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中國國際航空股份有限公司

AIR CHINA LIMITED

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

(Stock Code: 00753)

THIRD QUARTERLY REPORT OF 2022

This announcement is made pursuant to Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) and Rule 13.09 and Rule 13.10B of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The board of directors (the “**Board**”) of Air China Limited (the “**Company**”, the Company together with its subsidiaries, the “**Group**”) held a meeting of the Board on 28 October 2022 and passed the resolution approving the third quarterly report of 2022 (the “**Quarterly Report**”) of the Company for the period ended 30 September 2022 prepared in accordance with the PRC Accounting Standards for Business Enterprises.

IMPORTANT NOTICE:

The Board and the supervisory committee of the Company together with the directors, supervisors and the senior management of the Company guarantee that the contents of the Quarterly Report are true, accurate and complete and do not contain any false representation, misleading statement or material omission, and shall jointly and severally accept legal liability.

The person in charge of the Company, person in charge of accounting function and person in charge of accounting department (accounting superintendent) hereby guarantee that the financial information set out in the Quarterly Report are true, accurate and complete.

Whether the financial statements of the third quarter is audited

Yes No

1. MAJOR FINANCIAL DATA

(1) Major accounting data and financial indicators

Unit: RMB'000

Items	The Reporting Period	Increase/decrease of the Reporting Period as compared to the corresponding period of the previous year (%)		Increase/decrease for the period from the beginning of the year to the end of the Reporting Period as compared to the corresponding period of the previous year (%)	
				For the period from the beginning of the year to the end of the Reporting Period	
Revenue	18,135,912	-8.37		42,088,565	-26.75
Net profit attributable to shareholders of the listed company	-8,668,358	N/A		-28,103,264	N/A
Net profit attributable to shareholders of the listed company after deducting non-recurring profits and losses	-8,786,635	N/A		-28,280,817	N/A
Net cash flows from operating activities	N/A	N/A		-4,895,560	-148.23
Basic earnings per share (RMB per share)	-0.63	N/A		-2.05	N/A
Diluted earnings per share (RMB per share)	N/A	N/A		N/A	N/A
Weighted average return on net assets (%)	-22.21	Decreased by 17.14 percentage points		-58.21	Decreased by 44.03 percentage points

	At the end of the Reporting Period	At the end of the previous year	Increase/ decrease at the end of the Reporting Period as compared to the end of the previous year (%)
Total assets	296,940,407	298,415,152	-0.49
Owners' equity attributable to shareholders of the listed company	35,149,700	61,402,519	-42.76

Note: The "Reporting Period" refers to the 3-month period from the beginning of this quarter to the end of this quarter, the same below.

(2) Items and amounts of non-recurring profits and losses

Unit: RMB'000

Items	Amounts for the Reporting Period	Amounts for the period from the beginning of the year to the end of the Reporting Period
Gains or losses on disposal of non-current assets	-11,750	-22,465
Government subsidies recorded in the income statement for the current period (excluding those closely related to the Company's normal business and continuously entitled to in fixed amounts or quotas in accordance with the requirements of the state policy)	157,727	273,457

Items	Amounts for the Reporting Period	Amounts for the period from the beginning of the year to the end of the Reporting Period
Gain or loss from change in fair value by holding tradable financial assets, derivative financial assets, tradable financial liabilities and derivative financial liabilities, and investment income from disposal of tradable financial assets, derivative financial assets, tradable financial liabilities and derivative financial liabilities as well as other debt investments, excluding the effective hedging businesses related with the normal operations of the Company	312	-624
Reversal of provision for impairment of receivable and contract assets that have undergone impairment test alone	-	10,554
Other non-operating income and expenses besides the above items	9,646	2,334
Less: Effect of income tax	16,513	40,022
Effect of non-controlling interests (after tax)	<u>21,145</u>	<u>45,681</u>
Total	<u>118,277</u>	<u>177,553</u>

Explanation of non-recurring profits and losses items listed in the “Interpretative Announcement for Information Disclosure of Companies That Issue Securities to the Public No.1 – Non-recurring Profits and Losses” (《公開發行證券的公司信息披露解釋性公告第1號 - 非經常性損益》) which are defined as recurring profits and losses items

Applicable Not applicable

(3) Changes of major accounting data and financial indicators and reasons for changes

