

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 under various brands of its subsidiaries and associates have been consolidated into the brand of “Phoenix Miles”.



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Corporate Information

REGISTERED CHINESE NAME:

中國國際航空股份有限公司

ENGLISH NAME:

Air China Limited

REGISTERED OFFICE:

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

PRINCIPAL PLACE OF BUSINESS IN HONG KONG:

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

WEBSITE:

www.airchina.com.cn

DIRECTORS:¹

Mr. Ma Chongxian
Mr. Wang Mingyuan
Mr. Feng Gang
Mr. Patrick Healy
Mr. Xiao Peng
Mr. Li Fushen*
Mr. He Yun*
Mr. Xu Junxin*
Ms. Winnie Tam Wan-chi*

SUPERVISORS:¹

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

LEGAL REPRESENTATIVE OF THE COMPANY:

Mr. Ma Chongxian

JOINT COMPANY SECRETARIES:

Mr. Huang Bin
Mr. Huen Ho Yin

AUTHORISED REPRESENTATIVES:

Mr. Ma Chongxian
Mr. Huang Bin

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

* Independent Non-executive Directors

¹ For details of changes in Directors and Supervisors of the Company during the Reporting Period, please refer to page 21 of this report.

Summary of Financial Information

(RMB'000)	Six months ended 30 June 2023	Six months ended 30 June 2022
Revenue	59,613,193	23,952,653
Loss from operations	(898,200)	(16,972,714)
Loss before taxation	(4,360,170)	(23,075,797)
Loss after taxation	(4,043,954)	(22,214,145)
Loss attributable to non-controlling interests	(597,140)	(2,777,299)
Loss attributable to equity shareholders of the Company	(3,446,814)	(19,436,846)
EBITDA ⁽¹⁾	11,806,583	(6,514,396)
EBITDAR ⁽²⁾	12,195,306	(6,277,761)
Loss per share attributable to equity shareholders of the Company (RMB)	(0.2239)	(1.4151)
Return on equity attributable to equity shareholders (%)	(9.87)	(45.32)

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

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

(RMB'000)	30 June 2023	31 December 2022
Total assets	344,486,909	294,979,377
Total liabilities	311,592,600	273,451,149
Non-controlling interests	(2,020,490)	(2,048,948)
Equity attributable to equity shareholders of the Company	34,914,799	23,577,176
Equity attributable to equity shareholders of the Company per share (RMB)	2.27	1.62

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.

	January to June 2023	January to June 2022	Increase/(decrease)
Capacity			
ASK (million)	128,799.56	48,186.03	167.30%
International	14,201.46	1,600.96	787.06%
Mainland China	111,479.91	45,768.22	143.57%
Hong Kong SAR, Macau SAR and Taiwan, China	3,118.19	816.84	281.74%
AFTK (million)	4,090.64	5,221.24	(21.65%)
International	925.60	3,916.15	(76.36%)
Mainland China	3,078.23	1,244.76	147.30%
Hong Kong SAR, Macau SAR and Taiwan, China	86.79	60.34	43.84%
ATK (million)	15,697.06	9,562.33	64.16%
Traffic			
RPK (million)	90,835.35	29,313.90	209.87%
International	8,652.06	576.82	1,399.96%
Mainland China	80,191.99	28,349.32	182.87%
Hong Kong SAR, Macau SAR and Taiwan, China	1,991.29	387.77	413.52%
RFTK (million)	1,088.96	2,139.29	(49.10%)
International	497.15	1,625.14	(69.41%)
Mainland China	575.51	493.13	16.71%
Hong Kong SAR, Macau SAR and Taiwan, China	16.31	21.00	(22.34%)
Passengers carried (thousand)	55,544.89	19,022.17	192.00%
International	1,740.62	100.19	1,637.33%
Mainland China	52,566.97	18,695.11	181.18%
Hong Kong SAR, Macau SAR and Taiwan, China	1,237.31	226.87	445.39%
Cargo and mail carried (tonnes)	429,444.60	506,274.49	(15.18%)
Kilometres flown (million)	705.70	351.76	100.62%
Block hours (thousand)	1,151.46	543.80	111.74%
Number of flights	417,396	184,330	126.44%
International	13,715	9,644	42.21%
Mainland China	393,420	171,617	129.24%
Hong Kong SAR, Macau SAR and Taiwan, China	10,261	3,069	234.34%
RTK (million)	9,128.30	4,744.65	92.39%
Load factor			
Passenger load factor (RPK/ASK)	70.52%	60.83%	9.69 ppt
International	60.92%	36.03%	24.89 ppt
Mainland China	71.93%	61.94%	9.99 ppt
Hong Kong SAR, Macau SAR and Taiwan, China	63.86%	47.47%	16.39 ppt

Summary of Operating Data

	January to June 2023	January to June 2022	Increase/(decrease)
Cargo and mail load factor (RFTK/AFTK)	26.62%	40.97%	(14.35 ppt)
International	53.71%	41.50%	12.21 ppt
Mainland China	18.70%	39.62%	(20.92 ppt)
Hong Kong SAR, Macau SAR and Taiwan, China	18.79%	34.80%	(16.01 ppt)
Overall load factor (RTK/ATK)	58.15%	49.62%	8.53 ppt
Utilisation			
Daily utilisation of aircraft (block hours per day per aircraft)	7.75	3.77	3.98 hours
Yield			
Yield per RPK (RMB)	0.6107	0.5645	8.18%
International	0.7772	2.0472	(62.04%)
Mainland China	0.5873	0.5268	11.48%
Hong Kong SAR, Macau SAR and Taiwan, China	0.8275	0.8789	(5.85%)
Yield per RFTK (RMB)	1.2947	3.2691	(60.40%)
International	1.6404	3.6153	(54.63%)
Mainland China	0.8886	1.7782	(50.03%)
Hong Kong SAR, Macau SAR and Taiwan, China	5.0857	9.0151	(43.59%)
Unit cost			
Cost of operation per ASK (RMB)	0.5014	0.9569	(47.60%)
Cost of operation per ATK (RMB)	4.1142	4.6248	(11.04%)

Note: As of 21 March 2023, the Company has acquired the control of Shandong Aviation Group Corporation. Shandong Aviation Group Corporation and its subsidiaries, including Shandong Airlines, have been consolidated into the consolidated financial statements of the Group. For details, please refer to the announcement of the Company dated 21 March 2023. The sections headed "SUMMARY OF OPERATING DATA" and "DEVELOPMENT OF FLEET" in this interim report include relevant operating data and fleet information of Shandong Airlines and historical data in the above table have been adjusted to a comparable basis.

Development Of Fleet

During the first half of 2023, the Group introduced a total of 10 aircraft, including four A350 aircraft, two A320 series aircraft, one B737 series aircraft and three ARJ21-700 aircraft, and phased out two B737 series aircraft. As at the end of the Reporting Period, the Group had a total of 902 aircraft with an average age of 9.05 years (the fleet of Shandong Airlines were consolidated into the Group's fleet during the Reporting Period), of which the Company operated a fleet of 493 aircraft in total, with an average age of 8.93 years. During the first half of the year, the Company introduced eight aircraft and phased out two aircraft.

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

	Sub-total	Self-owned	30 June 2023 Finance leases	Operating leases	Average age (year)
Airbus	435	181	132	122	8.64
A320	348	151	104	93	8.77
A330	60	24	7	29	10.70
A350	27	6	21	–	2.40
Boeing	444	169	95	180	9.76
B737	392	143	77	172	9.81
B747	10	8	2	–	13.97
B777	28	6	16	6	9.21
B787	14	12	–	2	6.36
COMAC	18	6	12	–	1.22
ARJ21	18	6	12	–	1.22
Business jets	5	1	–	4	10.01
Total	902	357	239	306	9.05

	Introduction Plan			Phase-out Plan		
	2023	2024	2025	2023	2024	2025
Airbus	16	29	33	12	8	6
A320	9	29	33	8	4	4
A330	–	–	–	4	4	2
A350	7	–	–	–	–	–
Boeing	12	24	5	10	–	1
B737	12	24	–	10	–	1
B787	–	–	5	–	–	–
COMAC	9	9	2	–	–	–
ARJ21	9	9	2	–	–	–
Business jets	–	1	–	1	1	–
Total	37	63	40	23	9	7

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

Business Overview

SAFE OPERATION

The Group enforced the responsibility of safety at all levels and safeguarded the bottom line of production safety with unwavering efforts. During the Reporting Period, the Group conscientiously implemented the concept of overall national security, carried out in-depth investigations and researches on production safety, effectively carried out specific investigation and rectification of major hidden safety hazards, and actively pushed forward initiatives for this year of strengthening safety management. It has also solidly pushed ahead with the development of the “four systems” (四個體系), namely safety management, flight training, operation management, and aircraft maintenance. At the same time, the Group closely monitored the actual conditions of flight operation, exercised control over the whole process of its flight operation under the complex conditions, coordinated the rapid recovery of flight productivity and the restoration of operation support capability, and properly carried out the specific work for ensuring safe operation. The Group promoted in-depth development of safety style, and continuously improved the working pattern of shared management responsibilities among different governance bodies. During the Reporting Period, the Group recorded 1.1515 million safe flight hours, and successfully accomplished a series of major transportation safeguard missions such as the Two Sessions and evacuation of nationals.

MAXIMISING OPERATING PERFORMANCE

The Group adhered to the general principle of pursuing progress while ensuring stability and intensively implemented measures for quality improvement and efficiency enhancement, making every effort to reduce losses and extricate itself from difficulties. Based on the domestic macro-circulation, the Group significantly increased the transport capacity for the domestic market and diligently developed the domestic express routes to enhance its competitive advantages. Seizing the opportunities arising from the rapid recovery of the international market, the Group steadily scaled up its investments and expanded the scale of international routes operation. Meanwhile, the Group gave its best efforts to improve the quality of revenue and maximized its revenue effectively by refining the marketing strategy. Through scientific pricing for interline products, it has realized an increase in revenue from interline products. Furthermore, the Group adjusted the pricing structure of the first class and business class cabins so as to ensure steady improvement of yield level of both cabins. Frequent flier membership policies were also optimized with a focus on the long-term contribution of customers with a view to increasing the stickiness of frequent flier members. The Group strengthened the operation of passenger aircraft for cargo operations to give play to the complementary effect of bellyhold capacity of passenger aircraft in the market and increase the revenue from passenger flights. Cost management and control was further implemented to deeply explore the cost potentials, while the investment in labor costs was optimized continuously in a bid to enhance the contribution to productivity. The Group continued to strengthen its capital management and control and enhanced the management of debt-related risks so as to improve the efficiency of capital use without prejudice to safe capital operation, and to reduce its finance costs.

Business Overview

REFORM AND DEVELOPMENT

Having a keen grasp of the new development stage, the Group clearly defined a model for centralized, synergetic, refined and risk-resistant development to comprehensively promote in-depth synergy of the Group's principal businesses in all aspects. For the key areas of passenger transportation such as route network, cargo spaces management and customer resources management, the Group has achieved synergy through centralization of flight schedules and transport capacities, and strengthened its express route products and optimized the flight schedules of jointly-operated routes in various regions with concerted efforts. The interlink operations across multiple airlines under the Group have been strengthened with a total of 106 thousand flight sectors being operated through interlink operations during January to June, which is 7.3 times of that of the corresponding period last year. The airlines shared their customer resources and realized unification of agreed working standards of customers, operation procedures and the relevant agreements, as well as unification of ground support resources and service standards from the perspective of passengers' perception, thereby improving the service quality and enhancing the efficiency of resources utilization.

The Group promoted the steady implementation of the "14th Five-Year" Plan for green development and made deployment for advancing the carbon peak action plan to empower green and high-quality development with joint efforts. The implementation plan for carbon peak-related works was released, which clarified the strategic direction and technological paths with six major tasks and nine major actions being formulated to serve as the fundamental guidance for the carbon peak action plan. The self-developed carbon emission monitoring and analysis platform realized automatic, systematic, intelligent and integrated management of aviation carbon emission data and established a carbon emission measurement model for civil aviation passengers, which won the "First Prize of the 19th Innovative Achievements of Modernized Management of Transportation Enterprises". The Group participated in the 2nd Civil Aviation Science and Education Innovation Achievement Exhibition (民航科教創新成果展), displaying a total of 21 innovations in the areas of smart travel, aircraft maintenance and technological support. Meanwhile, the Group also contributed to the conservation of biodiversity by setting up the "Join hands with Air China to chase sturgeons in Yangtze River" Wuhan Public Welfare Release Station (「攜手國航，追鱈長江」武漢公益放流站) to help restoring the endangered fish resources in Yangtze River.

