**6,495**	6,495
	2,423,853	2,413,799

23. INTERESTS IN JOINT VENTURES (continued)

Details of each of the Group's joint ventures at the end of the reporting period are as follows:

Company name	Place of incorporation/ registration and operations	Paid up issued/ registered capital	Percentage of equity interests attributable to the Group as at 31 December		Principal activities
			2024 %	2023 %	
Shanghai Pudong International Airport Cargo Terminal Co., Ltd. # (上海浦東國機場西區公共貨運站有限公司)	PRC/Mainland China	RMB680,000,000	**39**	39	Provision of cargo carriage services
Sichuan Services Aero-Engine Maintenance Co., Ltd. (四川國際航空發動機維修有限公司)	PRC/Mainland China	USD88,000,000	**60**	60	Provision of engine overhaul and maintenance services
GA Innovation China (北京集安航空資產管理有限公司)	PRC/Mainland China	USD10,000,000	**50**	50	Wholesale and import of aircraft and components
Shanghai International Airport Ground Services Ltd. (上海國際機場地面服務有限公司)	PRC/Mainland China	RMB360,000,000	**24**	24	Provision of airport ground handling services
Wuxi Xiangyi Development Co., Ltd.# (無錫市祥翼發展有限公司)	PRC/Mainland China	RMB20,000,000	**46.3**	46.3	Property development
Beijing Aero-Engine Services Co., Ltd.# (北京航空發動機維修有限公司)	PRC/Mainland China	USD190,000,000	**50**	50	Provision of engine overhaul and maintenance services

\# The English names of these companies are the direct translations of their Chinese names.

The decisions about the relevant activities of the above investees require unanimous consent of the Group and other investors pursuant to the articles of association of these investees.

23. INTERESTS IN JOINT VENTURES (continued)

The Directors are of the opinion that no joint ventures are individually material to the Group. Aggregate information of joint ventures that are not individually material are listed as follows:

	2024 RMB'000	2023 RMB'000
Aggregate carrying amounts of individually immaterial joint ventures in the consolidated financial statements	**2,423,853**	2,413,799
Aggregate amounts of the Group's share of those joint ventures' – Profit for the year	**209,121**	279,566
– Total comprehensive income for the year	**209,121**	279,566

24. EQUITY INSTRUMENTS AT FVTOCI

	2024 RMB'000	2023 RMB'000
Unlisted investments: – Equity securities	**1,791,273**	1,547,986

The above unlisted equity investments represent the Group's equity interests in a number of private entities established in the PRC and certain interest in unlisted securities of a listed company. The Directors have elected to designate these investments in equity instruments at FVTOCI as they believe that these equity instruments are not held for trading and not expected to be sold in the foreseeable future.

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25. DEBT INSTRUMENTS AT FVTOCI

	2024 RMB'000	2023 RMB'000
Investments in listed bonds	**1,426,851**	1,397,310

The above investments are held by the Group within a business model whose objective is both to collect their contractual cash flows which are solely payments of principal and interest on the principal amount outstanding and to sell these financial assets. Hence, these investments are classified as at debt instruments at FVTOCI.

Details of impairment assessment are set out in Note 43.

26. DEFERRED TAXATION

The movements in deferred tax assets and liabilities during the year were as follows:

	2024 RMB'000	2023 RMB'000
Deferred tax assets:		
As at 1 January	**23,181,579**	18,679,375
Charged to profit or loss (Note 14)	**(1,191,161)**	(1,194,005)
Acquisition of a subsidiary	**–**	5,695,801
Exchange realignment	**275**	408
Gross deferred tax assets as at 31 December	**21,990,693**	23,181,579
Deferred tax liabilities:		
As at 1 January	**9,772,309**	8,529,345
Acquisition of a subsidiary	**–**	2,715,945
Credited to profit or loss (Note 14)	**(592,728)**	(1,510,907)
Charged to other comprehensive income	**(20,638)**	37,926
Gross deferred tax liabilities as at 31 December	**9,158,943**	9,772,309
Net deferred tax assets as at 31 December	**12,831,750**	13,409,270

26. DEFERRED TAXATION (continued)

The principal components of the Group's deferred tax assets and liabilities were as follows:

	2024 RMB'000	2023 RMB'000
Deferred tax assets:		
Deductible tax losses	**6,305,985**	7,452,665
Provisions and accruals	**6,251,603**	5,562,188
Lease liabilities	**8,750,652**	9,498,934
Impairment	**363,866**	375,037
Unrealised profit of intra-group transactions	**266,152**	238,823
Differences in value of property, plant and equipment	**51,636**	53,218
Impairment of investments in debt instruments at FVTOCI	**586**	487
Unrealised loss on derivative financial instruments	**213**	227
Gross deferred tax assets	**21,990,693**	23,181,579
Deferred tax liabilities:		
Right-of-use assets	**(7,545,854)**	(7,748,228)
Depreciation allowances in excess of the related depreciation	**(1,221,173)**	(1,372,469)
Changes in fair value of equity instruments at FVTOCI	**(177,748)**	(205,426)
Unrealised equity investment income	**(113,878)**	(122,284)
Changes in fair value of debt instruments at FVTOCI	**(11,005)**	(4,064)
Impairment of investments in debt instruments at FVTOCI	**(586)**	(487)
Others	**(88,699)**	(319,351)
Gross deferred tax liabilities	**(9,158,943)**	(9,772,309)
Net deferred tax assets	**12,831,750**	13,409,270

The following amounts, determined after appropriate offsetting, are shown separately on the consolidated statement of financial position:

	2024 RMB'000	2023 RMB'000
Net deferred tax assets	**12,959,766**	13,757,180
Net deferred tax liabilities	**(128,016)**	(347,910)
	12,831,750	13,409,270

26. DEFERRED TAXATION (continued)

Details of tax losses and other deductible temporary differences not recognised are set out below:

	2024 RMB'000	2023 RMB'000
Deductible tax losses	**66,710,308**	59,112,856
Other unrecognised deductible temporary differences	**268,117**	326,651
	66,978,425	59,439,507

At the end of the reporting period, the Group has unused tax losses of approximately RMB93,101 million (2023: RMB90,173 million) available for offset against future profits. Deferred tax asset has been recognised in respect of approximately RMB26,390 million (2023: RMB31,060 million) of such losses. No deferred tax asset has been recognised in respect of the remaining tax losses of approximately RMB66,710 million (2023: RMB59,113 million) which relate to subsidiaries that have been loss-making for some years and it is not considered probable that sufficient taxable profits will be available in the near future against which the tax losses can be utilised. Included in unrecognised tax losses are losses of approximately RMB66,678 million (2023: RMB59,085 million) with expiry dates as disclosed in the following table. Other tax losses may be carried forward indefinitely.

	2024 RMB'000	2023 RMB'000
2024	–	302,295
2025	**450,281**	450,281
2026	**16,685,095**	9,696,642
2027	**38,534,790**	39,300,103
2028	**6,779,635**	9,335,472
2029	**4,227,979**	–
	66,677,780	59,084,793

27. INVENTORIES

An analysis of inventories as at the end of the reporting period is as follows:

	2024 RMB'000	2023 RMB'000
Spare parts of flight equipment	**2,175,766**	2,184,056
Work in progress	**1,704,509**	1,297,067
Catering supplies	**95,489**	101,531
Equipment	**8,028**	7,653
Others	**241,200**	92,514
	4,224,992	3,682,821

28. ACCOUNTS RECEIVABLE

	2024 RMB'000	2023 RMB'000
Accounts receivable	**3,834,983**	3,357,916
Less: Allowance for expected credit losses	**(164,731)**	(175,119)
	3,670,252	3,182,797

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:

	2024 RMB'000	2023 RMB'000
Within 30 days	**2,963,962**	2,349,927
31 to 60 days	**147,934**	265,953
61 to 90 days	**139,120**	155,337
Over 90 days	**419,236**	411,580
	3,670,252	3,182,797

Details of impairment assessment of accounts receivable are set out in Note 43.