Applicable Not applicable

Items	Percentage of Change (%)	Major Reasons
Net profit attributable to shareholders of the listed company	N/A	Mainly due to the combined effects of the sporadic outbreak of COVID-19 pandemic in China, the rising aviation fuel price and the fluctuation in exchange rate.
Owners' equity attributable to shareholders of the listed company	-42.76	
Net profit attributable to shareholders of the listed company after deducting non-recurring profits and losses	N/A	
Net cash flows from operating activities	-148.23	
Basic earnings per share (RMB per share)	N/A	
Weighted average return on net assets (%) for the period from the beginning of the year to the end of the Reporting Period	Decreased by 44.03 percentage points	

II. INFORMATION OF SHAREHOLDERS

(1) Total number of holders of ordinary shares, the number of holders of preference shares with restored voting rights and the particulars of the top 10 shareholders

Unit: share

Total number of holders of ordinary shares as at the end of the Reporting Period	103,621	Total number of holders of preference shares with restored voting rights as at the end of the Reporting Period (if any)	/
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Name of shareholder	Nature of shareholder	Particulars of the top 10 shareholders				
		Number of shares held	Shareholding percentage (%)	Number of shares held subject to selling restrictions	Shares pledged, marked or frozen Status	Number
China National Aviation Holding Corporation Limited	State-owned legal person	5,952,236,697	40.98	0	Frozen	127,445,536
Cathay Pacific Airways Limited	Foreign legal person	2,633,725,455	18.13	0	Nil	0
HKSCC NOMINEES LIMITED	Foreign legal person	1,688,364,345	11.62	0	Nil	0
China National Aviation Corporation (Group) Limited	Foreign legal person	1,556,334,920	10.72	0	Frozen	36,454,464
China Securities Finance Corporation Limited	Others	311,302,365	2.14	0	Nil	0
China National Aviation Fuel Group Corporation	State-owned legal person	182,938,254	1.26	0	Nil	0
Hong Kong Securities Clearing Company Ltd.	Foreign legal person	166,766,213	1.15	0	Nil	0
Agricultural Bank of China Limited – GF Balanced Preferred Hybrid Securities Investment Fund (中國農業銀行股份有限公司—廣發均衡優選混合型證券投資基金)	Others	42,131,029	0.29	0	Nil	0
Industrial Bank Co., Ltd. – GF Ruiyi Leading Hybrid Securities Investment Fund (興業銀行股份有限公司—廣發睿毅領先混合型證券投資基金)	Others	41,845,666	0.29	0	Nil	0
National Social Security Fund Portfolio 115 (全國社保基金—五組合)	Others	32,000,000	0.22	0	Nil	0

Particulars of the top 10 shareholders not subject to selling restrictions

Name of shareholder	Number of tradable shares held not subject to selling restrictions	Class and number of shares	
		Class of shares	Number
China National Aviation Holding Corporation Limited	5,952,236,697	RMB ordinary shares	5,952,236,697
Cathay Pacific Airways Limited	2,633,725,455	Overseas listed foreign shares	2,633,725,455
HKSCC NOMINEES LIMITED	1,688,364,345	Overseas listed foreign shares	1,688,364,345
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
China National Aviation Fuel Group Corporation	182,938,254	RMB ordinary shares	182,938,254
Hong Kong Securities Clearing Company Ltd.	166,766,213	RMB ordinary shares	166,766,213
Agricultural Bank of China Limited – GF Balanced Preferred Hybrid Securities Investment Fund (中國農業銀行股份有限公司—廣發均衡優選混合型證券投資基金)	42,131,029	RMB ordinary shares	42,131,029
Industrial Bank Co., Ltd. – GF Ruiyi Leading Hybrid Securities Investment Fund (興業銀行股份有限公司—廣發睿毅領先混合型證券投資基金)	41,845,666	RMB ordinary shares	41,845,666
National Social Security Fund Portfolio 115 (全國社保基金一一五組合)	32,000,000	RMB ordinary shares	32,000,000
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 51.70% of the shares of the Company.		
Explanation on the participation of the top 10 shareholders and the top 10 shareholders not subject to selling restrictions in margin financing and securities lending as well as margin and securities refinancing business (if any)	Nil		

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 1,688,364,345 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.