The Group pushed forward specific initiatives for brand leadership and strengthened the efforts in the integration of brand building with its business operation and marketing campaigns with a view to facilitating the high-quality development of the Company. The Group actively responded to the "Belt and Road" initiative by utilizing the commencement of services of flight routes to promote its brand image, and demonstrated its operational strengths and good brand image by leveraging large-scale fairs such as the Exposition of China Brand, the Western China International Fair and other events as the platform. It has also enhanced the international brand influence of Air China through the cooperation with the Star Alliance and overseas industry associations. According to the ranking list released by the World Brand Lab, Air China ranked no. 24 in the 2023 China's 500 Most Valuable Brands with a brand value of RMB235.162 billion, representing a year-on-year increase of RMB21.503 billion and maintaining a leading position in the domestic aviation service industry in terms of ranking and brand value.

Business Overview

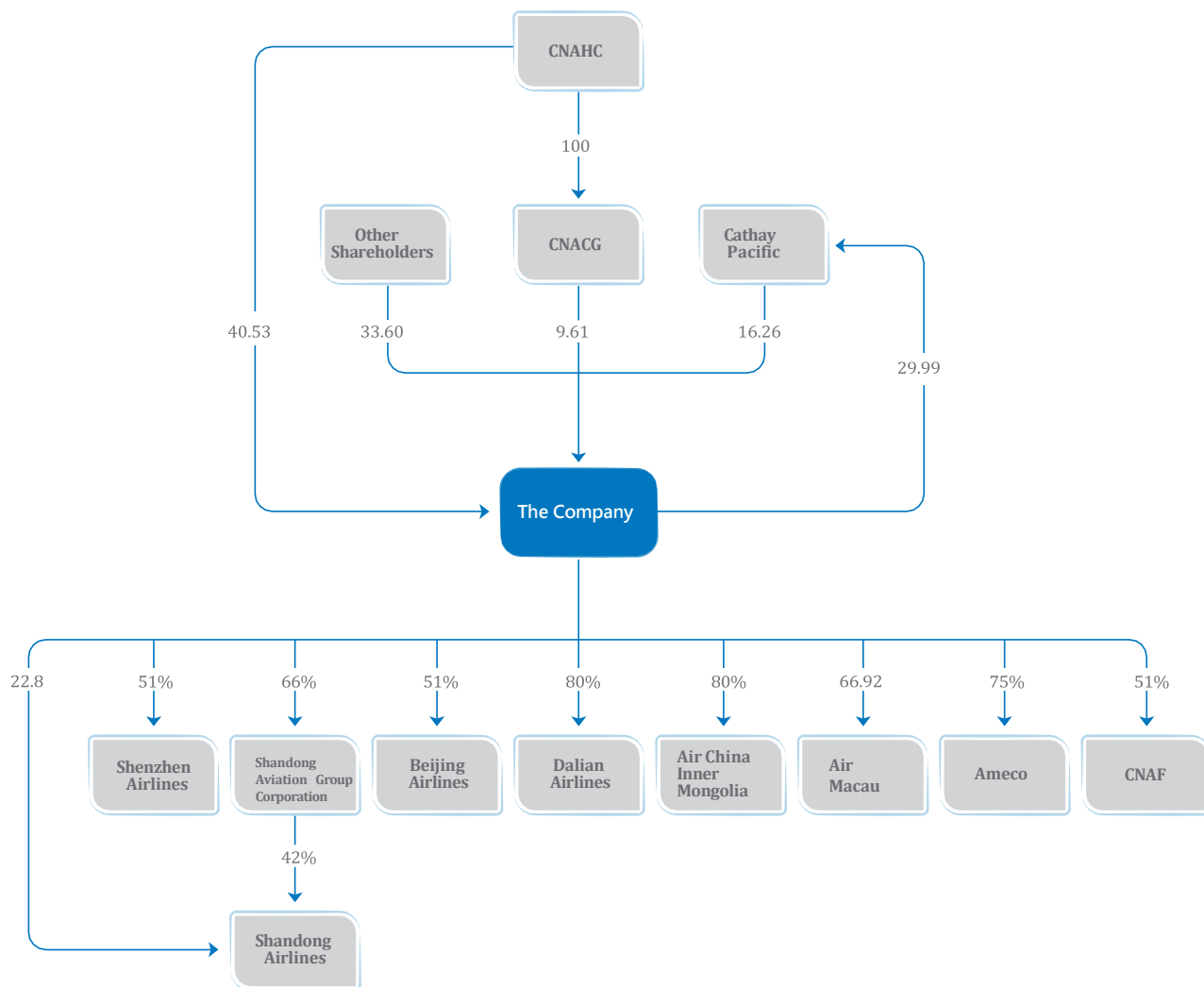
ENHANCING SERVICES

Staying committed to the people-centered development ideology, the Group strived to improve the quality of its air travel services. During the Reporting Period, the Group pursued the goal and direction of developing world-class products and services. With a focus on passenger demand, it continued to raise service standards and optimize the design of services and products, in a bid to enrich the service experience of passengers at various aspects and solidify the foundation for high-quality development of services.

The Group constantly refreshed and improved the general conditions for transportation, and flexibly formulated and issued special handling plans for passenger tickets in response to special circumstances. It promoted the upgrade of air-ground products, and launched Phase I of the “Fengting Lounge”, a self-owned lounge offering cultural experience and products. Furthermore, the renovation with interior design layout under the “Phoenix Dance in the Cloud” series was completed for 22 aircraft, and the passenger interfaces of the “Chinese Red” in-flight entertainment system on 17 aircraft were fully upgraded. In order to promote the consistent optimization and expansion of convenient services for passengers and optimize the functions and service experience of various self-service channels, Air China introduced an upgraded “Caring Version” on its official website to assist the elderly in travelling smoothly. The “ready to go anywhere at any time” product was also launched to enhance the timeliness for passengers travelling with our domestic express routes. Besides, Air China strived to promote digital transformation of services through the development of service systems, and the global platform for ground service and flight support services has been operating smoothly since its launch, which significantly strengthened the management and control of flight and ground services operation. Continuous efforts were made to optimize and improve the service quality management system, the whole-process luggage tracking data system and other service management data system so as to enhance the level of service digitalization on a continuous basis. It also continued to expand the air-railway interlink stations and network, which covered 63 transit cities, 98 transit train stations, 371 accessible train stations and connected with 582 railways across China, and contributed to the development of interline transportation and services integration.

Business Overview

MAJOR SUBSIDIARIES AND ASSOCIATES AND THEIR OPERATING RESULTS



- Notes: 1. CNACG is a wholly-owned subsidiary of CNAHC. Accordingly, CNAHC is directly and indirectly interested in 50.14% of the shares of the Company.
2. As at the end of the Reporting Period, Shandong Aviation Group Corporation is owned as to 66% by the Company, while Shandong Airlines is owned as to 42% by Shandong Aviation Group Corporation. Shandong Airlines is directly owned as to 22.8% by the Company, hence the Company directly and indirectly holds 64.8% of the equity interests of Shandong Airlines.

Business Overview

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	RMB 5,360,000,000	RMB 10,454,489,846.24	RMB 1,000,000,000	RMB 3,000,000,000	RMB 1,000,000,000	MOP 842,042,000	USD 300,052,800	RMB 1,127,961,864	6,437.2 00,203 shares in issue
Percentage of shareholding by the Company	51%	66%	51%	80%	80%	66.92%	75%	51%	29.99%
Revenue (RMB100 million)	140.23 (on a consolidated basis)	51.76 (on a consolidated basis)	1.86	8.53	7.66	12.21	47.36	0.76	395.66 (on a consolidated basis)
Year-on-year changes (%)	164.19	N/A	173.53	298.60	248.18	246.88	58.82	(10.59)	155.00
Total assets (RMB100 million)	639.75	359.94	9.44	38.16	21.64	62.91	71.01	157.92	1,670.42
Profit/(loss) attributable to parent company (RMB100 million)	(14.20)	3.57	(0.64)	(0.70)	(0.04)	(1.73)	1.34	0.26	35.93
Profit/(loss) attributable to parent company in the corresponding period of last year (RMB100 million)	(45.93)	N/A	(0.89)	(3.32)	(1.91)	(4.26)	(4.09)	0.23	(44.32)

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 Airlines	Shenzhen Airlines	Shandong Airlines	Beijing Airlines*	Dalian	Air China Inner Mongolia	Air Macau	Cathay Pacific
Fleet size (unit)	227 (on a consolidated basis)	133	3	13	11	17	225 (on a consolidated basis)
Average age (year)	9.02	9.58	13.58	9.73	10.17	7.06	10.7
ASK (100 million)	329.99	140.78	3.35	19.40	16.86	20.61	370.53
Year-on-year changes (%)	108.88	260.60	703.47	190.64	162.93	210.07	1,111.3
RPK (100 million)	243.95	109.84	2.07	13.80	11.81	13.80	323.08
Year-on-year changes (%)	145.83	329.55	799.63	251.16	241.05	290.75	1,685.0
Passengers carried (10 thousand)	1,580.83	746.37	15.58	95.77	89.14	83.03	781.6
Year-on-year changes (%)	141.60	352.58	944.39	241.02	202.32	306.90	2,233.1

Business Overview

Average passenger load factor (%)	73.93	78.02	61.69	71.13	70.02	66.97	87.2
Year-on-year changes (ppt)	11.11	12.52	6.59	12.26	16.04	13.83	28.0

*Note: As at the end of the Reporting Period, Beijing Airlines operated a fleet of four entrusted business jets and one self-owned business jet with an average age of 10.01 years. During the Reporting Period, in terms of business charter service, Beijing Airlines completed 181 flights, representing a year-on-year increase of 15.29%; it completed 591.59 flying hours, representing a year-on-year increase of 37.44%; it carried a total of 1,128 passengers, representing a year-on-year decrease of 5.21%.

EMPLOYEES

As at the end of the Reporting Period, the Company had a total of 46,385 employees and the subsidiaries of the Company had a total of 55,008 employees.

REMUNERATION POLICY

Upholding the concept of “paying salary with reference to the job value, personal ability as well as performance appraisal” and centering on enhancing enterprises vitality and improving benefit and efficiency, the Company advances high-quality development. During the Reporting Period, the Company continued to deepen the reform of the salary distribution system and optimized the management mechanism of gross payroll to strengthen the linkage with labor productivity of employees. It refined the salary level control measures and standardized the order of income distribution. In addition, the Company dynamically tracked the recovery of production and operation and continued to improve the remuneration policy of front-line staff. It also perfected the dual-benchmarking management mechanism of performance and remuneration and promoted differentiated appraisal and distribution to fully mobilize the enthusiasm, initiative and creativity of employees.

Management Discussion and Analysis

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

REVENUE

During the Reporting Period, the Group's revenue was RMB59,613 million, representing a year-on-year increase of RMB35,661 million or 148.88%. Among the revenues, air traffic revenue was RMB56,879 million, representing a year-on-year increase of RMB34,896 million or 158.74%. Other operating revenue was RMB2,734 million, representing a year-on-year increase of RMB764 million or 38.81%.

REVENUE CONTRIBUTED BY GEOGRAPHICAL SEGMENTS

(in RMB'000)	For the six months ended 30 June				
	2023		2022		Change
	Amount	Percentage	Amount	Percentage	
International	7,539,708	12.65%	7,047,581	29.43%	6.98%
Mainland China	50,342,825	84.45%	16,374,918	68.36%	207.44%
Hong Kong SAR, Macau SAR and Taiwan, China	1,730,660	2.90%	530,154	2.21%	226.44%
Total	59,613,193	100.00%	23,952,653	100.00%	148.88%

AIR PASSENGER REVENUE

During the Reporting Period, the Group recorded an air passenger revenue of RMB55,470 million, representing a year-on-year increase of RMB40,366 million. Among the air passenger revenue, the increase of capacity resulted in an increase in revenue of RMB28,827 million, and the increase of passenger load factor resulted in an increase in revenue of RMB7,343 million, while the increase of passenger yield resulted in an increase in revenue of RMB4,196 million. The capacity, passenger load factor and yield per RPK of air passenger business during the Reporting Period are as follows:

Management Discussion and Analysis

	For the six months ended 30 June		
	2023	2022	Change
Available seat kilometres (million)	128,799.56	44,282.01	190.86%
Passenger load factor (%)	70.52	60.42	10.10 ppt
Yield per RPK (RMB)	0.6107	0.5645	8.18%

Note: The operating data for the corresponding period in 2022 in the above table does not include the operating data of Shandong Airlines.