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29. 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:

	2024 RMB'000	2023 RMB'000
Manufacturers' credits	**1,311,700**	567,759
Prepayments of jet fuel	**116,961**	99,925
Other prepayments	**345,284**	314,506
	1,773,945	982,190
Deposits and other receivables	**3,449,312**	4,870,155
	5,223,257	5,852,345

As at 31 December 2024, the allowance at lifetime ECL recognised on credit-impaired debtor mainly consisted of the full provision for the amount due from Shenzhen Airlines Property Development Co., Ltd. of RMB225,416,000 (2023: RMB293,685,000).

Details of impairment assessment of deposits and other receivables are set out in Note 43.

30. RESTRICTED BANK DEPOSITS, CASH AND CASH EQUIVALENTS

	2024 RMB'000	2023 RMB'000
Time deposits with banks	**956,572**	439,195
Bank and cash	**21,511,329**	15,189,301
Less: Restricted bank deposits (Note)	**(1,428,429)**	(611,692)
Cash and cash equivalents	**21,039,472**	15,016,804

Note: As at 31 December 2024 and 2023, the Group's restricted bank deposits mainly contains deposits with the People's Bank of China by CNAF, security deposits and bank deposits with an original maturity of more than three months.

31. OTHER CURRENT ASSETS

	2024 RMB'000	2023 RMB'000
The value added tax credit	**4,107,817**	3,503,185
Debt instruments at amortised cost	**500,000**	–
Loans to related parties	**288,223**	265,217
Debt instruments at FVTOCI	**49,862**	99,365
Others	**28,955**	17,173
	4,974,857	3,884,940
Impairment	**(14,229)**	(11,311)
	4,960,628	3,873,629

Loans to related parties mainly represented loans to CNAHC and its subsidiaries by CNAF at a rate of 2.20%-3.00% (2023: 2.50%-3.30%) per annum and the loans are repayable within one year.

Details of impairment assessment of other current assets are set out in Note 43.

32. 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:

	2024 RMB'000	2023 RMB'000
Within 30 days	**8,354,764**	7,517,749
31 to 60 days	**2,009,755**	2,479,368
61 to 90 days	**4,806,725**	3,411,397
Over 90 days	**3,698,540**	4,545,784
	18,869,784	17,954,298

The accounts payable are non-interest-bearing and have normal credit terms up to 90 days.

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33. OTHER PAYABLES AND ACCRUALS

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

	2024 **RMB'000**	2023 RMB'000
Accrued salaries, wages and benefits	**3,507,037**	3,154,495
Payables for construction in progress	**1,365,753**	1,715,427
Deposits received from sales agents	**593,809**	512,378
Other tax payables	**524,754**	495,176
Current portion of long-term payables	**2,377**	4,233
Deposits received by CNAF from related parties	**4,891,502**	7,088,514
Others	**2,552,270**	2,731,323
	13,437,502	15,701,546

34. LEASE LIABILITIES

The Group has obligations under lease agreements expiring during the years from 2025 to 2033 (2023: from 2024 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, is as follows:

	At 31 December 2024		At 31 December 2023	
	Lease payments RMB'000	**Present values of lease payments RMB'000**	Lease payments RMB'000	Present values of lease payments RMB'000
Amounts repayable				
– Within 1 year	**19,536,185**	**17,464,654**	20,663,819	18,175,349
– After 1 year but within 2 years	**16,251,571**	**14,744,586**	17,712,432	15,840,293
– After 2 years but within 5 years	**31,277,456**	**28,948,310**	35,082,619	32,158,689
– After 5 years	**16,181,484**	**15,441,291**	16,889,125	16,054,985
Total	**83,246,696**	**76,598,841**	90,347,995	82,229,316
Less: Amounts representing future finance costs	**(6,647,855)**		(8,118,679)	
Present values of lease payments	**76,598,841**		82,229,316	
Less: Portion classified as current liabilities	**(17,464,654)**		(18,175,349)	
Non-current portion	**59,134,187**		64,053,967	

The weighted average incremental borrowing rates applied to lease liabilities ranged from 0.64% to 7.16% per annum at 31 December 2024 (2023: from 0.37% to 8.31%).

Under the terms of certain lease agreements, the Group has the option to purchase the aircraft at the end of or during the lease term, at the price as stipulated in those lease agreements.

35. INTEREST-BEARING BORROWINGS

	2024 RMB'000	2023 RMB'000
Bank loans and other borrowings:		
– Secured	**3,583,562**	748,462
– Unsecured	**137,370,418**	139,882,030
	140,953,980	140,630,492
Corporate bonds and short-term commercial papers:		
– Unsecured	**18,427,685**	11,400,907
	159,381,665	152,031,399

	2024 RMB'000	2023 RMB'000
Bank loans and other borrowings repayable:		
– Within 1 year	**62,117,020**	45,067,693
– After 1 year but within 2 years	**30,458,552**	57,883,821
– After 2 years but within 5 years	**43,561,628**	33,414,939
– After 5 years	**4,816,780**	4,264,039
	140,953,980	140,630,492
Corporate bonds and short-term commercial papers repayable:		
– Within 1 year	**12,427,685**	2,204,075
– After 1 year but within 2 years	**–**	9,196,832
– After 2 years but within 5 years	**6,000,000**	–
	18,427,685	11,400,907
Total interest-bearing borrowings	**159,381,665**	152,031,399
Less: Portion classified as current liabilities	**(74,544,705)**	(47,271,768)
Non-current portion	**84,836,960**	104,759,631

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35. INTEREST-BEARING BORROWINGS (continued)

Bank and other borrowings denominated in currencies other than the functional currencies of respective entities are set out below:

	2024 RMB'000	2023 RMB'000
MOP	–	487,814
European Dollar ("EURO")	**116,451**	121,611
	116,451	609,425

The carrying amount of the bank and other borrowings and the range of interest rates are as below:

	2024		2023	
	RMB'000	%	RMB'000	%
Fixed rate bank loans and other borrowings	**69,595,812**	**1.95-4.38**	91,804,188	2.00-4.38
Fixed rate corporate bonds and short-term commercial papers	**18,427,685**	**2.03-3.46**	11,400,907	2.54-3.46
Floating rate bank loans and other borrowings	**71,358,168**	**1.60-4.20**	48,826,304	2.30-4.45
	159,381,665		152,031,399	

The floating rate bank and other borrowings are arranged at the interest rate based on benchmark interest rates of The People's Bank of China.

The Group's interest-bearing borrowings had been secured by the Group's assets and the carrying amounts of the respective assets at the end of the reporting period are as follows:

	2024 RMB'000	2023 RMB'000
Aircraft and flight equipment, buildings and other equipment	**3,825,292**	837,673
Land use rights	**23,433**	24,221
Intangible assets	–	6,105
	3,848,725	867,999

As at 31 December 2024, corporate bonds with carrying amount of RMB6,360 million (2023: corporate bonds with carrying amount of RMB8,380 million) were issued by Shenzhen Airlines, a subsidiary of the Company.