III. OTHER ALERTS

Other important information that needs to be brought to the attention of investors regarding the Company’s operations during the Reporting Period

Applicable Not applicable

IV. QUARTERLY FINANCIAL STATEMENTS

(1) Type of audit opinion

Applicable Not applicable

(2) **Financial statements**

CONSOLIDATED BALANCE SHEET

30 September 2022

Prepared by Air China Limited

Unit: RMB'000 (Unaudited)

Items	30 September 2022	31 December 2021
CURRENT ASSETS:		
Cash and bank balance	14,577,834	16,709,664
Provisions on payables		
Contributions made		
Financial assets held-for-trading	52,772	4,157
Derivative financial assets		
Bills receivable	5,071	3,591
Accounts receivable	1,887,238	2,991,037
Receivables financing		
Prepayments	682,787	440,274
Premium receivable		
Receivables on reinsurance		
Provisions for reinsurance contracts		
Other receivables	3,232,072	3,191,247
Including: Interest receivable		
Dividend receivable		
Purchase of financial assets resold		
Inventories	2,467,366	2,050,282
Contract assets		
Held-for-sale assets		333,884
Non-current assets due within a year		
Other current assets	3,862,419	4,672,592
Total current assets	26,767,559	30,396,728

Items	30 September 2022	31 December 2021
NON-CURRENT ASSETS:		
Loans and advances		
Debt investments		
Other debt investments	1,359,237	1,373,634
Long-term receivables	576,119	574,646
Long-term equity investments	13,033,803	12,081,091
Investments in other equity instruments	186,024	178,366
Other non-current financial assets		
Investment properties	132,162	128,782
Fixed assets	83,540,259	85,009,447
Construction in progress	34,325,882	34,862,651
Biological assets for production		
Oil and gas assets		
Right-of-use assets	120,761,036	119,213,535
Intangible assets	4,250,114	3,544,175
Development expenses		
Goodwill	1,102,185	1,102,185
Long-term deferred expenses	230,214	249,358
Deferred tax assets	10,675,813	9,700,554
Other non-current assets		
Total non-current assets	270,172,848	268,018,424
Total assets	296,940,407	298,415,152

Items	30 September 2022	31 December 2021
CURRENT LIABILITIES:		
Short-term loans	19,149,461	22,001,916
Short-term financing bonds payable	3,005,488	12,332,635
Borrowings from central bank		
Contributions received		
Financial liabilities held-for-trading		
Derivative financial liabilities		
Bills payable	1,498,759	199,276
Accounts payable	14,001,439	13,307,360
Air traffic liabilities	2,498,638	2,116,028
Receipts in advance		
Contract liabilities	1,470,240	1,479,717
Sale of financial assets repurchased		
Deposits from clients and placements from other banks		
Brokerage payable		
Underwriting fees payable		
Employee compensations payable	2,575,228	3,502,384
Taxes payable	207,697	166,085
Other payables	17,310,305	17,239,846
Including: Interest payable		
Dividend payable		
Fees and commissions payable		
Amounts payable on reinsurance		
Held-for-sale liabilities		
Non-current liabilities due within a year	28,850,828	19,070,477
Other current liabilities		
Total current liabilities	90,568,083	91,415,724

Items	30 September 2022	31 December 2021
NON-CURRENT LIABILITIES:		
Reserves on insurance contracts		
Long-term loans	55,862,186	43,620,468
Debentures payable	11,192,591	9,499,579
Including: Preference shares		
Perpetual bonds		
Lease liabilities	78,347,175	76,347,051
Long-term payables	19,922,563	5,656,909
Long-term employee compensation payables	212,408	218,336
Accrued liabilities	3,191,632	3,147,357
Deferred income	431,659	544,383
Deferred tax liabilities	325,720	328,063
Other non-current liabilities	1,550,723	1,772,209
Total non-current liabilities	171,036,657	141,134,355
Total liabilities	261,604,740	232,550,079
OWNERS' EQUITY (OR SHAREHOLDERS' EQUITY):		
Paid-up capital (or share capital)	14,524,815	14,524,815
Other equity instruments		
Including: Preference shares		
Perpetual bonds		
Capital reserve	26,270,841	26,270,841
Less: Treasury shares		
Other comprehensive income	1,445,136	-405,309
Special reserves		
Surplus reserves	11,564,287	11,564,287
General risk provisions	131,916	131,916
Retained earnings	-18,787,295	9,315,969
Total owners' equity (or shareholders' equity)		
attributable to the parent company	35,149,700	61,402,519
Non-controlling interests	185,967	4,462,554
Total owners' equity (or shareholders' equity)	35,335,667	65,865,073
Total liabilities and owners' equity (or shareholders' equity)	296,940,407	298,415,152

Person in charge of the Company: Mr. Ma Chongxian

Person in charge of accounting function: Mr. Xiao Feng

Person in charge of accounting department: Mr. Lyu Lingfei

CONSOLIDATED INCOME STATEMENT

January to September 2022

Prepared by Air China Limited

Unit: RMB'000 (Unaudited)