AIR PASSENGER REVENUE CONTRIBUTED BY GEOGRAPHICAL SEGMENTS

(in RMB'000)	For the six months ended 30 June				
	2023		2022		Change
	Amount	Percentage	Amount	Percentage	
International	6,724,163	12.12%	1,172,233	7.76%	473.62%
Mainland China	47,097,647	84.91%	13,590,439	89.98%	246.55%
Hong Kong SAR, Macau SAR and Taiwan, China	1,647,720	2.97%	340,831	2.26%	383.44%
Total	55,469,530	100.00%	15,103,503	100.00%	267.26%

AIR CARGO AND MAIL REVENUE

During the Reporting Period, the Group's air cargo and mail revenue was RMB1,410 million, representing a year-on-year decrease of RMB5,470 million. Among the air cargo and mail revenue, the decrease of yield of cargo and mail business contributed to a decrease in revenue of RMB2,150 million, and the decrease of cargo and mail load factor resulted in a decrease in revenue of RMB1,881 million, while the decrease of capacity resulted in a decrease in revenue of RMB1,439 million. The capacity, cargo and mail load factor and yield per RFTK of air cargo and mail business during the Reporting Period are as follows:

	For the six months ended 30 June		
	2023	2022	Change
Available freight tonne kilometres (million)	4,090.64	5,172.28	(20.91%)
Cargo and mail load factor (%)	26.62	40.69	(14.07 ppt)
Yield per RFTK (RMB)	1.2947	3.2691	(60.40%)

Note: The operating data for the corresponding period in 2022 in the above table does not include the operating data of Shandong Airlines.

Management Discussion and Analysis

AIR CARGO AND MAIL REVENUE CONTRIBUTED BY GEOGRAPHICAL SEGMENTS

(in RMB'000)	For the six months ended 30 June				Change
	2023		2022		
	Amount	Percentage	Amount	Percentage	
International	815,545	57.85%	5,875,348	85.40%	(86.12%)
Mainland China	511,377	36.27%	814,998	11.85%	(37.25%)
Hong Kong SAR, Macau SAR and Taiwan, China	82,940	5.88%	189,323	2.75%	(56.19%)
Total	1,409,862	100.00%	6,879,669	100.00%	(79.51%)

OPERATING EXPENSES

During the Reporting Period, the Group's operating expenses increased by RMB22,209 million on a year-on-year basis to RMB64,581 million, representing an increase of 52.41%. The breakdown of the operating expenses is set out below:

(in RMB'000)	For the six months ended 30 June				Change
	2023		2022		
	Amount	Percentage	Amount	Percentage	
Jet fuel costs	19,346,786	29.96%	10,348,319	24.42%	86.96%
Take-off, landing and depot charges	6,635,703	10.27%	3,221,432	7.60%	105.99%
Depreciation and amortisation	12,704,783	19.67%	10,458,318	24.68%	21.48%
Aircraft maintenance, repair and overhaul costs	4,972,590	7.70%	2,370,572	5.59%	109.76%
Employee compensation costs	13,594,872	21.05%	11,444,006	27.01%	18.79%
Air catering charges	1,167,220	1.81%	415,683	0.98%	180.80%
Selling and marketing expenses	1,542,326	2.39%	908,624	2.14%	69.74%
General and administrative expenses	706,174	1.09%	507,940	1.20%	39.03%
Others	3,910,815	6.06%	2,697,858	6.38%	44.96%
Total	64,581,269	100.00%	42,372,752	100.00%	52.41%

Management Discussion and Analysis

- Jet fuel costs increased by RMB8,998 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 RMB3,414 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 increased by RMB2,246 million on a year-on-year basis, mainly due to the acquisition of Shandong Aviation Group Corporation, the expansion of fleet as well as the year-on-year increase in flying hours.
- Aircraft maintenance, repair and overhaul costs increased by RMB2,602 million on a year-on-year basis, mainly due to the year-on-year increase in flying hours.
- Employee compensation costs increased by RMB2,151 million on a year-on-year basis, mainly due to the acquisition of Shandong Aviation Group Corporation and the year-on-year increase in flight hour fees.
- Air catering charges increased by RMB752 million on a year-on-year basis, mainly due to the increase in the number of passengers.
- Selling and marketing expenses increased by RMB634 million on a year-on-year basis, mainly due to the consolidation of Shandong Aviation Group Corporation, and 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 RMB198 million on a year-on-year basis, mainly due to the effect of the acquisition of Shandong Aviation Group Corporation.
- Other operating expenses mainly included civil aviation development fund and ordinary expenses arising from the core air traffic business other than those mentioned above, which increased by RMB1,213 million on a year-on-year basis, mainly due to the acquisition of Shandong Aviation Group Corporation and the increase in the investment in production and operation.

NET EXCHANGE LOSS AND FINANCE COSTS

During the Reporting Period, the Group recorded a net exchange loss of RMB1,565 million, representing a year-on-year decrease of RMB674 million. The Group incurred finance costs of RMB3,542 million (excluding those capitalised) during the Reporting Period, representing a year-on-year increase of RMB401 million.

Management Discussion and Analysis

SHARE OF RESULTS OF ASSOCIATES AND JOINT VENTURES

During the Reporting Period, the Group's share of profits of its associates was RMB1,266 million, as compared with the losses of RMB1,041 million for the same period of the previous year. The Group recorded a share of profits of Cathay Pacific of RMB1,279 million during the Reporting Period, as compared with the share of losses of RMB423 million for the same period of the previous year.

During the Reporting Period, the Group's share of profits of its joint ventures was RMB89 million, representing a year-on-year decrease of RMB138 million.

ASSETS STRUCTURE ANALYSIS

At the end of the Reporting Period, the total assets of the Group were RMB344,487 million, representing an increase of 16.78% from that as at 31 December 2022. Among them, the current assets accounted for RMB43,267 million or 12.56% of the total assets, while the non-current assets accounted for RMB301,220 million or 87.44% of the total assets.

Among the current assets, cash and cash equivalents were RMB25,970 million, representing an increase of 144.82% from that as at 31 December 2022, which was mainly due to the non-public issuance of shares of the Company, and the flexibility in cash management based on capital and liquidity need.

Among the non-current assets, the aggregate carrying amount of property, plant and equipment and right-of-use assets as at the end of the Reporting Period was RMB240,730 million, representing an increase of 6.80% from that as at 31 December 2022, which was mainly due to the combined effect of the consolidation of Shandong Aviation Group Corporation's assets, depreciation for the period and introduction of aircraft.

ASSET PLEDGED

At the end of the Reporting Period, the Group's certain bank loans and finance leasing agreements were secured by certain aircraft, engines and flight equipment, other equipment and buildings with an aggregated book value of approximately RMB92,149 million (31 December 2022: RMB95,499 million) and land use rights with book value of approximately RMB25 million (31 December 2022: RMB25 million). In addition, the Group had restricted bank deposits of approximately RMB645 million (31 December 2022: approximately RMB828 million). The restricted bank deposits were mainly statutory reserves deposited in the People's Bank of China.

CAPITAL EXPENDITURE

During the Reporting Period, the Group's capital expenditure amounted to a total of RMB12,499 million, of which the total investment in aircraft and engines was RMB4,953 million. Other capital expenditure investment amounted to RMB7,546 million, mainly including investment in high-value rotables, flight simulators, infrastructure construction, IT system construction, ground equipment procurement and cash component of the long-term investments.

EQUITY INVESTMENT

At the end of the Reporting Period, the Group's equity interests in its associates amounted to RMB11,841 million, representing an increase of 12.38% from that as at 31 December 2022, among which, the carrying amount of the equity interests in Cathay Pacific amounted to RMB11,682 million.

At the end of the Reporting Period, the Group's equity interests in its joint ventures was RMB2,259 million, representing an increase of 3.73% from that as at 31 December 2022.

Management Discussion and Analysis

DEBT STRUCTURE ANALYSIS

At the end of the Reporting Period, the total liabilities of the Group amounted to RMB311,593 million, representing an increase of 13.95% from those as at 31 December 2022, among which current liabilities were RMB112,338 million and non-current liabilities were RMB199,255 million, accounting for 36.05% and 63.95% of the total liabilities, respectively.

Among the current liabilities, interest-bearing debts (including interest-bearing borrowings and lease liabilities) amounted to RMB62,494 million, representing an increase of 4.08% as compared with that as at 31 December 2022.

Among the non-current liabilities, interest-bearing debts (including interest-bearing borrowings and lease liabilities) amounted to RMB179,633 million, representing an increase of 5.83% from that as at 31 December 2022. The increase in interest-bearing debts was mainly due to the acquisition of Shandong Aviation Group Corporation. Excluding this effect, the Group's interest-bearing debts demonstrated a decreasing trend as compared with that at the end of the previous year.

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

(in RMB'000)	30 June 2023		31 December 2022		Change
	Amount	Percentage	Amount	Percentage	
RMB	195,151,949	80.60%	187,990,038	81.81%	3.81%
US dollars	45,273,450	18.70%	39,999,600	17.41%	13.18%
Others	1,701,191	0.70%	1,797,824	0.78%	(5.37%)
Total	242,126,590	100.00%	229,787,462	100.00%	5.37%

COMMITMENTS AND CONTINGENT LIABILITIES

The Group's capital commitments, which mainly consisted of the payables in the next few years for purchasing certain aircraft and related equipment, increased by 32.01% from RMB58,509 million as at 31 December 2022 to RMB77,239 million as at the end of the Reporting Period. The Group's investment commitments, which were mainly used for the investment agreements that have been signed and come into effect, amounted to RMB466 million as at the end of the Reporting Period, as compared with RMB512 million as at 31 December 2022.

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

GEARING RATIO

At the end of the Reporting Period, the Group's gearing ratio (total liabilities divided by total assets) was 90.45%, representing a decrease of 2.25 percentage points from that as at 31 December 2022.

WORKING CAPITAL AND ITS SOURCES

At the end of the Reporting Period, the Group's net current liabilities (current liabilities less current assets) were RMB69,072 million, representing a decrease of RMB1,166 million from that as at 31 December 2022. The Group's current ratio (current assets divided by current liabilities) was 0.39, representing an increase of 0.15 as compared to that as at 31 December 2022.

Management Discussion and Analysis

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 RMB16,142 million, as compared to the net cash outflow of RMB9,960 million for the corresponding period in 2022, which was mainly due to the significant increase in revenue on a year-on-year basis. Net cash outflow from investing activities was RMB2,032 million, representing an increase of 61.06% from RMB1,261 million for the corresponding period in 2022, mainly due to the year-on-year increase in the cash payments for the purchase of property, plant and equipment and other long-term assets, and the effect of the acquisition of Shandong Aviation Group Corporation. Net cash inflow from financing activities amounted to RMB1,046 million, representing a decrease of 92.40% from RMB13,758 million for the corresponding period in 2022, mainly due to the year-on-year increase in repayment of borrowings and rental payments.

At the end of the Reporting Period, the Company has obtained bank facilities of up to RMB205,863 million granted by several banks in the PRC, among which approximately RMB87,828 million has been utilised and approximately RMB118,035 million remained unutilised. The remaining amount is sufficient to meet its demands on liquidity and future capital commitments.

POTENTIAL RISKS

1. Risks of External Environment

Market Fluctuation

With the gradual resumption of normal social and economic activities, the domestic market has shown better performance than the international market from the perspective of the overall aviation industry. The progress of recovery in the international market was lagging behind under the influence of factors such as the restrictions of the immigration policy of certain countries. Based on the characteristics of the new development stage, the Group will fully, precisely and comprehensively implement the new development philosophy, take the initiative to contribute to and integrate with the new development paradigm, seek development based on the domestic market and optimize international fleet capacity structure to accelerate the recovery of profitability.

Oil Price Fluctuation

Jet fuel is one of the main operating costs of the Group. The results of the Group are relatively more affected by the changes in jet fuel price. During the Reporting Period, with other variables remaining unchanged, if the average price of the jet fuel rises or falls by 5%, the Group's jet fuel costs will rise or fall by approximately RMB967 million.