36. PROVISION FOR RETURN CONDITION CHECKS

Details of the movements in provision for return condition checks in respect of aircraft under leases at the end of the reporting period are as follows:

	2024 RMB'000	2023 RMB'000
As at 1 January	**17,847,759**	9,542,222
Acquisition of a subsidiary	**–**	6,951,253
Provision for the year	**2,831,892**	2,659,165
Utilisation during the year	**(693,022)**	(1,304,881)
As at 31 December	**19,986,629**	17,847,759
Less: Portion classified as current liabilities	**(758,575)**	(650,777)
Non-current portion	**19,228,054**	17,196,982

As at 31 December 2024, provision for major overhauls was RMB15,939 million (2023: RMB13,739 million). Provision for major overhauls is calculated based on a number of variable factors and assumptions, including the anticipated utilisation of the aircraft and the expected costs of maintenance. The estimates are reviewed on an ongoing basis and revised whenever appropriate.

37. CONTRACT LIABILITIES

	2024 RMB'000	2023 RMB'000
Frequent-flyer programme (Note)	**2,757,040**	2,172,125
Others	**979,320**	1,014,354
	3,736,360	3,186,479
Analysed as:		
Current portion	**1,171,172**	1,522,492
Non-current portion	**2,565,188**	1,663,987
	3,736,360	3,186,479

37. CONTRACT LIABILITIES (continued)

Note:

The movements of the Group's frequent-flyer programme during the year were as follows:

	2024 RMB'000	2023 RMB'000
As at 1 January	**2,172,125**	2,028,222
Additions during the year	**1,936,051**	1,598,477
Recognised as revenue during the year	**(1,351,136)**	(1,454,574)
As at 31 December	**2,757,040**	2,172,125
Less: Portion classified as current liabilities	**(191,852)**	(508,138)
Non-current portion	**2,565,188**	1,663,987

The Group operates frequent-flyer programme and provides free services or products to the customers according to the miles they earn. The Group maintains IT systems in order to track the point of service provision for each sale and also to track the issuance and subsequent redemption and utilisation and expiry of frequent-flyer programme awards. The amount allocated to the miles earned by the frequent-flyer programme members is deferred until the miles are redeemed when the Group fulfils its obligations to supply services or products or when the miles expire.

38. DEFINED BENEFIT OBLIGATIONS

The liabilities recognised in the consolidated statement of financial position represent:

	2024 RMB'000	2023 RMB'000
Post-retirement benefit obligations	**208,098**	210,054
Less: current portion	**(21,398)**	(22,244)
Long-term portion	**186,700**	187,810

AMECO, a subsidiary of the Company, provides monthly retirement benefits for those staff who were retired before AMECO adopted its own enterprise annuity plan (the "Plan"). These retirement benefits are recognised as defined benefit obligations.

38. DEFINED BENEFIT OBLIGATIONS (continued)

Movements of the defined benefit obligations were set out as follows:

	2024 RMB'000	2023 RMB'000
At 1 January	**210,054**	225,824
Remeasurement loss	**15,130**	912
Past service cost	**–**	308
Interest cost	**5,147**	6,204
Payments	**(22,233)**	(23,194)
At 31 December	**208,098**	210,054
Less: current portion	**(21,398)**	(22,244)
Long-term portion	**186,700**	187,810

Expenses recognised in the consolidated statement of profit or loss and other comprehensive income are as follows:

	2024 RMB'000	2023 RMB'000
Finance costs		
– Interest cost	**5,147**	6,204
Past service cost	**–**	308
Other comprehensive expense		
– Remeasurement loss	**15,130**	912
Total defined benefit costs	**20,277**	7,424

The Plan exposes the Group to actuarial risks such as interest rate risk and longevity risk.

Interest rate risk — The present value of the defined benefit plan obligation is calculated using a discount rate determined by reference to government bond yields. A decrease in the bond interest rate will increase the plan liability.

Longevity risk — The present value of the defined benefit plan obligation is calculated by reference to the best estimate of the mortality of plan participants after their employment. An increase in the life expectancy of the plan participants will increase the plan liability.

The most recent actuarial valuations of the present value of the defined benefit obligations as at 31 December 2024 and 2023 were carried out by an independent firm of actuaries, Ernst & Young (China) Advisory Limited. The present value of the defined benefit obligations, and the related past cost were measured using the projected unit credit method.

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38. DEFINED BENEFIT OBLIGATIONS (continued)

Significant actuarial assumptions (expressed as weighted averages) are as follows:

	2024	2023
Discount rate	**1.65%**	2.60%
Average expected remaining life of eligible participants	**10.8 years**	11.0 years

Significant actuarial assumptions for the determination of the defined benefit obligation are discount rate and mortality. The sensitivity analyses below have been determined based on reasonably possible changes of the respective assumptions occurring at the end of the reporting period, while holding all other assumptions constant.

- If the discount rate on benefit obligation decreases by 0.5%, the defined benefit obligations would increase by RMB7.77 million (2023: increase by RMB7.64 million).
- If the mortality changes to 95% of original assumption, the defined benefit obligations would increase by RMB5.12 million (2023: increase by RMB4.76 million).

39. DEFERRED INCOME

	2024 RMB'000	2023 RMB'000
Government grants	**315,573**	308,315
Others	**91,370**	95,788
	406,943	404,103

40. CAPITAL AND RESERVES

(a) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out below:

	Issued capital RMB'000	Capital reserve and revaluation reserve RMB'000	Reserve funds RMB'000	Accumulated losses RMB'000	Total RMB'000
As at 1 January 2023	14,524,815	27,536,676	11,527,181	(23,901,993)	29,686,679
Total comprehensive expense for the year	–	–	–	(3,070,996)	(3,070,996)
Issue new shares	1,675,978	13,317,039	–	–	14,993,017
As at 31 December 2023	16,200,793	40,853,715	11,527,181	(26,972,989)	41,608,700
Total comprehensive expense for the year	–	–	–	(227,112)	(227,112)
Issue new shares	1,247,628	6,563,956	–	–	7,811,584
As at 31 December 2024	17,448,421	47,417,671	11,527,181	(27,200,101)	49,193,172

Under the PRC Company Law and the Company's articles of association, profit after taxation as reported in the PRC statutory financial statements can only be distributed as dividends after allowances have been made for the following:

(i) making up prior years' cumulative losses, if any;

(ii) allocations to the statutory reserve fund of at least 10% of the after-tax profit, until the fund reaches 50% of the Company's registered capital (for the purpose of calculating transfers to reserves, profit after taxation would be the amount determined under CASs). The transfers to reserves should be made before any distribution of dividends to shareholders. The statutory reserve fund can be used to offset previous years' losses, if any, and part of the statutory reserve fund can be capitalised as the Company's share capital provided that the amount of such reserve remaining after the capitalisation shall not be less than 25% of the share capital of the Company; and

(iii) allocations to the discretionary reserve fund approved by the shareholders.

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40. CAPITAL AND RESERVES (continued)

(a) Movements in components of equity (continued)

The above reserves cannot be used for purposes other than those for which they are created and are not distributable as cash dividends. As at 31 December 2024, in accordance with the PRC Company Law, amount of approximately RMB11,527 million (2023: RMB11,527 million) standing to the credit of the Company's reserve funds, as determined in accordance with CASs, were available for distribution by way of future capitalisation issue. In addition, the Company had accumulated losses of approximately RMB28,596 million as at 31 December 2024 (2023: RMB28,356 million), as determined in accordance with CASs.