Items	First three quarters of 2022 (January to September)	First three quarters of 2021 (January to September)
I. Total revenue from operations	42,088,565	57,457,425
Including: Operating income	42,088,565	57,457,425
Interest income		
Premium earned		
Fees and commission income		
 II. Total operating cost	 76,941,159	 73,584,421
Including: Operating costs	61,410,372	63,149,708
Interest expenses		
Fees and commission expenses		
Returned premium		
Net reimbursement paid		
Net amounts of provisions on insurance obligations drawn		
Bonus paid on insurance policy		
Reinsurance premium		
Taxes and other levies	96,654	188,691
Selling expenses	2,712,924	3,316,364
General and administrative expenses	3,231,633	3,244,237
R&D expenses	126,195	92,814
Finance expenses	9,363,381	3,592,607
Including: Interest expenses	4,783,027	4,052,386
Interest income	159,173	63,887
Add: Other income	2,153,587	2,919,449
Investment income (loss is represented by “-” sign)	-642,522	-1,592,710
Including: Share of profits from associates and joint ventures	-683,153	-1,648,727
Gains on derecognition of financial assets measured at amortised cost		
Exchange gains (loss is represented by “-” sign)		
Gains from net exposure to hedging (loss is represented by “-” sign)		
Gains from changes in fair value (loss is represented by “-” sign)	-624	

Items	First three quarters of 2022 (January to September)	First three quarters of 2021 (January to September)
Impairment loss of credit (loss is represented by “-” sign)	-218	100,850
Impairment loss of assets (loss is represented by “-” sign)		-5,027
Gains from disposal of assets (loss is represented by “-” sign)	-3,176	25,796
III. Profit from operations (loss is represented by “-” sign)	-33,345,547	-14,678,638
Add: Non-operating income	76,286	88,974
Less: Non-operating expenses	93,094	55,917
IV. Total profit (total loss is represented by “-” sign)	-33,362,355	-14,645,581
Less: Income tax expenses	-950,069	-2,849,163
V. Net profit (net loss is represented by “-” sign)	-32,412,286	-11,796,418
(I) Classified by continuity of operations		
1. Net profit from continuing operations (net loss is represented by “-” sign)	-32,412,286	-11,796,418
2. Net profit from discontinued operation (net loss is represented by “-” sign)		
(II) Classified by ownership		
1. Net profits attributable to shareholders of the parent company (net loss is represented by “-” sign)	-28,103,264	-10,321,667
2. Profit or loss attributable to non-controlling interests (net loss is represented by “-” sign)	-4,309,022	-1,474,751
VI. Other comprehensive income after tax, net	1,883,524	702,188
(I) Other comprehensive income after tax attributable to owners of the parent company, net	1,850,445	730,474
1. Other comprehensive income that cannot be subsequently reclassified to profit or loss	2,659	-20,066
(1) Changes arising on remeasurement of defined benefit plans	-260	-1,594
(2) Other comprehensive income accounted for using the equity method that cannot be reclassified to profit or loss	-10	-3,858
(3) Change in fair value of investments in other equity instruments	2,929	-14,614
(4) Change in fair value of own credit risk of the Company		

Items	First three quarters of 2022 (January to September)	First three quarters of 2021 (January to September)
2. Other comprehensive income that will be reclassified to profit or loss	1,847,786	750,540
(1) Other comprehensive income accounted for using the equity method that may be reclassified to profit or loss	269,267	879,233
(2) Change in fair value of other debt investments	-132	-388
(3) Amount of financial assets reclassified into other comprehensive income		
(4) Provisions for credit impairment of other debt investments	-1,210	-3,404
(5) Reserve for cash flow hedging		
(6) Exchange difference on translation of financial statements in foreign currency	1,579,861	-124,901
(7) Others		
(II) Other comprehensive income after tax attributable to non-controlling interests, net	33,079	-28,286
VII. Total comprehensive income	-30,528,762	-11,094,230
(I) Total comprehensive income attributable to owners of the parent company	-26,252,819	-9,591,193
(II) Total comprehensive income attributable to non-controlling interests	-4,275,943	-1,503,037
VIII. Earnings per share:		
(I) Basic earnings per share (RMB per share)	-2.05	-0.75
(II) Diluted earnings per share (RMB per share)	N/A	N/A

For business combination under common control during the Period, the net profit of merged party before the business combination is Nil, and the net profit of the merged party for the last period is Nil.