Exchange Rate Fluctuation

The Group's certain lease liabilities, bank loans and other loans are mainly denominated in US dollar. Certain international income and expenses of the Group are denominated in currencies other than RMB. Assuming that the risk variables other than the exchange rate stay unchanged, the appreciation or depreciation of RMB against US dollar by 1% due to the changes in the exchange rate will result in the increase or decrease in the Group's net profit and shareholders' equity as at 30 June 2023 by approximately RMB297 million.

2. 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, due to the slow recovery of the international market, a large number of wide-body aircraft were used in the domestic market, which intensified the imbalance between supply and demand in the domestic market. In respect of the international market, the newly resumed routes of domestic airlines were mainly concentrated in destinations such as Hong Kong, Macau, Taiwan, Southeast Asia and Europe, resulting in an intense competition in certain regions within a short period of time. Adhering to its strategy for hub network, the Company spared no efforts in building Beijing Capital Airport into a world-class hub and Chengdu Tianfu Airport into an international hub, realising differentiated development with other competing entities in the market. Main routes and express routes were launched centering on hubs as well as principal bases and markets with a view to consolidating its competitiveness in the core markets with its high-quality products.

Alternative competition

The world's largest expressway network has created substitution effect to short-distance transportation. The world's largest high-speed railway network has extended its reach towards central and western China. Hence, there are ongoing risks relating to diversion of customers in terms of short- and medium-distance transportation. In the long run, the high-speed railway will change China's geographic pattern of the economy and, as a result of its cooperation and competition with civil aviation, the air-rail interlink operation will provide strong support to the development of aviation hubs. The civil aviation sector will give full play to its competitive edges in the comprehensive transportation system and promote international exchange. It will "link main routes and branch routes and connect the whole network" to offer easily accessible and quality transportation services to the general public.

Changes in the Information of Directors, Supervisors and Senior Management of the Company

1. On 13 January 2023, Mr. He Chaofan ceased to serve as the Chairman of the Supervisory Committee and a Supervisor of the Company due to retirement.
2. On 10 February 2023, Mr. Xiao Jian was elected as a shareholder representative Supervisor of the sixth session of the Supervisory Committee at the first extraordinary general meeting of the Company in 2023. On 10 March 2023, Mr. Xiao Jian was elected as the Chairman of the Supervisory Committee of the Company at the ninth meeting of the sixth session of the Supervisory Committee of the Company.
3. On 10 February 2023, Mr. Wang Yingnian ceased to serve as the Chief Pilot of the Company due to retirement.
4. On 2 March 2023, Mr. Xiao Peng was elected as the employee representative Director of the Company and Mr. Wang Mingzhu and Mr. Li Shuxing were elected as the employee representative Supervisors of the Company at the eighth meeting of the third session of the employee representative congress of the Company.
5. On 13 March 2023, at the sixteenth meeting of the sixth session of the Board of the Company, Mr. Wang Mingyuan was appointed as the President of the Company and ceased to serve as the Vice President of the Company; Mr. Sun Yuquan was appointed as the Chief Accountant of the Company; and Mr. Xiao Feng was appointed as the Chief Economist of the Company and ceased to serve as the Chief Accountant of the Company.
6. On 30 March 2023, Mr. Wang Mingyuan was elected as the executive Director of the Company at the 2023 second extraordinary general meeting of the Company and served as the Vice Chairman of the Company since that date.
7. On 23 August 2023, Mr. Zheng Weimin was appointed as the Vice President of the Company at the 22nd meeting of the sixth session of the Board of the Company.

Shareholdings of Directors, Supervisors, Chief Executive and Substantial Shareholders of the Company

DISCLOSURE OF INTERESTS OF DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVE

As at the end of the Reporting Period, none of the Directors, Supervisors or the chief executive of the Company had interests or short positions in the shares, underlying shares and/or debentures (as the case may be) of the Company or its associated corporations (within the meaning of Part XV of the SFO) which shall be recorded and maintained in the register kept by the Company 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.

Mr. Patrick Healy (non-executive Director of the Company) also served as the chairman and executive director of Cathay Pacific. Cathay Pacific is currently a substantial shareholder of the Company and held 2,633,725,455 H Shares of the Company as at the end of the Reporting Period. Such interests are required to be disclosed to the Company in accordance with Divisions 2 and 3 under Part XV of the SFO. During the Reporting Period, Mr. Ma Chongxian (executive Director of the Company) and Mr. Patrick Healy (non-executive Director of the Company) 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, none of the Directors of the Company and their respective close associates (as defined in the Listing Rules) has any competing interests which shall be disclosed under Rule 8.10 of the Listing Rules.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN THE COMPANY

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

Name interests	Type of	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	6,566,761,847 A Shares	40.53%	56.42%	-	-
CNAHC ⁽¹⁾	Equity attributable	1,332,482,920 A Shares	8.22%	11.45%	-	-
CNAHC ⁽¹⁾	Equity attributable	223,852,000 H Shares	1.38%	-	4.91%	-
CNACG	Beneficial owner	1,332,482,920 A Shares	8.22%	11.45%	-	-
CNACG	Beneficial owner	223,852,000 H Shares	1.38%	-	4.91%	-
Cathay Pacific	Beneficial owner	2,633,725,455 H Shares	16.26%	-	57.72%	-
Swire Pacific Limited ⁽²⁾	Equity attributable	2,633,725,455 H Shares	16.26%	-	57.72%	-
John Swire & Sons (H.K.) Limited ⁽²⁾	Equity attributable	2,633,725,455 H Shares	16.26%	-	57.72%	-
John Swire & Sons Limited ⁽²⁾	Equity attributable	2,633,725,455 H Shares	16.26%	-	57.72%	-

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 223,852,000 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 60.31% equity interest and 68.13% voting rights in Swire Pacific Limited, and Swire Pacific Limited's approximately 45.00% interest in Cathay Pacific as at the end of the Reporting Period, John Swire & Sons Limited, John Swire & Sons (H.K.) Limited and Swire Pacific Limited were deemed to be interested in the 2,633,725,455 H Shares of the Company directly held by Cathay Pacific.

Save as disclosed above, as 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 as recorded in the register required to be kept pursuant to Section 336 of the SFO.

TOTAL NUMBER OF SHAREHOLDERS

Total number of holders of ordinary shares as at the end of the Reporting Period (account)	164,906 accounts, of which 2,943 accounts are registered holders of H Shares
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INFORMATION OF SHAREHOLDERS

Unit: Share

Shareholdings of the top 10 shareholders

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	Nature of shareholder
China National Aviation Holding Corporation Limited	614,525,150	6,566,761,847	40.53	614,525,150	Frozen	127,445,536	State-owned legal person
Cathay Pacific Airways Limited	0	2,633,725,455	16.26	0	Nil	0	Foreign legal person
HKSCC NOMINEES LIMITED	187,000	1,688,817,345	10.42	0	Nil	0	Foreign legal person
China National Aviation Corporation (Group) Limited	0	1,556,334,920	9.61	0	Frozen	36,454,464	Foreign legal person
China Securities Finance Corporation Limited	0	311,302,365	1.92	0	Nil	0	Other
China National Aviation Fuel Group Corporation	157,122,665	238,524,158	1.47	167,597,765	Nil	0	State-owned legal person
UBS AG	217,246,641	218,276,425	1.35	218,212,290	Nil	0	Foreign legal person
Hong Kong Securities Clearing Company Limited	-54,914,639	136,302,742	0.84	0	Nil	0	Foreign legal person
China Structural Reform Fund Co., Ltd. (中國國有企業結構調整基金股份有限公司)	67,039,106	67,039,106	0.41	67,039,106	Nil	0	State-owned legal person
Industrial Bank Co., Ltd. - GF Ruiyi Leading Hybrid Securities Investment Fund (興業銀行股份有限公司 - 廣發睿毅領先混合型證券投資基金)	1,371,000	50,751,766	0.31	0	Nil	0	Other

Shareholdings of Directors, Supervisors, Chief Executive and Substantial Shareholders of the Company

Unit: Share

Shareholdings of the top 10 shareholders not subject to selling restrictions

Name of shareholder	Number of tradable shares held not subject to selling restrictions	Type and number of shares	
		Type	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	2,633,725,455
		5 foreign shares	
HKSCC NOMINEES LIMITED	1,688,817,345	Overseas listed	1,688,817,345
		5 foreign shares	
China National Aviation Corporation (Group) Limited	1,556,334,920	RMB ordinary shares	1,332,482,920
		Overseas listed	223,852,000
		0 foreign shares	
China Securities Finance Corporation Limited	311,302,365	RMB ordinary shares	311,302,365
Hong Kong Securities Clearing Company Limited	136,302,742	RMB ordinary shares	136,302,742
China National Aviation Fuel Group Corporation	70,926,393	RMB ordinary shares	70,926,393
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)	50,751,766	RMB ordinary shares	50,751,766
Agricultural Bank of China Limited – Guangfa 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)	34,108,499	RMB ordinary shares	34,108,499
Shanghai Wuniu Haizun Investment Center (LLP) (上海五牛亥尊投資中心(有限合夥))	33,557,900	RMB ordinary shares	33,557,900
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 related 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 50.14% of the shares of the Company.		
Explanation on preference shareholders whose voting rights have been restored and the number of shares held	Nil		

- HKSCC NOMINEES LIMITED is a subsidiary of The Stock Exchange of Hong Kong Limited and its principal business is acting as nominee for and on behalf of other corporate shareholders or individual shareholders. The 1,688,817,345 H Shares held by it in the Company do not include the 166,852,000 shares held by it as nominee of CNACG.
- According to the “Implementation Measures on Partial Transfer of State-owned Shares to the National Social Security Fund in the Domestic Securities Market” (Cai Qi [2009] No. 94) (《境內證券市場轉持部分國有股充實全國社會保障基金實施辦法》(財企[2009]94號)) and the Notice ([2009] No. 63) jointly issued by the Ministry of Finance, the

State-owned Assets Supervision and Administration Commission of the State Council, China Securities Regulatory Commission and the National Council for Social Security Fund, 127,445,536 and 36,454,464 shares held by CNAHC, the controlling shareholder of the Company, and CNACG respectively are frozen at present.

Unit: Share

Shareholdings of the top 10 shareholders subject to selling restrictions and conditions of selling restrictions
Listing and trading status of shares

No.	Name of shareholder subject to selling restrictions	Number of shares held subject to selling restrictions	Date of being permitted for listing and trading	subject to selling restrictions	
				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	Non-public issuance of shares subject to selling restrictions
2	UBS AG	218,212,290	17 July 2023	218,212,290	Non-public issuance of shares subject to selling restrictions
3	China National Aviation Fuel Group Corporation	167,597,765	17 July 2023	167,597,765	Non-public issuance of shares subject to selling restrictions
4	China Structural Reform Fund Co., Ltd. (中國國有企業結構調整基金股份有限公司)	67,039,106	17 July 2023	67,039,106	Non-public issuance of shares subject to selling restrictions
5	Caitong Fund Management Co., Ltd.	66,480,448	17 July 2023	66,480,448	Non-public issuance of shares subject to selling restrictions
6	E Fund Management Co., Ltd.	58,100,558	17 July 2023	58,100,558	Non-public issuance of shares subject to selling restrictions
7	GF Fund Management Co., Ltd.	49,497,206	17 July 2023	49,497,206	Non-public issuance of shares subject to selling restrictions
8	Greatwall Wealth Insurance Asset Management Co., Ltd. – Greatwall Wealth Zhuque Hongying No. 1 Asset Management Product (長城財富保險資產管理股份有限公司 – 長城財富朱雀鴻盈一號資產管理產品)	33,519,553	17 July 2023	33,519,553	Non-public issuance of shares subject to selling restrictions
9	Sichuan Capital Market Bailout Development Securities Investment Fund Partnership (Limited Partnership) (四川資本市場紓困發展證券投資基金合夥企業 (有限合夥))	33,519,553	17 July 2023	33,519,553	Non-public issuance of shares subject to selling restrictions
10	China Merchants Securities Co., Ltd.	31,284,916	17 July 2023	31,284,916	Non-public issuance of shares subject to selling restrictions
Explanation on related relationship or action in concert among the above shareholders		Nil			

Corporate Governance

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company has complied with the code provisions in Part 2 of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules throughout the Reporting Period.