(b) Share capital

The number of shares of the Company and their nominal values as at 31 December 2024 and 31 December 2023 are as follows:

	Number of shares 2024	Nominal value 2024 RMB'000	Number of shares 2023	Nominal value 2023 RMB'000
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
– Trade-restricted (Note1)	**392,927,308**	**392,927**	–	–
A shares of RMB1.00 each:				
– Tradable	**11,638,109,474**	**11,638,109**	11,023,584,324	11,023,584
– Tradable-restricted (Note2)	**854,700,854**	**854,701**	614,525,150	614,525
	17,448,421,000	**17,448,421**	16,200,792,838	16,200,793

A shares rank pari passu, in all material respects, with H shares of the Company.

Note 1: On 7 February 2024, the Company issued 392,927,308 new H shares to China National Aviation Corporation (Group) Limited ("CNACG", a wholly-owned subsidiary of CNAHC) at the price of HKD5.09 per share with par value of RMB1. Total proceeds of the issuance was HKD2,000 million and the net proceed was RMB1,816 million, after deducting issue cost of RMB1 million (excluding value-added tax), of which RMB393 million was recognised as issued capital and RMB1,423 million was recognised as capital reserve. Upon completion of the issuance, the new H shares are subject to a lock-up period of 36 months. The new H shares issued rank pari passu with the existing A shares and H shares in all respects.

Note 2: On 17 July 2024, 614,525,150 A share subscribed by CNAHC were released from restriction.

On 19 November, 2024, the Company issued 854,700,854 new A shares to CNAHC at the price of RMB7.02 per share with par value of RMB1. Total proceeds of the issuance was RMB6,000 million and the net proceed was 5,996 million, after deducting issuance cost of RMB4 million (excluding value-added tax), of which RMB855 million was recognised as issued capital and RMB5,141 million was recognised as capital reserve. Upon completion of the issuance, the new A shares are subject to a lock-up period of 36 months. The new A shares issued rank pari passu with the existing A shares and H shares in all respects.

40. CAPITAL AND RESERVES (continued)

(c) Treasury shares

As at 31 December 2024, the Group owned 29.98% equity interest in Cathay Pacific (2023: 29.99%), which in turn owned 15.09% (2023: 16.26%) equity interest in the Company. Accordingly, the 29.98% of Cathay Pacific's shareholding in the Company was recorded in the Group's consolidated financial statements as treasury shares through deduction from equity.

(d) Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies, or processes for managing capital during the years ended 31 December 2024 and 2023.

The Group monitors capital structure by reference to the gearing ratio, which represents total liabilities divided by total assets. The gearing ratio as at the end of the reporting periods was as follows:

	2024 RMB'000	2023 RMB'000
Total liabilities	**304,824,203**	300,014,685
Total assets	**345,750,173**	335,278,694
Gearing ratio	**88.16%**	89.48%

41. CONTINGENT LIABILITIES

As at 31 December 2024, 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.

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For the Year Ended 31 December 2024

42. 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:

	2024 **RMB'000**	2023 RMB'000
Contracted for but not provided in the consolidated financial statements	**95,175,219**	72,078,516

(b) Investment commitments

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

	2024 **RMB'000**	2023 RMB'000
Contracted, but not provided for:		
– investment commitment to joint ventures	**312,695**	456,834

In 2012, the Company entered into an agreement with a joint venture as its 50% shareholder, with a total investment commitment of USD5 million. As at 31 December 2024 and 2023, the Company has invested USD1.5 million and committed to invest USD3.5 million in the future.

In 2022, the Company entered into an agreement with a joint venture as its 50% shareholder, with a total investment commitment of USD95 million. As at 31 December 2024, the Company has invested USD55 million (2023: USD34 million) and committed to further invest USD40 million (2023: USD61 million) in the future.

43. FINANCIAL INSTRUMENTS

a. Categories of financial instruments

	2024 RMB'000	2023 RMB'000
Financial assets		
Amortised cost:		
Accounts receivable	**3,670,252**	3,182,797
Bills receivable	**7,785**	3,601
Deposits and other receivables	**3,449,312**	4,870,155
Deposits for aircraft under leases	**526,004**	525,463
Restricted bank deposits	**1,428,429**	611,692
Cash and cash equivalents	**21,039,472**	15,016,804
Debt instruments at amortised cost	**500,000**	–
Loans to related parties	**273,994**	253,906
Long-term receivables from a related party included in other non-current assets	**315,936**	328,886
	31,211,184	24,793,304
Financial assets at FVTPL	**37,559**	2,505
Equity instruments at FVTOCI	**1,791,273**	1,547,986
Debt instruments at FVTOCI (including debt instruments at FVTOCI included in other current assets)	**1,476,713**	1,496,675
Financial liabilities		
Amortised cost:		
Accounts payable	**18,869,784**	17,954,298
Bills payable	**–**	500,160
Dividends payable	**98,000**	98,000
Other payables	**8,819,894**	11,569,341
Interest-bearing borrowings	**159,381,665**	152,031,399
Deposits received by CNAF from a related party include in long-term payables	**3,000**	–
	187,172,343	182,153,198
Lease liabilities	**76,598,841**	82,229,316

43. FINANCIAL INSTRUMENTS (continued)

b. Financial risk management objectives and policies

The above table lists the Group's major financial instruments. Details of these financial instruments are disclosed in the respective notes. The risks associated with these financial instruments include market risks (interest rate risk and foreign currency risk), credit risk, and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

(i) Interest rate risk

The Group is exposed to fair value interest rate risk which arises from fixed rate lease liabilities, fixed rate bank loans and other borrowings (see Notes 34 and 35 for details), fixed rate corporate bonds, loans to related parties include in other current assets.

In addition, the Group is exposed to cash flow interest rate risk which arises from floating rate bank loans and other borrowings, lease liabilities, restricted bank deposits, bank balances, debt instruments at amortised cost and loans to related parties include in other current assets. The Group's exposures to interest rates on financial liabilities are detailed in the liquidity risk management section of this note.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for bank balances, restricted bank deposits, floating rate loans to related parties include in other current assets, floating rate bank loans and other borrowings and floating rate lease liabilities at the end of the reporting period. The analysis is prepared assuming the financial instruments outstanding at the end of reporting period were outstanding for the whole year. A 50 basis points increase or decrease in interest rate are used which represent management's assessment of the reasonably possible changes in interest rates.

If interest rates had been 50 basis points (2023: 50 basis points) higher/lower with all other variables held constant, the Group's post-tax loss for the year ended 31 December 2024 would increase/decrease and equity as at 31 December 2024 would decrease/increase by approximately RMB336 million (2023: RMB288 million) taking into account the capitalisation of borrowing costs.

In management's opinion, the sensitivity analysis is unrepresentative of the inherent interest rate risk as exposure at the end of the reporting period does not reflect the exposure during the year.

43. FINANCIAL INSTRUMENTS (continued)

b. Financial risk management objectives and policies (continued)

Market risk (continued)

(ii) Currency risk

The Group's exposure to currency risk is attributable to cash and cash equivalents, accounts receivable, deposits and other receivables, accounts payable, other payables, lease liabilities and interest-bearing borrowings which are denominated in the currencies other than the functional currency of the relevant group entities. The management manages and monitors this exposure to ensure appropriate measures are implemented on a timely and effective manner.