Person in charge of the Company: Mr. Ma Chongxian

Person in charge of accounting function: Mr. Xiao Feng

Person in charge of accounting department: Mr. Lyu Lingfei

CONSOLIDATED CASH FLOW STATEMENT

January to September 2022

Prepared by Air China Limited

Unit: RMB'000 (Unaudited)

Items	First three quarters of 2022 (January to September)	First three quarters of 2021 (January to September)
I. Cash flows from operating activities:		
Cash received from sales of goods and provision of services	44,775,183	61,020,442
Net increase in deposits from clients and placements from banks		
Net increase in borrowings from central bank		
Net increase in contributions received from other financial institutions		
Cash received from premiums of original insurance contracts		
Net cash receipt from reinsurance operations		
Net increase in reserve of the insured and investment		
Cash received from interest, fees and commission		
Net increase in contributions received		
Net increase in cash from repurchase operations		
Net cash receipt from securities trading as agent		
Refund of taxes and levies	3,667,415	13,275
Other cash received relating to operating activities	3,866,614	6,962,870
Subtotal of cash inflows of operating activities	52,309,212	67,996,587
Cash paid for goods purchased and services received	33,419,398	34,568,979
Net increase in loans and advances to clients		
Net increase in deposits in central bank and other banks		
Cash paid in respect of claims under original insurance contracts		
Net increase in contributions made		
Cash paid for interest, fees and commissions		
Cash paid for bonus paid on insurance policy		
Cash paid to or on behalf of employees	18,342,731	17,412,815
Taxes and levies paid	895,130	1,318,399
Other cash paid relating to operating activities	4,547,513	4,545,101
Subtotal of cash outflows from operating activities	57,204,772	57,845,294
Net cash flows from operating activities	-4,895,560	10,151,293

Items	First three quarters of 2022 (January to September)	First three quarters of 2021 (January to September)
II. Cash flows from investing activities:		
Cash received from sale and redemption of investments	3,690	1,681,058
Recovery of the secured bank deposits	15,081	25,579
Cash received from investment income	247,381	27,120
Net cash proceeds from disposal of fixed assets, intangible assets and other long-term assets	569,232	105,047
Net cash proceeds from disposal of subsidiaries and other business units		
Other cash received relating to investing activities	159,173	63,887
Subtotal of cash inflows from investing activities	994,557	1,902,691
Cash paid for purchase and construction of fixed assets, intangible assets and other long-term assets	5,685,046	3,051,141
Cash paid for investments	961,140	
Net increase in secured loans		
Net cash payments for acquisition of subsidiaries and other business units		
Increase in secured bank deposits	1,557	14,761
Other cash paid relating to investing activities		
Subtotal of cash outflows from investing activities	6,647,743	3,065,902
Net cash flows from investing activities	-5,653,186	-1,163,211
III. Cash flows from financing activities:		
Cash received from capital injection		
Including: Cash received from capital injection of non-controlling shareholders in subsidiaries		
Cash received from issuance of debentures	13,950,000	6,300,000
Cash received from borrowings	79,739,578	36,016,349
Cash received from capital injection		490,148
Other cash received relating to financing activities		
Subtotal of cash inflows from financing activities	93,689,578	42,806,497
Cash paid for repayment of borrowings	51,580,318	27,741,688
Cash paid for repayment of debentures	17,000,000	5,700,000
Cash paid for distribution of dividends, profits or payment of interest expenses	5,001,317	4,184,910
Including: Dividends and profits paid to non-controlling shareholders by subsidiaries	644	24,152
Cash paid for leases	11,758,167	11,211,366

Items	First three quarters of 2022 (January to September)	First three quarters of 2021 (January to September)
Other cash paid relating to financing activities		
Subtotal of cash outflows from financing activities	85,339,802	48,837,964
Net cash flows from financing activities	8,349,776	-6,031,467
IV. Effect of exchange rate changes on cash and cash equivalents	39,950	-26,438
V. Net increase in cash and cash equivalents	-2,159,020	-2,930,177
Add: Balance of cash and cash equivalents as at the beginning of the Period	15,934,713	5,837,998
VI. Balance of cash and cash equivalents as at the end of the Period	13,775,693	8,768,175

Person in charge of the Company: Mr. Ma Chongxian
Person in charge of accounting function: Mr. Xiao Feng
Person in charge of accounting department: Mr. Lyu Lingfei

Adjustments made to the financial statements as at the beginning of the year for the initial implementation of New Accounting Standards or interpretation of standards since 2022

Applicable Not applicable

The announcement is hereby given.

By Order of the Board
Air China Limited
Huang Bin Huen Ho Yin
Joint Company Secretaries

Beijing, the PRC, 28 October 2022

As at the date of this announcement, the directors of the Company are Mr. Ma Chongxian, Mr. Feng Gang, Mr. Patrick Healy, Mr. Li Fushen, Mr. He Yun*, Mr. Xu Junxin* and Ms. Winnie Tam Wan-chi*.*

* *Independent non-executive director of the Company*