COMPLIANCE WITH THE MODEL CODE

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

Miscellaneous

OTHER SIGNIFICANT MATTERS

On 30 December 2022, the Company entered into the equity transfer agreements with Shansteel Financial Holdings Asset Management (Shenzhen) Company Limited (山鋼金控資產管理(深圳)有限公司) and Qingdao Qifa Trading Co., Ltd. (青島市企發商貿有限公司), respectively, pursuant to which the Company shall acquire the 1.4067% and 0.9043% equity interest in Shandong Aviation Group Corporation held by each of the above companies at the consideration of RMB20,064,883.27 and RMB12,898,394.49, respectively. On the same day, the Company, Shandong Province Finance Investment Group Co., Ltd. (山東省財金投資集團有限公司), Shandong Hi-Speed Group Co., Ltd. (山東高速集團有限公司) (Shandong Province Finance Investment Group Co., Ltd. and Shandong Hi-Speed Group Co., Ltd., individually or collectively, the “Shandong Shareholder(s)”) and Shandong Aviation Group Corporation entered into the capital increase agreement, pursuant to which the Company and the Shandong Shareholder shall make capital increase of RMB6,600,000,000 and RMB3,400,000,000 to Shandong Aviation Group Corporation, respectively. As at 7 April 2023, the registration procedures for industrial and commercial changes in respect of the transactions under the abovementioned equity transfer agreements and capital increase agreement were completed, and the closing thereof was also completed. The Company has acquired the control of Shandong Aviation Group Corporation and the percentage of the equity interest of Shandong Aviation Group Corporation held by the Company increased from 49.4067% to 66%. Shandong Aviation Group Corporation, Shandong Airlines and their subsidiaries within the scope of consolidated financial statements have been consolidated into the financial statements of the Company. The Company also completed the registration of transfer of shares involved in the offer to acquire Shandong Airlines on 26 April 2023. Finally, 25 accounts with a total of 5,832 listed tradable shares (B shares) accepted the offer issued by the Company. As at 26 April 2023, the Company directly held 22.8% of the shares of Shandong Airlines and indirectly held, through Shandong Aviation Group Corporation, 42% of the shares of Shandong Airlines. For details, please refer to the announcements of the Company dated 21 March 2023 and 10 April 2023 and the overseas regulatory announcement of the Company dated 26 April 2023.

On 26 April 2023, the Company (as the seller) entered into the aircraft sale and purchase agreement with ACC (as the purchaser), pursuant to which the Company has sold eight A330-200 aircraft to ACC. For details, please refer to the announcement of the Company dated 26 April 2023.

AMENDMENTS TO ARTICLES OF ASSOCIATION

On 17 January 2023, due to the completion of the non-public issuance of A Shares, the total number of issued shares of the Company was changed to 16,200,792,838 shares and the registered capital was changed to RMB16,200,792,838. The Company made amendments to the relevant articles of the Articles of Association. For details, please refer to the announcement of the Company dated 17 January 2023.

USE OF FUNDS RAISED FROM NON-PUBLIC ISSUANCE OF A SHARES

On 17 January 2023, the Company completed the non-public issuance of 1,675,977,653 A shares to 22 subscribers (with a total face value of RMB1,675,977,653) at an issue price of RMB8.95 per share (“Non-public Issuance of A Shares”). Net proceeds raised were RMB14,993,016,587.32 and the net proceeds per share from the Non-public Issuance of A shares were RMB8.9458. For details, please refer to the announcement of the Company dated 17 January 2023. On 17 January 2023, the closing price of the Company’s A shares was RMB10.58. During the Reporting Period, the net proceeds from the Non-public Issuance of A shares have been utilized according to the plan disclosed by the Company. The following table shows the use of net proceeds from the Non-public Issuance of A shares:

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Unit: RMB'000

Committed investment project target	Total investment commitment of funds raised	Investment during the Reporting Period	Outstanding amount as at the end of the Reporting Period	Expected timeline for the completion of utilisation of funds raised
Purchase of 22 aircraft	1,079,301.66	765,461.60	313,840.06	By the end of 2023
Replenishing working capital	420,000.00	420,000.00	–	N/A

As at the end of the Reporting Period, the balance of the special account for funds raised was RMB3,245,393,560.65 (of which outstanding issue costs and interest income amounted to RMB106,993,014.80 in total).

CORPORATE BONDS

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 Bond Date	Abbreviation	Code	Issue Date	Value Date	Expiry	Balance of the Bond	Interest Rate (%)	Payment of principal and interest	Investor suitability arrangement	Trading mechanism
Air China Limited 2012 Corporate Bond (Second Tranche)	12AC03	122269	16 August 2013	16 August 2013	16 August 2023	1.569	5.30	Interest on annual basis Repayment of principal on maturity	Issued to public and institutional investors	Listed and traded on the Auction Trading System and Fixed Income Platform of SSE
Shenzhen Airlines Company Limited 2022 Non-public Issuance of Corporate Bond for Professional Investors (First Tranche)	22SA01	133201	23 February 2022	25 February 2022	25 February 2025	1.516	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	1.009	3.43	Interest on annual basis Repayment of principal on maturity	For not more than 200 institutional investors among professional investors only	Listed and Transferred on the Integrated Agreement Trading Platform of SZSE

Shenzhen Airlines Company Limited 2022 Non-public Issuance of Corporate Bond for Professional Investors (Third Tranche)	22SA03	133229	1 April 2022	7 April 2022	7 April 2025	1.511	3.4	Interest on annual basis Repayment of principal on maturity	For not more than 200 institutional investors among professional investors only	Listed and Transferred on the Integrated Agreement Trading Platform of SZSE
Shenzhen Airlines Company Limited 2022 Non-public Issuance of Corporate Bond for Professional Investors (Fourth Tranche)	22SA04	133240	25 April 2022	26 April 2022	26 April 2025	0.704	3.4	Interest on annual basis Repayment of principal on maturity	For not more than 200 institutional investors among professional investors only	Listed and Transferred on the Integrated Agreement Trading Platform of SZSE

Miscellaneous

“12AC03” is traded on the Shanghai Stock Exchange (SSE), while “22SA01”, “22SA02”, “22SA03” and “22SA04” are traded on the Shenzhen Stock Exchange (SZSE). No bond in the table is subject to the risk of termination of listing and trading. The Company pays interest to bondholders in strict accordance with the provisions of the prospectus.

Basic Information of Non-financial Corporate Debt Financing Instruments

The following is the basic information of the Group’s non-financial corporate 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 2022 Super Short-term Commercial Paper (Fourth Tranche)	22ACSCP004	012283731	31 October 2022	31 October 2022	28 July 2023	2.024	1.81	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	3.059	2.54	Interest on annual basis Repayment of principal on maturity
Shenzhen Airlines Company Limited 2021 Medium Term Note (First Tranche)	21SAMTN001	102101631	19 August 2021	23 August 2021	23 August 2024	2.053	3.20	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	1.515	2.99	Interest on annual basis Repayment of principal on maturity

The bonds set out in the table, namely “22ACSCP004”, “22ACMTN001”, “21SAMTN001” and “22SAMTN001”, are all traded on the interbank bond market, issued to institutional investors in the national interbank bond market, performed in accordance with the trading rules of the National Interbank Funding Centre (全國銀行間同業拆借中心), and are not subject to the risk of termination of listing and trading.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

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

Miscellaneous

16 to the Listing Rules).

INTERIM DIVIDEND

No interim dividend will be paid by the Company for the six months ended 30 June 2023.

REVIEW BY THE AUDIT AND RISK CONTROL COMMITTEE

The audit and risk control committee of the Company has reviewed the Company's interim report for the six months ended 30 June 2023, the Company's unaudited interim condensed consolidated financial statements and the accounting policies and practices adopted by the Group.

OTHER INFORMATION

In order to comply with paragraph 40 of Appendix 16 to the Listing Rules, save as disclosed herein, the Company confirmed that there are no material changes in the current information of the Company in relation to matters as set out in paragraph 32 of Appendix 16 to the Listing Rules as compared with the relevant disclosures in the 2022 annual report of the Company.

SUBSEQUENT EVENTS

On 30 August 2023, the Board proposed to amend the Articles of Association, the Rules and Procedures of Shareholders' Meetings and the Rules and Procedures of Meetings of the Board. For details, please refer to the announcement of the Company dated 30 August 2023.

Report on Review of Condensed Consolidated Financial Statements

Deloitte.

德勤

TO THE BOARD OF DIRECTORS OF AIR CHINA LIMITED

(中國國際航空股份有限公司)

(Incorporated in the People's Republic of China with limited liability)

INTRODUCTION

We have reviewed the condensed consolidated financial statements of Air China Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) set out on pages 35 to 72, which comprise the condensed consolidated statement of financial position as of 30 June 2023 and the related condensed consolidated statement of profit or loss, statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 “Interim Financial Reporting” (“IAS 34”) issued by the International Accounting Standards Board. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with IAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

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

CONCLUSION

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

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong

30 August 2023

Condensed Consolidated Statement of Profit or Loss

For the Six Months Ended 30 June 2023

	NOTES	Six months ended 30 June 2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Revenue	4A	59,613,193	23,952,653
Other income and gains	5	4,069,876	1,447,385
		63,683,069	25,400,038
Operating expenses			
Jet fuel costs		(19,346,786)	(10,348,319)
Employee compensation costs		(13,594,872)	(11,444,006)
Depreciation and amortisation		(12,704,783)	(10,458,318)
Take-off, landing and depot charges		(6,635,703)	(3,221,432)
Aircraft maintenance, repair and overhaul costs		(4,972,590)	(2,370,572)
Air catering charges		(1,167,220)	(415,683)
Aircraft and engine lease expenses		(146,086)	(49,377)
Other lease expenses		(242,637)	(187,258)
Other flight operation expenses		(3,419,424)	(2,477,129)
Selling and marketing expenses		(1,542,326)	(908,624)
General and administrative expenses		(706,174)	(507,940)
Impairment loss recognised on property, plant and equipment		(91,160)	–
Net impairment loss (recognised)/reversed under expected credit loss model		(11,508)	15,906
		(64,581,269)	(42,372,752)
Loss from operations	6	(898,200)	(16,972,714)
Finance income		291,375	92,357
Finance costs	7	(3,542,402)	(3,141,435)
Share of results of associates		1,265,560	(1,041,350)
Share of results of joint ventures		88,817	226,892
Exchange losses, net		(1,565,320)	(2,239,547)
Loss before taxation		(4,360,170)	(23,075,797)
Income tax credit	8	316,216	861,652
Loss for the period		(4,043,954)	(22,214,145)
Attributable to:			
– Equity shareholders of the Company		(3,446,814)	(19,436,846)
– Non-controlling interests		(597,140)	(2,777,299)
		(4,043,954)	(22,214,145)
Loss per share			
– Basic and diluted	10	RMB(22.39) cents	RMB(141.51) cents

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the Six Months Ended 30 June 2023

	Six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Loss for the period	(4,043,954)	(22,214,145)
Other comprehensive (expense)/income for the period		
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	(67,769)	37,808
– Remeasurement of net defined benefit liability	44	(347)
– Share of other comprehensive expense of an associate	-	(10)
– Income tax credit/(expense) relating to items that will not be reclassified to profit or loss	16,942	(9,452)
Items that may be reclassified subsequently to profit or loss:		
– Fair value gains/(losses) on investments in debt instruments at fair value through other comprehensive income	5,530	(5,132)
– Impairment loss recognised on investments in debt instruments at fair value through other comprehensive income	(2,505)	(1,573)
– Share of other comprehensive (expense)/income of associates and joint ventures	(474,687)	261,569
– Exchange differences on translation of foreign operations	561,877	699,473
– Income tax (expense)/credit relating to items that may be reclassified subsequently to profit or loss, net	(756)	1,676
Other comprehensive income for the period, net of tax	38,676	984,012
Total comprehensive expense for the period	(4,005,278)	(21,230,133)
Attributable to:		
– Equity shareholders of the Company	(3,389,356)	(18,479,509)
– Non-controlling interests	(615,922)	(2,750,624)
	(4,005,278)	(21,230,133)