The carrying amounts of the Group's major foreign currency denominated monetary assets and monetary liabilities other than the functional currency of the relevant group entities at the end of the reporting period are as follows:

	Assets		Liabilities	
	2024 RMB'000	2023 RMB'000	**2024 RMB'000**	2023 RMB'000
USD	**8,626,870**	7,331,898	**32,300,488**	37,869,554
EURO	**119,132**	152,202	**1,841,172**	1,081,917
HKD	**45,929**	75,215	**230,341**	181,287
JPY	**59,065**	50,836	**1,085,962**	594,172

Sensitivity analysis

The sensitivity analysis below has been determined based on a 1% (2023: 1%) increase/decrease in functional currency of respective group entities against USD. 1% (2023: 1%) is the sensitivity rate used and represents management's assessment of the reasonably possible change in exchange rate. The sensitivity analysis includes only outstanding USD denominated monetary items and adjusts their translation at the end of the reporting period for a 1% (2023: 1%) change in foreign currency rates. A positive number below indicates a decrease in the Group's post-tax loss, where functional currency of respective group entities had strengthened 1% (2023: 1%) against USD. For a 1% (2023: 1%) weakening of functional currency of respective group entities against USD, there would be an equal and opposite impact on the post-tax loss for the year.

	Decrease in the Group's post-tax loss/ increase in the Group's equity 2024 RMB'000	Decrease in the Group's post-tax loss/ increase in the Group's equity 2023 RMB'000
– if RMB strengthens against USD	**177,552**	229,032

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43. FINANCIAL INSTRUMENTS (continued)

b. Financial risk management objectives and policies (continued)

Credit risk and impairment assessment

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Group. At the end of the reporting period, the Group's maximum exposure is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

Accounts receivable of the Group mainly include receivables of transportation service fee on the passenger aircraft cargo business, receivables of aircraft overhaul and maintenance services from International Aero Engines AG, and receivables from BSP agents (a clearing system between airlines and sales agents organised by the International Air Transportation Association). The balance due from above customers respectively amounted to approximately RMB869 million or 23% of accounts receivable, RMB405 million or 10% of accounts receivable, and RMB350 million or 9% of accounts receivable as at 31 December 2024 (2023: RMB568 million or 17% of accounts receivable, RMB180 million or 5% of accounts receivable and RMB430 million or 13% of accounts receivable). The credit risk exposure to above customers and the remaining accounts receivable balance are monitored by the Group on an ongoing basis. In addition, the Group performs impairment assessment under ECL model on accounts receivable individually or based on provision matrix. The Group continues to pay attention to the credit risk and the balance of the above amounts.

In the opinion of management, the Group has no significant credit risk with above customers as the Group maintains long-term and stable business relationships with the customers with healthy repayment history.

The credit risk on bank deposits is limited because the counterparties are banks and financial institutions with good reputation.

Other than the above mentioned concentration of credit risk, the Group does not have any other significant concentration of credit risk associated with financial assets.

43. FINANCIAL INSTRUMENTS (continued)

b. Financial risk management objectives and policies (continued)

Credit risk and impairment assessment (continued)

The tables below detail the credit risk exposures of the Group's financial assets, which are subject to ECL assessment:

	Notes	External credit rating	12m or lifetime ECL	2024 Gross carrying amount RMB'000	2024 Subtotal RMB'000	2023 Gross carrying amount RMB'000	2023 Subtotal RMB'000
Financial assets at FVTOCI							
Investments in listed bonds	25	AAA	12m ECL	**1,426,851**	**–**	1,397,310	–
Debt instruments at FVTOCI	31	AAA	12m ECL	**49,862**	**1,476,713**	99,365	1,496,675
Financial assets at amortised costs							
Accounts receivable	28	N/A	Lifetime ECL (provision matrix)	**3,722,179**	**–**	3,226,410	–
			Credit-impaired	**112,804**	**3,834,983**	131,506	3,357,916
Deposits and other receivables	29	N/A	12m ECL	**3,167,790**	**–**	3,142,033	–
			Lifetime ECL	**–**	**–**	–	
			(not credit-impaired)	**353,675**	**–**	1,779,571	–
			Credit-impaired	**671,905**	**4,193,370**	740,186	5,661,790
Bills receivable		N/A	12m ECL	**7,785**	**7,785**	3,601	3,601
Deposits for aircraft under leases		N/A	12m ECL	**526,004**	**526,004**	525,463	525,463
Restricted bank deposits	30	N/A	12m ECL	**1,428,429**	**1,428,429**	611,692	611,692
Cash and cash equivalents	30	N/A	12m ECL	**21,037,479**	**21,037,479**	15,014,189	15,014,189
Debt instruments at amortised cost	31	N/A	12m ECL	**500,000**	**500,000**	–	–
Loans to related parties	31	N/A	12m ECL	**288,223**	**288,223**	265,217	265,217
Long-term receivables		N/A	12m ECL	**315,936**	**315,936**	328,886	328,886

For accounts receivable, the Group has applied the simplified approach in IFRS 9 to measure the loss allowance at lifetime ECL. Except for debtors which are credit-impaired, the Group determines the ECL on these items by using a provision matrix. The following table provides information about the exposure to credit risk for accounts receivable which are assessed based on provision matrix as at 31 December 2024. Debtors with credit-impaired with gross carrying amounts of RMB113 million as at 31 December 2024 (2023: RMB132 million) were assessed individually.

43. FINANCIAL INSTRUMENTS (continued)

b. Financial risk management objectives and policies (continued)

Credit risk and impairment assessment (continued)

For deposits and other receivables, deposits for aircraft under leases, restricted bank deposits, cash and cash equivalents, financial assets included in other current assets and other non-current assets, the Group measures the loss allowance equal to 12m ECL, unless when these has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL.

Gross carrying amount of accounts receivable using a provision matrix

	2024		2023	
Customer group	Loss rate	Accounts receivable RMB'000	Loss rate	Accounts receivable RMB'000
Ground service receivable	**1%**	**54,591**	1%	32,551
BSP agents	**1%**	**124,738**	1%	110,617
Others	**0.05% – 4%**	**3,542,850**	0.05% – 4%	3,083,242
		3,722,179		3,226,410

The estimated loss rates are estimated based on historical loss rates of the debtors and are adjusted for forward-looking information that is available without undue cost or effort.

43. FINANCIAL INSTRUMENTS (continued)

b. Financial risk management objectives and policies (continued)

Gross carrying amount of accounts receivable using a provision matrix (continued)

The following table shows the movements in lifetime ECL that has been recognised for accounts receivable under the simplified approach.

	Lifetime ECL (not credit-impaired) RMB'000	Lifetime ECL (credit-impaired) RMB'000	Total RMB'000
As at 1 January 2023	18,783	126,325	145,108
Acquisition of a subsidiary	15,712	2,766	18,478
Transfer to credit-impaired	(4,236)	4,236	–
Impairment losses recognised	13,339	13,007	26,346
Impairment losses reversed	–	(3,561)	(3,561)
Write-offs	–	(11,314)	(11,314)
Exchange adjustments	15	47	62
As at 31 December 2023	43,613	131,506	175,119
Transfer to credit-impaired	(101)	101	–
Impairment losses recognised	8,390	4,476	12,866
Impairment losses reversed	–	(8,866)	(8,866)
Write-offs	–	(14,457)	(14,457)
Exchange adjustments	25	44	69
As at 31 December 2024	51,927	112,804	164,731

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For the Year Ended 31 December 2024

43. FINANCIAL INSTRUMENTS (continued)

b. Financial risk management objectives and policies (continued)

Gross carrying amount of accounts receivable using a provision matrix (continued)

The following table shows reconciliation of loss allowances that has been recognised for deposits and other receivables.