Condensed Consolidated Statement of Financial Position

At 30 June 2023

	NOTES	At 30 June 2023 RMB'000 (Unaudited)	At 31 December 2022 RMB'000 (Audited)
Non-current assets			
Property, plant and equipment	11	110,177,752	99,574,059
Right-of-use assets	11	130,552,217	125,818,601
Investment properties		743,339	530,510
Intangible assets		106,586	35,031
Goodwill		4,095,733	1,099,975
Interests in associates	12	11,840,536	10,536,483
Interests in joint ventures		2,259,050	2,177,809
Advance payments for aircraft and flight equipment		24,301,450	20,094,732
Deposits for aircraft under leases		543,599	539,624
Equity instruments at fair value through other comprehensive income		730,964	241,717
Debt instruments at fair value through other comprehensive income		1,262,873	1,360,982
Deferred tax assets		13,968,135	10,473,327
Other non-current assets		638,131	251,396
		301,220,365	272,734,246
Current assets			
Inventories		3,680,001	2,557,823
Accounts receivable	13	3,849,543	1,649,356
Bills receivable		22,387	7,483
Prepayments, deposits and other receivables	14	5,890,688	3,176,418
Financial assets at fair value through profit or loss		112,981	3,398
Restricted bank deposits		644,892	828,166
Cash and cash equivalents		25,969,930	10,607,711
Assets held for sale		-	1,302
Other current assets		3,096,122	3,413,474
		43,266,544	22,245,131
Total assets		344,486,909	294,979,377

Condensed Consolidated Statement of Financial Position

At 30 June 2023

	NOTES	At 30 June 2023 RMB'000 (Unaudited)	At 31 December 2022 RMB'000 (Audited)
Current liabilities			
Air traffic liabilities		(7,809,907)	(2,757,601)
Accounts payable	15	(19,855,943)	(10,935,546)
Bills payable		(419,064)	–
Dividends payable		(98,000)	(98,000)
Other payables and accruals	16	(18,621,075)	(16,548,144)
Advance		(150,970)	(58,970)
Current taxation		(123,506)	(9,359)
Lease liabilities	17	(21,563,115)	(17,085,829)
Interest-bearing borrowings	18	(40,930,563)	(42,957,170)
Provision for return condition checks		(1,517,497)	(936,804)
Contract liabilities		(1,248,549)	(1,095,185)
		(112,338,189)	(92,482,608)
Net current liabilities		(69,071,645)	(70,237,477)
Total assets less current liabilities		232,148,720	202,496,769
Non-current liabilities			
Lease liabilities	17	(73,207,451)	(76,897,347)
Interest-bearing borrowings	18	(106,425,461)	(92,847,116)
Provision for return condition checks		(16,129,866)	(8,605,418)
Provision for early retirement benefit obligations		(727)	(807)
Long-term payables		(963,363)	(251,497)
Contract liabilities		(1,571,911)	(1,422,843)
Defined benefit obligations		(194,759)	(202,016)
Deferred income		(395,217)	(418,200)
Deferred tax liabilities		(365,656)	(323,297)
		(199,254,411)	(180,968,541)
NET ASSETS		32,894,309	21,528,228
CAPITAL AND RESERVES			
Issued capital	19	16,200,793	14,524,815
Treasury shares		(3,047,564)	(3,047,564)
Reserves		21,761,570	12,099,925
Total equity attributable to equity shareholders of the Company		34,914,799	23,577,176
Non-controlling interests		(2,020,490)	(2,048,948)
TOTAL EQUITY		32,894,309	21,528,228

Condensed Consolidated Statement of Changes in Equity

For the Six Months Ended 30 June 2023

Notes	Attributable to equity shareholders of the Company									
	Issued capital	Treasury shares	Capital reserve	Reserve funds	General reserve and safety fund	Foreign exchange translation reserve	(Accumulated losses)/retained earnings	Subtotal	Non-controlling interests	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at 1 January 2023 (Audited)	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 the six months ended 30 June 2023										
Loss for the period	-	-	-	-	-	-	(3,446,814)	(3,446,814)	(597,140)	(4,043,954)
Other comprehensive (expense)/income	-	-	(499,338)	-	-	556,796	-	57,458	(18,782)	38,676
Total comprehensive (expense)/income	-	-	(499,338)	-	-	556,796	(3,446,814)	(3,389,356)	(615,922)	(4,005,278)
Issue of new shares	19	1,675,978	-	13,317,039	-	-	-	14,993,017	-	14,993,017
Acquisition of a subsidiary	22	-	-	(146,162)	-	3,047	-	146,162	3,047	408,086
Equity transaction with non-controlling shareholders	22	-	-	(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	-	-	-	-	-	-	-	-	(8,449)	(8,449)
As at 30 June 2023 (Unaudited)	16,200,793	(3,047,564)	43,224,264	11,564,287	140,185	(867,938)	(32,299,228)	34,914,799	(2,020,490)	32,894,309
As at 1 January 2022 (Audited)	14,524,815	(3,047,564)	31,056,961	11,564,287	131,916	(2,755,221)	9,893,363	61,368,557	4,462,554	65,831,111
Changes in equity for the six months ended 30 June 2022										
Loss for the period	-	-	-	-	-	-	(19,436,846)	(19,436,846)	(2,777,299)	(22,214,145)
Other comprehensive income	-	-	273,197	-	-	684,140	-	957,337	26,675	984,012
Total comprehensive income/(expense)	-	-	273,197	-	-	684,140	(19,436,846)	(18,479,509)	(2,750,624)	(21,230,133)
As at 30 June 2022 (Unaudited)	14,524,815	(3,047,564)	31,330,158	11,564,287	131,916	(2,071,081)	(9,543,483)	42,889,048	1,711,930	44,600,978

Condensed Consolidated Statement of Cash Flows

For the Six Months Ended 30 June 2023

	Six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Operating activities		
Cash generated from/(used in) operations	20,056,651	(6,638,919)
Income tax paid	(25,127)	(11,237)
Interest paid	(3,889,763)	(3,309,532)
Net cash from/(used in) operating activities	16,141,761	(9,959,688)
Investing activities		
Net cash inflows arising on acquisition of a subsidiary	5,392,113	-
Proceeds from disposal of property, plant and equipment, right-of-use assets, investment properties and assets held for sale	738,118	453,680
Proceed from disposal of debt instruments at fair value through other comprehensive income	1,071,896	382,190
Dividends received	20,782	27,042
Refund of advance payments for aircraft and flight equipment	-	2,020,672
Purchase of debt instruments at fair value through other comprehensive income	(470,676)	(1,016,232)
Payments for the purchase of property, plant and equipment	(3,856,430)	(1,417,668)
Advance payments for aircraft and flight equipment	(5,086,944)	(1,815,474)
Net cash flows arising from other investing activities	159,608	104,469
Net cash used in investing activities	(2,031,533)	(1,261,321)
Financing activities		
Proceeds from new bank loans and other borrowings	30,333,986	45,911,484
Proceeds from issue of new shares	15,000,000	-
Capital contribution from a non-controlling shareholder of a subsidiary	3,400,000	-
Proceeds from issuance of corporate bonds	-	7,950,000
Repayments of bank loans and other borrowing	(29,441,130)	(19,479,740)
Repayments of leases liabilities	(11,231,302)	(7,623,738)
Repayments of corporate bonds and short-term commercial papers	(7,000,000)	(13,000,000)
Dividends paid to non-controlling shareholders	(8,449)	-
Payments for acquisition of non-controlling interests	(13)	-
Transaction costs attributable to issue of new shares	(6,983)	-
Net cash from financing activities	1,046,109	13,758,006
Net increase in cash and cash equivalents	15,156,337	2,536,997
Cash and cash equivalents at 1 January	10,607,711	15,934,713
Effect of foreign exchanges rates changes	205,882	84,139
Cash and cash equivalents at 30 June	25,969,930	18,555,849

Notes to the Condensed Consolidated Financial Statements

For the Six Months Ended 30 June 2023

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 address of the Company is at 1st Floor – 9th Floor 101, Building 1, 30 Tianzhu Road, Airport Industrial Zone, Shunyi District, Beijing, the PRC.

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

2. BASIS OF PREPARATION

The condensed consolidated financial statements for the six months ended 30 June 2023 have been prepared in accordance with International Accounting Standard 34 “*Interim Financial Reporting*” (“IAS 34”) issued by the International Accounting Standards Board (the “IASB”) as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”). The condensed consolidated financial statements do not include all the information and disclosures required in the annual consolidated financial statements, and should be read in conjunction with the Group’s consolidated financial statements for the year ended 31 December 2022.

As at 30 June 2023, the Group’s current liabilities exceeded its current assets by approximately RMB69,072 million. The liquidity of the Group is primarily dependent on its ability to maintain cash inflows from operations and sufficient financing to meet its financial obligations as and when they fall due. Considering the Company’s sources of liquidity and the unutilised bank facilities of RMB118,035 million as at 30 June 2023, the Directors believe that adequate funding is available to fulfil the Group’s debt obligations and capital expenditure requirements to enable the Group to continue in operational existence for the foreseeable future when preparing these condensed consolidated financial statements for the six months ended 30 June 2023. Accordingly, these condensed consolidated financial statements have been prepared on a basis that the Group will be able to continue as a going concern.

Notes to the Condensed Consolidated Financial Statements

For the Six Months Ended 30 June 2023

3. PRINCIPAL ACCOUNTING POLICIES

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

Other than application of new and amendments to International Financial Reporting Standards (“IFRSs”), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2023 are the same as those presented in the Group’s annual consolidated financial statements for the year ended 31 December 2022.

Application of amendments to IFRSs

In the current interim period, the Group has applied the following new and amendments to IFRSs issued by the IASB, for the first time, which are mandatorily effective for the Group’s annual period beginning on 1 January 2023 for the preparation of the Group’s condensed consolidated financial statements:

IFRS 17 (including the June 2020 and December 2021 Amendments to IFRS 17)	<i>Insurance Contracts</i>
Amendments to IAS 1 and IFRS Practice Statement 2	<i>Disclosure of Accounting Policies</i>
Amendments to IAS 8	<i>Definition of Accounting Estimates</i>
Amendments to IAS 12	<i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i>
Amendments to IAS 12	<i>International Tax Reform-Pillar Two model Rules</i>

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

Notes to the Condensed Consolidated Financial Statements

For the Six Months Ended 30 June 2023

4A. REVENUE

	Six months ended 30 June 2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Revenue from contracts with customers	59,482,882	23,828,703
Rental income (included in revenue of airline operations segment)	130,311	123,950
Total revenue	59,613,193	23,952,653

Disaggregation of revenue from contracts with customers

Segments	Six months ended 30 June 2023 Airline operations RMB'000 (Unaudited)	Other operations RMB'000 (Unaudited)	Six months ended 30 June 2022 Airline operations RMB'000 (Unaudited)	Other operations RMB'000 (Unaudited)
Type of goods or services				
Airline operations				
Passenger	55,469,530	-	15,103,503	-
Cargo and mail	1,409,862	-	6,879,669	-
Ground service income	101,666	-	38,434	-
Others	593,835	-	760,810	-
	57,574,893	-	22,782,416	-
Other operations				
Aircraft engineering income	-	1,872,556	-	1,004,000
Others	-	35,433	-	42,287
	-	1,907,989	-	1,046,287
Total	57,574,893	1,907,989	22,782,416	1,046,287
Geographical markets				
Mainland China	48,304,525	1,907,989	15,204,681	1,046,287
Hong Kong Special Administrative Region ("SAR"), Macau SAR and Taiwan, China	1,730,660	-	530,154	-
International	7,539,708	-	7,047,581	-
Total	57,574,893	1,907,989	22,782,416	1,046,287

Notes to the Condensed Consolidated Financial Statements

For the Six Months Ended 30 June 2023

4B. SEGMENT INFORMATION

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

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

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.