	12m ECL RMB'000	Lifetime ECL (not credit-impaired) RMB'000	Lifetime ECL (credit-impaired) RMB'000	Total RMB'000
As at 1 January 2023	10,069	5,073	636,749	651,891
Acquisition of a subsidiary	14,887	18,117	103,451	136,455
Impairment losses recognised	–	4,510	10	4,520
Impairment losses reversed	(1,211)	–	–	(1,211)
Write-offs	–	–	(24)	(24)
Exchange adjustments	4	–	–	4
As at 31 December 2023	23,749	27,700	740,186	791,635
Impairment losses recognised	22,674	7	711	23,392
Impairment losses reversed	–	(1,981)	(40,371)	(42,352)
Write-offs	–	–	(28,621)	(28,621)
Exchange adjustments	4	–	–	4
As at 31 December 2024	46,427	25,726	671,905	744,058

43. FINANCIAL INSTRUMENTS (continued)

b. Financial risk management objectives and policies (continued)

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents as well as undrawn banking facilities deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of bank borrowings to ensure compliance with loan covenants.

The liquidity of the Group is primarily dependent on its ability to maintain adequate cash inflows from operations to meet its financial obligations as and when they fall due, and its ability to obtain external financing to meet its committed future capital expenditure. With regard to its future capital commitments and other financing requirements, the Company has already obtained banking facilities with several PRC banks of up to an aggregate amount of RMB232,246 million as at 31 December 2024 (2023: RMB217,683 million), of which an amount of approximately RMB144,106 million was utilised (2023: RMB125,153 million).

The Directors had carried out a detailed review of the cash flow forecast of the Group for the year ended 31 December 2024. Based on such forecast, the Directors had determined that adequate liquidity existed to finance the working capital and capital expenditure requirements of the Group. In preparing the cash flow forecast, the Directors had considered historical cash requirements of the Group as well as other key factors, including the availability of the above-mentioned loans financing which may impact the operations of the Group. The Directors are of the opinion that the assumptions and sensitivities which are included in the cash flow forecast are reasonable. However, these are subject to inherent limitations and uncertainties and some or all of these assumptions may not be realised.

The following tables detail the Group's remaining contractual maturities for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The maturity dates for other non-derivative financial liabilities are based on the agreed repayment dates.

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43. FINANCIAL INSTRUMENTS (continued)

b. Financial risk management objectives and policies (continued)

Liquidity risk (continued)

The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate at the end of the reporting period.

	Repayable on demand or within one year RMB'000	In the second year RMB'000	In the third year RMB'000	In the fourth year RMB'000	In the fifth year RMB'000	After five years RMB'000	Total undiscounted cash flows RMB'000	Carrying amount RMB'000
At 31 December 2024								
Accounts payable	**18,869,784**	**-**	**-**	**-**	**-**	**-**	**18,869,784**	**18,869,784**
Dividends payable	**98,000**	**-**	**-**	**-**	**-**	**-**	**98,000**	**98,000**
Other payables	**8,819,894**	**-**	**-**	**-**	**-**	**-**	**8,819,894**	**8,819,894**
Interest-bearing borrowings	**77,491,875**	**32,237,324**	**47,456,762**	**2,742,806**	**716,818**	**4,944,738**	**165,590,323**	**159,381,665**
Lease liabilities	**19,536,185**	**16,251,571**	**13,228,337**	**10,453,416**	**7,595,703**	**16,181,484**	**83,246,696**	**76,598,841**
Long-term payables	**-**	**3,063**	**-**	**-**	**-**	**-**	**3,063**	**3,000**
	124,815,738	**48,491,958**	**60,685,099**	**13,196,222**	**8,312,521**	**21,126,222**	**276,627,760**	**263,771,184**

	Repayable on demand or within one year RMB'000	In the second year RMB'000	In the third year RMB'000	In the fourth year RMB'000	In the fifth year RMB'000	After five years RMB'000	Total undiscounted cash flows RMB'000	Carrying amount RMB'000
At 31 December 2023								
Accounts payable	17,954,298	–	–	–	–	–	17,954,298	17,954,298
Bills payable	500,160	–	–	–	–	–	500,160	500,160
Other payables	11,569,341	–	–	–	–	–	11,569,341	11,569,341
Interest-bearing borrowings	50,231,667	69,430,545	27,741,092	4,473,986	2,236,734	4,483,142	158,597,166	152,031,399
Dividends payable	98,000	–	–	–	–	–	98,000	98,000
Lease liabilities	20,663,819	17,712,432	14,434,039	11,675,095	8,973,485	16,889,125	90,347,995	82,229,316
	101,017,285	87,142,977	42,175,131	16,149,081	11,210,219	21,372,267	279,066,960	264,382,514

43. FINANCIAL INSTRUMENTS (continued)

c. Fair value measurements of financial instruments

Fair value measurements for financial instruments measured at fair value on a recurring basis

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.

	Fair value at 31 December 2024 RMB'000	**Fair value measurements as at 31 December 2024 categorised into**		
		Level 1 RMB'000	**Level 2 RMB'000**	**Level 3 RMB'000**
Financial assets at FVTPL	**37,559**	**37,559**	**–**	**–**
Equity instruments at FVTOCI	**1,791,273**	**–**	**–**	**1,791,273**
Debt instruments at FVTOCI (including debt instruments at FVTOCI included in other current assets)	**1,476,713**	**–**	**1,476,713**	**–**
Total financial assets at fair value	**3,305,545**	**37,559**	**1,476,713**	**1,791,273**

	Fair value at 31 December 2023 RMB'000	Fair value measurements as at 31 December 2023 categorised into		
		Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000
Financial assets at FVTPL	2,505	2,505	–	–
Equity instruments at FVTOCI	1,547,986	–	–	1,547,986
Debt instruments at FVTOCI (including debt instruments at FVTOCI included in other current assets)	1,496,675	–	1,496,675	–
Total financial assets at fair value	3,047,166	2,505	1,496,675	1,547,986

During the year ended 31 December 2024 and 2023, 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.

43. FINANCIAL INSTRUMENTS (continued)

c. Fair value measurements of financial instruments (continued)

Fair value measurements for financial instruments measured at fair value on a recurring basis (continued)

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.

Valuation techniques and inputs used in Level 3 fair value measurements

As at 31 December 2024, the fair value of the equity interest in unlisted securities of a listed company amounting to approximately RMB253,991,000 (as at 31 December 2023: RMB330,508,000) was estimated by reference to the quoted prices in an active market with an adjustment of discount for lack of marketability.

As at 31 December 2024, the fair value of private equity instruments at FVTOCI amounting to approximately RMB1,537,282,000 (as at 31 December 2023: RMB1,217,478,000) have been estimated using a market-based valuation technique, which is derived by reference to observable valuation measures for comparable companies, and with the main adjustment of discount for lack of marketability.

43. FINANCIAL INSTRUMENTS (continued)

c. Fair value measurements of financial instruments (continued)

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 measured at amortised cost in these consolidated financial statements approximate their fair values.

	Carrying amounts		Fair values	
	As at 31 December 2024 RMB'000	As at 31 December 2023 RMB'000	**As at 31 December 2024 RMB'000**	As at 31 December 2023 RMB'000
Financial liabilities				
– corporate bonds (fixed rate)	**15,416,838**	11,400,907	**15,283,291**	11,183,499

Fair value hierarchy as at 31 December 2024

	Level 1 RMB'000	**Level 2 RMB'000**	**Level 3 RMB'000**	**Total RMB'000**
Financial liabilities				
– corporate bonds (fixed rate)	**–**	**15,283,291**	**–**	**15,283,291**

Fair value hierarchy as at 31 December 2023

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Financial liabilities				
– corporate bonds (fixed rate)	–	11,183,499	–	11,183,499

44. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details major changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Borrowings Note 35 RMB'000	**Corporate bonds and short-term commercial papers Note 35** RMB'000	**Lease liabilities Note 34** RMB'000	**Total** RMB'000
At 1 January 2023	114,602,801	21,201,485	93,983,176	229,787,462
Acquisition of subsidiary	16,892,454	1,027,106	9,876,072	27,795,632
Financing cash flows	9,190,574	(10,500,000)	(25,400,182)	(26,709,608)
Foreign exchange translation	26,552	–	705,222	731,774
New leases entered/lease modified	–	–	3,215,087	3,215,087
Reduction upon completion/early termination of lease	–	–	(89,031)	(89,031)
Decrease in accrued interest	(81,889)	(327,684)	–	(409,573)
Debt restructuring	–	–	(61,028)	(61,028)
At 31 December 2023	140,630,492	11,400,907	82,229,316	234,260,715
Financing cash flows	333,718	7,000,000	(19,121,281)	(11,787,563)
Foreign exchange translation	(7,711)	–	407,687	399,976
New leases entered/lease modified	–	–	13,132,106	13,132,106
Reduction upon completion/early termination of lease	–	–	(48,987)	(48,987)
(Decrease)/increase in accrued interest	(2,519)	26,778	–	24,259
At 31 December 2024	140,953,980	18,427,685	76,598,841	235,980,506

45. MAJOR NON-CASH TRANSACTIONS

During the year, the Group entered into new lease agreements for the use of aircraft and engines, land, buildings and others and recognised right-of-use assets of RMB17,146 million (2023: RMB3,715 million) and lease liabilities of RMB13,132 million (2023: RMB3,215 million).

46. RELATED PARTY TRANSACTIONS

(a) During the year, 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 (iii) its associates:

(i) Transactions with related parties

	2024 RMB'000	2023 RMB'000
Service provided to the CNAHC Group		
Transportation service fees on the passenger aircraft cargo business	**6,848,921**	3,411,895
Aircraft maintenance income	**494,195**	300,836
Government charter flight services	**471,564**	382,960
Ground services income	**170,999**	121,679
Transfer of pilots income	**168,180**	189,610
Land and buildings rental income	**148,904**	185,073
Air catering income	**62,994**	50,335
Aviation communication expenses	**21,460**	21,460
Income from advertising media business	**13,429**	13,881
Sales commission income	**10,918**	9,608
Trademark licensing income	**9,320**	9,320
Others	**203,305**	295,529
	8,624,189	4,992,186
Service provided by the CNAHC Group		
Air catering charges	**1,580,584**	1,271,030
Airport ground services, take-off, landing and depot expenses	**1,521,068**	1,228,412
Aviation communication expenses	**815,724**	673,840
Other procurement and maintenance	**736,800**	586,547
Interest expenses	**367,305**	392,291
Management fees	**367,017**	360,827
Media advertisement expenses	**161,501**	128,148
Repair and maintenance costs	**74,321**	55,707
Expense relating to short-term leases and leases of low-value assets	**25,499**	64,569
Construction management expenses	**10,846**	8,367
Sales commission expenses	**620**	865
Others	**41,525**	49,838
	5,702,810	4,820,441

Notes to the Consolidated Financial Statements

For the Year Ended 31 December 2024

46. RELATED PARTY TRANSACTIONS (continued)

(a) During the year, 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 (iii) its associates: (continued)

(i) Transactions with related parties (continued)

	2024 RMB'000	2023 RMB'000
Loans to the CNAHC Group by CNAF:		
Advances of loans	**23,000**	145,000
Interest income	**9,231**	5,440
Deposits from the CNAHC Group received by CNAF:		
Decrease in deposits received	**(2,158,891)**	(573,910)
Interest expenses	**74,373**	63,708
As a lessee with CNAHC Group:		
Additions to right-of-use assets and lease liabilities on new leases	**2,083,035**	980,919
Lease payments paid	**2,703,407**	2,578,096
Interest on lease liabilities	**489,490**	464,896
Service provided to joint ventures and associates		
Aircraft maintenance income	**195,187**	106,702
Ground services income	**53,177**	61,181
Frequent-flyer programme expenses	**4,805**	4,886
Air catering income	**4,034**	3,935
Rental income	**2,586**	2,189
Sales commission income	**469**	551
Others	**1,508**	546
	261,766	179,990

46. RELATED PARTY TRANSACTIONS (continued)

(a) **During the year, 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 (iii) its associates:** (continued)

(i) Transactions with related parties (continued)

	2024 RMB'000	2023 RMB'000
Service provided by joint ventures and associates		
Repair and maintenance costs	**3,632,375**	2,400,112
Airport ground services, take-off, landing and depot expenses	**442,520**	334,691
Other procurement and maintenance	**69,844**	29,528
Air catering charges	**29,019**	12,446
Aviation communication expenses	**4,306**	4,620
Expense relating to short-term leases and leases of low value assets	**4,040**	2,990
Frequent-flyer programme expenses	**2,697**	1,459
Sales commission expenses	**401**	381
	4,185,202	2,786,227
Deposits from joint ventures and associates received by CNAF:		
Decrease in deposits received	**(38,449)**	(131,239)
Interest expenses	**524**	982

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 Listing Rules.

46. RELATED PARTY TRANSACTIONS (continued)

(a) During the year, 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 (iii) its associates: (continued)

(ii) Balances with related parties

	2024 RMB'000	2023 RMB'000
Outstanding balances with related parties*		
Amount due from the ultimate holding company	**152,422**	353,478
Amounts due from associates	**48,660**	56,710
Amounts due from joint ventures	**8,717**	536
Amounts due from other related companies	**1,295,098**	1,193,322
Amount due to the ultimate holding company	**6,515**	22,240
Amounts due to associates	**64,354**	43,354
Amounts due to joint ventures	**985,757**	957,807
Amounts due to other related companies	**16,040,882**	17,140,447

* 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.

	2024 RMB'000	2023 RMB'000
Outstanding borrowing balances with related parties:		
Interest-bearing borrowings:		
– Due to the ultimate holding company	**10,792,957**	17,297,166
– Due to other related companies	**–**	1,361,917

46. RELATED PARTY TRANSACTIONS (continued)

(a) During the year, 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 (iii) its associates: (continued)

(ii) Balances with related parties (continued)

	2024 RMB'000	2023 RMB'000
Outstanding balances between CNAF and related parties:		
(1) Outstanding balances between CNAF and CNAHC Group		
Loans granted	**288,000**	265,000
Deposits received	**4,879,173**	7,038,063
Interest payable to related parties	**11,815**	8,487
Interest receivable from related parties	**223**	217
(2) Outstanding balances between CNAF and joint ventures and associates of the Group		
Deposits received	**3,487**	41,937
Interest payable to related parties	**27**	27

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.

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

	2024 RMB'000	2023 RMB'000
Short term employee benefits	**12,328**	10,849
Retirement benefits	**1,289**	1,309
Total emoluments for key management personnel	**13,617**	12,158

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 December 2024

46. RELATED PARTY TRANSACTIONS (continued)

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

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

	2024 RMB'000	2023 RMB'000
Directors and supervisors	**5,727**	4,370
Senior management	**7,890**	7,788
	13,617	12,158

Further details of the remuneration of the directors and supervisors are included in Note 13 to the consolidated financial statements.

(c) Asset transfers with the CNAHC Group:

	2024 RMB'000	2023 RMB'000
Sales of aircraft	**209,172**	108,434
Purchase of property, plant and equipment	**–**	332,104

(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.