Operating segments

The following tables present the Group's consolidated revenue and loss before taxation regarding the Group's operating segments in accordance with the Accounting Standards for Business Enterprises of the PRC ("CASs") for the six months ended 30 June 2023 and 2022 and the reconciliations of reportable segment revenue and loss before taxation to the Group's consolidated amounts under IFRSs:

For the six months ended 30 June 2023 (Unaudited)

	Airline operations RMB'000	Other operations RMB'000	Elimination RMB'000	Total RMB'000
Revenue				
Sales to external customers	57,705,204	1,907,989	–	59,613,193
Inter-segment sales	62,176	3,359,869	(3,422,045)	–
Revenue for reportable segments under CASs and IFRSs	57,767,380	5,267,858	(3,422,045)	59,613,193
Segment (loss)/profit before taxation				
(Loss)/profit before taxation for reportable segments under CASs	(4,584,441)	263,523	(44,471)	(4,365,389)
Effect of differences between IFRSs and CASs				5,219
Loss before taxation for the period under IFRSs				(4,360,170)

Notes to the Condensed Consolidated Financial Statements

For the Six Months Ended 30 June 2023

4B. SEGMENT INFORMATION (CONTINUED)

Operating segments (continued)

For the six months ended 30 June 2022 (Unaudited)

	Airline operations RMB'000	Other operations RMB'000	Elimination RMB'000	Total RMB'000
Revenue				
Sales to external customers	22,906,366	1,046,287	-	23,952,653
Inter-segment sales	62,327	2,163,952	(2,226,279)	-
Revenue for reportable segments under CASs and IFRSs	22,968,693	3,210,239	(2,226,279)	23,952,653
Segment loss before taxation				
Loss before taxation for reportable segments under CASs	(22,628,677)	(491,684)	47,150	(23,073,211)
Effect of differences between IFRSs and CASs				(2,586)
Loss before taxation for the period under IFRSs				(23,075,797)

Notes to the Condensed Consolidated Financial Statements

For the Six Months Ended 30 June 2023

4B. SEGMENT INFORMATION (continued)

Operating segments (continued)

The following table presents the segment assets of the Group's operating segments under CASs as at 30 June 2023 and 31 December 2022, and the reconciliations of reportable segment assets to the Group's consolidated amounts under IFRSs:

	Airlin e operation s	Other operations	Elimination	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Segment assets				
Total assets for reportable segments as at 30 June 2023 under CASs (unaudited)	330,732,436	24,572,838	(10,790,321)	344,514,953
Effect of differences between IFRSs and CASs				(28,044)
Total assets as at 30 June 2023 under IFRSs (unaudited)				344,486,909
Total assets for reportable segments as at 31 December 2022 under CASs (audited)	284,165,518	26,473,501	(15,627,684)	295,011,335
Effect of differences between IFRSs and CASs				(31,958)
Total assets as at 31 December 2022 under IFRSs (audited)				294,979,377

Notes to the Condensed Consolidated Financial Statements

For the Six Months Ended 30 June 2023

4B. SEGMENT INFORMATION (continued)

Geographical information

The following tables present the Group's consolidated revenue under IFRSs by geographical location for the six months ended 30 June 2023 and 2022, respectively:

For the six months ended 30 June 2023 (Unaudited)

	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	50,342,825	1,730,660	7,539,708	59,613,193

For the six months ended 30 June 2022 (Unaudited)

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

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.

There was no individual customer that contributed 10% or more of the Group's revenue during the six months ended 30 June 2023 (six months ended 30 June 2022: CNAHC and its subsidiaries (other than the Group) contributed 30% of the Group's revenue).

Notes to the Condensed Consolidated Financial Statements

For the Six Months Ended 30 June 2023

5. OTHER INCOME AND GAINS

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Co-operation routes income and subsidy income	1,985,078	1,388,679
Gains on disposal of property, plant and equipment and right-of-use assets	669,898	2,039
Gain/(loss) on disposal of assets held for sale	18,519	(13,141)
Dividend income	9,557	3,190
Others (Note)	1,386,824	66,618
	4,069,876	1,447,385

Note: These mainly include flight operation remedies.

6. LOSS FROM OPERATIONS

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

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Depreciation of property, plant and equipment	5,350,122	4,333,124
Depreciation of right-of-use assets	7,340,150	6,112,491
Depreciation of investment properties	14,511	12,672
Amortisation of intangible assets	-	31
Research and development costs recognised as an expense	141,377	73,821

Notes to the Condensed Consolidated Financial Statements

For the Six Months Ended 30 June 2023

7. FINANCE COSTS

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Interest on interest-bearing borrowings	1,988,148	1,690,580
Interest on lease liabilities	1,677,935	1,578,905
Imputed interest expenses on defined benefit obligations	3,188	3,373
	3,669,271	3,272,858
Less: Interest capitalised	(126,869)	(131,423)
	3,542,402	3,141,435

The interest capitalisation rates during the period ranged from 2.50% to 3.06% (six months ended 30 June 2022: 1.92% to 4.41%) per annum relating to the costs of related borrowings during the period.

8. INCOME TAX CREDIT

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Current income tax:		
– Mainland China	126,521	18,301
– Hong Kong SAR and Macau SAR, China	833	819
Under/(over) provision in respect of prior years	11,920	(197)
Deferred tax	(455,490)	(880,575)
	(316,216)	(861,652)

Under the relevant Corporate Income Tax Law and regulations in the PRC, except for three (six months ended 30 June 2022: two) branches and five (six months ended 30 June 2022: three) subsidiaries of the Company, and certain branches of two subsidiaries of the Company which are taxed at a preferential rate of 15%, all group companies located in Mainland China are subject to a corporate income tax rate of 25% (six months ended 30 June 2022: 25%). Subsidiaries in Hong Kong SAR, China are taxed at corporate income tax rates of 16.5%, and subsidiaries in Macau SAR, China are taxed at corporate income tax rate of 12%, for both periods.

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

Notes to the Condensed Consolidated Financial Statements

For the Six Months Ended 30 June 2023

9. DIVIDENDS

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

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

No interim dividend has been declared by the Directors for the six months ended 30 June 2023 (six months ended 30 June 2022: Nil).

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

No dividend has been declared by the Directors for the financial year of 2022 during the six months ended 30 June 2023 (six months ended 30 June 2022: Nil).

10. LOSS PER SHARE

The calculation of the basic loss per share is based on the loss attributable to ordinary equity shareholders of the Company of RMB3,447 million (six months ended 30 June 2022: RMB19,437 million) and the weighted average number of 15,392,419,484 (six months ended 30 June 2022: 13,734,960,921) ordinary shares in issue during the period, as adjusted to reflect the number of treasury shares held by Cathay Pacific Airways Limited ("Cathay Pacific") through reciprocal shareholding (Note 12).

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

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

During the six months ended 30 June 2023, additions to the cost of property, plant and equipment were RMB15,932 million (six months ended 30 June 2022: RMB6,799 million), of which RMB7,195 million was acquired through the acquisition of a subsidiary as set out in Note 22. Property, plant and equipment with carrying amount of RMB532 million were disposed of during the six months ended 30 June 2023 (six months ended 30 June 2022: RMB242 million).

During the six months ended 30 June 2023, the Group recognised impairment loss amounting to approximately RMB85 million (six months ended 30 June 2022: Nil) for certain aircraft that will unlikely return to service before the aircraft retire from service. The above impairment provision refers to the difference between the recoverable amount and the book value of the asset. The recoverable amount is based on the fair value of the asset less disposal expenses. Among them, the fair value refers to agreed price of the contractual agreement or the evaluation value of the asset by a third-party evaluation institution.

As at 30 June 2023, the Group's aircraft and flight equipment, buildings and other equipment with an aggregate net book value of approximately RMB1,166 million (31 December 2022: RMB1,994 million) were pledged to secure certain bank loans of the Group (Note 18).

As at 30 June 2023, the Group was in the process of applying for the title certificates of certain buildings with an aggregate net book value of approximately RMB5,006 million (31 December 2022: RMB4,854 million). The Directors are of the opinion that the Group is entitled to lawfully and validly occupy and use the above-mentioned buildings.

Notes to the Condensed Consolidated Financial Statements

For the Six Months Ended 30 June 2023

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

During the six months ended 30 June 2023, additions to the right-of-use assets were RMB12,404 million (six months ended 30 June 2022: RMB8,265 million), of which RMB11,557 million was acquired through the acquisition of a subsidiary as set out in Note 22.

As at 30 June 2023, the Group did not have future undiscounted lease payments under non-cancellable leases which was not recognised as lease liabilities since leases have yet to be commenced (31 December 2022: amount of RMB275 million).

As at 30 June 2023, 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 RMB25 million (31 December 2022: RMB25 million) were pledged to secure certain bank loans of the Group (Note 18).

As at 30 June 2023, the Group was in the process of applying for the title certificates of certain land use rights acquired by the Group with an aggregate net book value of approximately RMB330 million (31 December 2022: RMB841 million). The Directors are of the opinion that the Group is entitled to lawfully and validly occupy and use the above-mentioned land.

12. INTERESTS IN ASSOCIATES

	At 30 June 2023 RMB'000 (Unaudited)	At 31 December 2022 RMB'000 (Audited)
Share of net assets		
– Listed shares in the PRC (Note)	–	–
– Listed shares in Hong Kong SAR, China	9,065,819	7,828,779
– Unlisted investments	130,446	144,913
Goodwill	2,644,271	2,562,791
	11,840,536	10,536,483
Market value of listed shares	14,256,979	14,692,504

Note: Upon the completion of the acquisition on 20 March 2023 as set out in Note 22, Shandong Aviation Group Co., Ltd. ("Shandong Aviation") and Shandong Airlines Co., Ltd. ("Shandong Airlines") (a subsidiary of Shandong Aviation) became non-wholly owned subsidiaries of the Company.

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

Notes to the Condensed Consolidated Financial Statements

For the Six Months Ended 30 June 2023

12. INTERESTS IN ASSOCIATES (continued)

Cathay Pacific

	At 30 June 2023 RMB'000	At 31 December 2022 RMB'000
Gross amounts of the associate's		
Current assets	28,620,104	23,525,160
Non-current assets	138,422,389	138,079,890
Current liabilities	(42,832,425)	(38,769,705)
Non-current liabilities	(64,746,046)	(65,769,684)
Equity	59,464,022	57,065,661
– Equity attributable to equity shareholders of the associate	40,789,317	37,887,154
– Equity contributed to preferred shareholders of the associate	18,184,212	18,703,287
– Equity contributed to the non-controlling interests of the associate	5,532	5,360
– Equity attributable to convertible bond holders of the associate	484,961	469,860
	Six months ended 30 June 2023 RMB'000	2022 RMB'000
Revenue	39,566,097	15,515,964
Profit/(loss) for the period	3,873,744	(4,181,139)
Other comprehensive (expense)/income	(1,935,057)	996,983
Total comprehensive income/(expense)	1,938,687	(3,184,156)
	At 30 June 2023 RMB'000	At 31 December 2022 RMB'000
Reconciled to the Group's interests in the associate		
Gross amounts of net assets of the associate attributable to equity shareholders	40,789,317	37,887,154
Group's effective interest	29.99%	29.99%
Group's share of net assets of the associate	12,232,716	11,362,357
Elimination of reciprocal shareholding	(3,166,897)	(3,533,578)
Goodwill	2,616,551	2,535,073

Carrying amount in the condensed consolidated financial statements	11,682,370	10,363,852
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Notes to the Condensed Consolidated Financial Statements

For the Six Months Ended 30 June 2023

12. INTERESTS IN ASSOCIATES (continued)

Aggregate information of associates that are not individually material:

	At 30 June 2023 RMB'000	At 31 December 2022 RMB'000
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Aggregate carrying amounts of individually immaterial associates in the condensed consolidated financial statements	158,166	172,631
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	Six months ended 30 June 2023 RMB'000	2022 RMB'000
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Aggregate amounts of the Group's share of those associates' – Loss for the period	(13,678)	(618,525)
– Other comprehensive income for the period	1,465	2,184

Total comprehensive expense for the period	(12,213)	(616,341)
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Cumulative unrecognised share of losses:

	At 30 June 2023 RMB'000	At 31 December 2022 RMB'000
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Shandong Aviation	N/A	925,311
Shandong Airlines	N/A	1,788,279

2,713,590

13. ACCOUNTS RECEIVABLE

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

	At 30 June 2023 RMB'000 (Unaudited)	At 31 December 2022 RMB'000 (Audited)
Within 30 days	2,999,923	871,543
31 to 60 days	404,516	354,939
61 to 90 days	228,786	103,925
Over 90 days	216,318	318,949
	3,849,543	1,649,356

Notes to the Condensed Consolidated Financial Statements

For the Six Months Ended 30 June 2023

14. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

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

	At 30 June 2023 RMB'000 (Unaudited)	At 31 December 2022 RMB'000 (Audited)
Manufacturers' credits	544,500	456,026
Prepayments of jet fuel	139,965	85,077
Other prepayments	299,637	283,615
	984,102	824,718
Deposits and other receivables	4,906,586	2,351,700
	5,890,688	3,176,418

As at 30 June 2023, the allowance for expected credit losses mainly consisted of the full provision for the amount due from Shenzhen Airlines Property Development Co., Ltd. of approximately RMB294 million (31 December 2022: RMB294 million), an independent third party of the Company.