47. INFORMATION ABOUT THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period included:

	31 December 2024 RMB'000	31 December 2023 RMB'000
Non-current assets		
Property, plant and equipment	**87,574,992**	84,568,476
Right-of-use assets	**75,905,599**	79,748,959
Intangible assets	**11,015**	11,015
Interests in subsidiaries	**26,786,865**	26,786,144
Interests in associates	**240,945**	197,012
Interests in joint ventures	**2,178,847**	1,933,838
Advance payments for aircraft and flight equipment	**14,475,009**	13,080,703
Deposits for aircraft under leases	**344,063**	367,511
Equity instruments at fair value through other comprehensive income	**206,742**	195,437
Deferred tax assets	**7,908,297**	7,991,836
Other non-current assets	**649,361**	716,168
	216,281,735	215,597,099
Current assets		
Inventories	**49,485**	75,541
Accounts receivable	**2,378,402**	2,190,617
Prepayments, deposits and other receivables	**3,576,092**	3,256,871
Financial assets at FVTPL	**2,559**	2,505
Restricted bank deposits	**30,963**	30,853
Cash and cash equivalents	**8,774,956**	6,842,157
Assets held for sale	**94,829**	108,527
Other current assets	**2,446,893**	2,270,689
	17,354,179	14,777,760
Total assets	**233,635,914**	230,374,859

Notes to the Consolidated Financial Statements

For the Year Ended 31 December 2024

47. INFORMATION ABOUT THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY (continued)

Information about the statement of financial position of the Company at the end of the reporting period included: (continued)

	31 December 2024 RMB'000	31 December 2023 RMB'000
Current liabilities		
Air traffic liabilities	**(8,549,886)**	(6,530,022)
Accounts payable	**(11,816,709)**	(11,529,019)
Other payables and accruals	**(6,908,676)**	(5,485,133)
Lease liabilities	**(10,288,671)**	(11,192,725)
Interest-bearing borrowings	**(52,657,077)**	(31,796,215)
Provision for return condition checks	**(56,862)**	(397,148)
Contract liabilities	**(563,310)**	(903,374)
	(90,841,191)	(67,833,636)
Net current liabilities	**(73,487,012)**	(53,055,876)
Total assets less current liabilities	**142,794,723**	162,541,223
Non-current liabilities		
Lease liabilities	**(34,995,009)**	(40,444,416)
Interest-bearing borrowings	**(49,720,579)**	(73,107,211)
Provision for return condition checks	**(6,172,879)**	(5,623,509)
Provision for early retirement benefit obligations	**(359)**	(720)
Contract liabilities	**(2,559,301)**	(1,565,882)
Deferred income	**(153,424)**	(190,785)
	(93,601,551)	(120,932,523)
NET ASSETS	**49,193,172**	41,608,700
CAPITAL AND RESERVES		
Issued capital	**17,448,421**	16,200,793
Reserves	**31,744,751**	25,407,907
TOTAL EQUITY	**49,193,172**	41,608,700

EFFECTS OF DIFFERENCES BETWEEN IFRS ACCOUNTING STANDARDS AND CASs

The effects of differences between the consolidated financial statements of the Group prepared under IFRS Accounting Standards and CASs are as follows:

	Notes	2024 RMB'000	2023 RMB'000
Net loss attributable to shareholders of the Company under CASs		**(237,305)**	(1,046,382)
Deferred taxation	(i)	**(1,582)**	(2,657)
Differences in value of fixed assets and certain non-current assets	(ii)	**6,330**	10,628
Net loss attributable to shareholders of the Company under IFRS Accounting Standards		**(232,557)**	(1,038,411)

	Notes	31 December 2024 RMB'000	31 December 2023 RMB'000
Equity attributable to shareholders of the Company under CASs		**45,147,411**	37,229,962
Deferred taxation	(i)	**51,636**	53,218
Differences in value of fixed assets and certain non-current assets	(ii)	**(210,794)**	(217,124)
Unrealised profit on the disposal of Hong Kong Dragon Airlines Limited	(iii)	**139,919**	139,919
Equity attributable to shareholders of the Company under IFRS Accounting Standards		**45,128,172**	37,205,975

Notes:

(i) The differences in deferred taxation were mainly caused by the differences under IFRS Accounting Standards and CASs as explained below.

(ii) The differences in the value of fixed assets and certain non-current assets mainly consist of the following: in accordance with the accounting policies under IFRS Accounting Standards, all assets are recorded at historical cost. Therefore, the revaluation surplus or deficit (and the related depreciation/amortisation or impairment) recorded under CASs should be reversed in the financial statements prepared under IFRS Accounting Standards.

(iii) The difference was caused by the disposal of Hong Kong Dragon Airlines Limited to Cathay Pacific and is expected to be eliminated when the Group's interest in Cathay Pacific is disposed of.

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

"overall load factor"	RTK expressed as a percentage of ATK
"passenger load factor"	RPK expressed as a percentage of ASK
"cargo and mail load factor"	RFTK expressed as a percentage of AFTK
"Block hours"	the total time from the removal of wheel chocks before the aircraft begins to move until the placement of wheel chocks after the aircraft has landed and come to a complete stop

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 annual report, unless the context otherwise requires, the following terms shall have the following meanings:

"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 are subscribed for and traded in Renminbi and listed on Shanghai Stock Exchange
"Beijing Airlines"	Beijing Airlines Company Limited, a non-wholly owned subsidiary of the Company
"Beijing Air Catering"	Beijing Air Catering Co., Ltd., a subsidiary of CNAHC
"Board"	the board of directors of the Company
"Boeing"	The Boeing Company
"CASs"	China Accounting Standards for Business Enterprises
"CAAC"	Civil Aviation Administration of China
"Capital Holding"	China National Aviation Capital Holding Co., Ltd., a wholly-owned subsidiary of CNAHC
"Cathay Pacific"	Cathay Pacific Airways Limited, an associate of the Company
"CBIRC"	China Banking and Insurance Regulatory Commission
"CNACD"	China National Aviation Construction and Development Company, a wholly-owned subsidiary of CNAHC
"CNACG"	China National Aviation Corporation (Group) Limited, a wholly-owned subsidiary of CNAHC
"CNACG Group"	CNACG and its subsidiaries
"CNAF"	China National Aviation Finance Co., Ltd, a non-wholly owned subsidiary of the Company
"CNAHC"	China National Aviation Holding Corporation Limited
"CNAHC Group"	CNAHC and its subsidiaries
"COMAC"	Commercial Aircraft Corporation of China, Ltd.
"CNAMC"	China National Aviation Media Co., Ltd, a wholly-owned subsidiary of CNAHC
"Company, "We", 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
"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

Definitions

"H Share(s)"	ordinary share(s) in the share capital of the Company, with a nominal value of RMB1.00 each, which are listed on the Hong Kong Stock Exchange as primary listing venue and have been admitted into the Official List of the UK Listing Authority as secondary listing venue
"IFRS Accounting Standards"	IFRS Accounting Standards as issued by the International Accounting Standards Board (IASB)
"Kunming Airlines"	Kunming Airlines Company Limited, a subsidiary of Shenzhen Airlines
"Listing Rules" or "Hong Kong Listing Rules"	The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
"NAFMII"	National Association of Financial Market Institutional Investors
"Reporting Period"	from 1 January 2024 to 31 December 2024
"Date of this Annual Report"	27 March 2025
"RMB"	Renminbi, the lawful currency of the PRC
"SASAC"	State-owned Assets Supervision and Administration Commission of the State Council
"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 the Company
"Shandong Aviation Group Corporation"	Shandong Aviation Group Company Limited, a non-wholly owned subsidiary 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

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