15. ACCOUNTS PAYABLE

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

	At 30 June 2023 RMB'000 (Unaudited)	At 31 December 2022 RMB'000 (Audited)
Within 30 days	9,731,696	4,233,975
31 to 60 days	2,399,564	1,228,802
61 to 90 days	1,382,807	950,354
Over 90 days	6,341,876	4,522,415
	19,855,943	10,935,546

Notes to the Condensed Consolidated Financial Statements

For the Six Months Ended 30 June 2023

16. OTHER PAYABLES AND ACCRUALS

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

	At 30 June 2023 RMB'000 (Unaudited)	At 31 December 2022 RMB'000 (Audited)
Accrued salaries, wages and benefits	4,400,966	4,371,313
Payables for construction in progress	1,302,188	1,484,480
Other tax payable	364,850	266,571
Deposits received from sales agents	583,504	307,024
Deposits received by China National Aviation Finance Co., Ltd. ("CNAF"), a subsidiary of the Company, from related parties	9,179,306	7,790,663
Others	2,790,261	2,328,093
	18,621,075	16,548,144

17. LEASE LIABILITIES

The Group has obligations under lease agreements expiring from the second half of 2023 to 2033 (31 December 2022: 2023 to 2033). An analysis of the lease payments as at the end of the reporting period, together with the present values of the lease payments which are principally denominated in foreign currencies, is as follows:

	At 30 June 2023 Present values Lease payments RMB'000 (Unaudited)	Present values of lease payments RMB'000 (Unaudited)	At 31 December 2022 Lease payments RMB'000 (Audited)	Present values of lease payments RMB'000 (Audited)
Amounts repayable	24,414,561	21,563,115	20,023,361	17,085,829
-Within 1 year				
-After 1 year but within 2 years	20,383,798	17,919,684	18,618,357	16,082,080
-After 2 years but within 5 years	41,117,737	37,328,985	40,807,251	36,673,405
-After 5 years	18,752,798	17,958,782	25,190,894	24,141,862
Total	104,668,894	94,770,566	104,639,863	93,983,176
Less: Amounts representing future finance costs	(9,898,328)		(10,656,687)	
Present values of lease payments	94,770,566		93,983,176	
Less: Portion classified as current liabilities	(21,563,115)		(17,085,829)	
Non-current portion	73,207,451		76,897,347	

Notes to the Condensed Consolidated Financial Statements

For the Six Months Ended 30 June 2023

18. INTEREST-BEARING BORROWINGS

	At 30 June 2023 RMB'000 (Unaudited)	At 31 December 2022 RMB'000 (Audited)
Bank loans and other borrowings:		
– Secured	988,270	1,315,191
– Unsecured	131,407,242	113,287,610
	132,395,512	114,602,801
Corporate bonds and short-term commercial papers:		
– Guaranteed	1,569,482	6,773,180
– Unsecured	13,391,030	14,428,305
	14,960,512	21,201,485
	147,356,024	135,804,286
	At 30 June 2023 RMB'000 (Unaudited)	At 31 December 2022 RMB'000 (Audited)
Bank loans and other borrowings repayable:		
– Within 1 year	37,165,035	32,949,027
– After 1 year but within 2 years	26,296,867	19,980,259
– After 2 years but within 5 years	64,466,018	61,558,753
– After 5 years	4,467,592	114,762
	132,395,512	114,602,801
Corporate bonds and short-term commercial papers repayable:		
– Within 1 year	3,765,526	10,008,143
– After 1 year but within 2 years	8,200,000	2,020,817
– After 2 years but within 5 years	2,994,986	9,172,525
	14,960,512	21,201,485
Total interest-bearing borrowings	147,356,024	135,804,286
Less: portion classified as current liabilities	(40,930,563)	(42,957,170)
Non-current portion	106,425,461	92,847,116

Notes to the Condensed Consolidated Financial Statements

For the Six Months Ended 30 June 2023

18. INTEREST-BEARING BORROWINGS (continued)

As at 30 June 2023, the interest rates of the Group's bank loans and other borrowings ranged from 2.00% to 4.60% (31 December 2022: 2.00% to 5.79%) per annum.

As at 30 June 2023, the interest rates of the Group's corporate bonds and short-term commercial papers ranged from 1.81% to 5.30% (31 December 2022: 1.81% to 5.30%) per annum.

The nominal amount of the Group's bank loans and corporate bonds of approximately RMB2,558 million as at 30 June 2023 (31 December 2022: RMB8,088 million) were secured or guaranteed by:

- (a) Secured by certain of the Group's aircraft and flight equipment, buildings and other equipment with an aggregate net book value of approximately RMB1,166 million as at 30 June 2023 (31 December 2022: RMB1,994 million) (Note 11); and land use rights with an aggregate net book value of approximately RMB25 million as at 30 June 2023 (31 December 2022: RMB25 million) (Note 11);
- (b) As at 30 June 2023, corporate bonds issued by the Group with a face value of RMB1,500 million (31 December 2022: RMB6,500 million) were guaranteed by CNAHC.

As at 30 June 2023, corporate bonds with carrying amount of RMB8,308 million (31 December 2022: RMB9,401 million) were issued by Shenzhen Airlines Company Limited, a subsidiary of the Company.

19. ISSUED CAPITAL

The numbers of shares of the Company and their nominal values as at 30 June 2023 and 31 December 2022 are as follows:

	30 June 2023		31 December 2022	
	Number of shares	Nominal value	Number of shares	Nominal value
		RMB'000 (Unaudited)		RMB'000 (Audited)
Registered, issued and fully paid: – H shares of RMB1.00 each:				
Tradable	4,562,683,364	4,562,683	4,562,683,364	4,562,683
– A shares of RMB1.00 each:				
Tradable	9,962,131,821	9,962,132	9,962,131,821	9,962,132
Tradable-restricted (Note)	1,675,977,653	1,675,978	–	–
	16,200,792,838	16,200,793	14,524,815,185	14,524,815

Note: On 3 January 2023, the Company issued 1,675,977,653 new non-public A shares at the price of RMB8.95 per share with par value of RMB1. Total proceed of the issuance was RMB15,000 million and the net proceed was RMB14,993 million, after deducting issue cost of RMB7 million (excluding value-added tax), of which RMB1,676 million was recognised as issued capital and RMB13,317 million was recognised as capital reserve. Upon completion of the issuance, the new A shares subscribed by CNAHC and other subscribers are subject to a lock-up period of 18 months and 6 months respectively. The new A shares issued rank pari passu with the existing A shares and H shares in all respects.

Notes to the Condensed Consolidated Financial Statements

For the Six Months Ended 30 June 2023

20. CONTINGENT LIABILITIES

As at 30 June 2023, 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 to a restructuring agreement (the "Restructuring Agreement") with CNAHC and China National Aviation Corporation (Group) Limited ("CNACG", a wholly-owned subsidiary of CNAHC) on 20 November 2004. According to the Restructuring Agreement, except for liabilities constituting or arising out of or relating to business undertaken by the Company after the restructuring, no liabilities would be assumed by the Company and the Company would not be liable, whether severally, or jointly and severally, for debts and obligations incurred prior to the restructuring by CNAHC and CNACG. The Company has also undertaken to indemnify CNAHC and CNACG against any damage suffered or incurred by CNAHC and CNACG as a result of any breach by the Company of any provision of the Restructuring Agreement.

21. FINANCIAL INSTRUMENTS

(a) Financial assets measured at fair value

(i) Fair value hierarchy

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

- Level 1 fair value measurements are based on quoted prices (unadjusted) in active market for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Notes to the Condensed Consolidated Financial Statements

For the Six Months Ended 30 June 2023

21. FINANCIAL INSTRUMENTS (continued)

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

(i) Fair value hierarchy (continued)

	Fair value measurements as at 30 June 2023 categorised into			
	Fair value at 30 June 2023 RMB'000 (Unaudited)	Level 1 RMB'000 (Unaudited)	Level 2 RMB'000 (Unaudited)	Level 3 RMB'000 (Unaudited)
Equity instruments at fair value through other comprehensive income ("FVTOCI")	730,964	-	-	730,964
Debt instruments at FVTOCI (including debt instruments at FVTOCI included in other current assets)	1,539,415	-	1,539,415	-
Financial assets at fair value through profit or loss	112,981	112,981	-	-
Total financial assets at fair value	2,383,360	112,981	1,539,415	730,964
	Fair value at 31 December 2022 RMB'000 (Audited)	Fair value measurements as at 31 December 2022 categorised into		
		Level 1 3 RMB'000 (Audited)	Level 2 RMB'000 (Audited)	Level RMB'000 (Audited)
Equity instruments at FVTOCI	241,717	-	-	241,717
Debt instruments at FVTOCI (including debt instruments at FVTOCI included in other current assets)	2,154,659	-	2,154,659	-
Financial assets at fair value through profit or loss	3,398	3,398	-	-
Total financial assets at fair value	2,399,774	3,398	2,154,659	241,717

During the six months ended 30 June 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.

Notes to the Condensed Consolidated Financial Statements

For the Six Months Ended 30 June 2023

21. FINANCIAL INSTRUMENTS (continued)

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

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

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

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

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

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

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

	Carrying amounts		Fair values	
	As at	As at	As at	As at
	30 June	31 December	30 June	31 December
	2023	2022	2023	2022
	RMB'000	RMB'000	RMB'000	RMB'000
	(Unaudited)	(Audited)		
Financial liabilities				
– Corporate bonds (fixed rate)	12,936,412	19,195,336	12,697,619	18,834,464

Fair value hierarchy as at 30 June 2023

	Level 1	Level 2	Level 3	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Financial liabilities				
– Corporate bonds (fixed rate)	–	12,697,619	–	12,697,619

Fair value hierarchy as at 31 December 2022

	Level 1	Level 2	Level 3	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Financial liabilities				
– Corporate bond (fixed rate)	–	18,834,464	–	18,834,464

Notes to the Condensed Consolidated Financial Statements

For the Six Months Ended 30 June 2023

22. ACQUISITION OF A SUBSIDIARY

According to the share transfer agreement signed between the Company and shareholders of Shandong Aviation, the Company acquired 2.311% of Shandong Aviation from its existing shareholders and acquired another 14.2823% of Shandong Aviation through a capital injection. Both the equity transfer and the capital injection belong to a single transaction. Upon the completion of the acquisition on 20 March 2023, the Company's direct equity interest in Shandong Aviation is 66% and Shandong Aviation became a non-wholly owned subsidiary of the Company from then on. Prior to the acquisition, the Company's equity interests in Shandong Aviation and Shandong Airline, a subsidiary of Shandong Aviation, were accounted for as interest in associates under equity method. The acquisition has been accounted for as an acquisition of business using the acquisition method.

Assets and liabilities recognised at the date of acquisition

	RMB'000
Property, plant and equipment	7,195,133
Right-of-use assets	11,557,335
Investment properties	227,669
Intangible assets	71,553
Advance payments for aircraft and flight equipment	4,912,566
Deferred tax assets	3,059,699
Inventories	476,996
Accounts receivable	378,666
Prepayments, deposits and other receivables	10,416,460
Restricted bank deposits	20,919
Cash and cash equivalents	5,425,076
Other current and non-current assets	753,874
Accounts payable	(3,027,852)
Lease liabilities	(9,876,072)
Interest-bearing borrowings	(17,919,560)
Provision for return condition checks	(7,308,989)
Deferred tax liabilities	(79,843)
Other current and non-current liabilities	(2,242,955)
Net assets recognised at the date of acquisition	4,040,675

The gross contractual amounts of the receivables acquired (which principally comprised accounts receivable and other receivables) at the date of acquisition were approximate their fair values. The best estimate at acquisition date of the contractual cash flows not expected to be collected amounted to RMB155 million.

Notes to the Condensed Consolidated Financial Statements

For the Six Months Ended 30 June 2023

22. ACQUISITION OF A SUBSIDIARY (continued)

Non-controlling interests

The non-controlling interests recognised at the acquisition date were measured by reference to the proportionate share of recognised amounts of net assets of Shandong Aviation and amounted to RMB403 million.

Consideration transferred and goodwill arising on acquisition

	RMB'000
49.4067% equity interests in Shandong Aviation previously held	-
22.8% equity interests in Shandong Airlines previously held	-
Cash consideration for the 2.311% equity interests in Shandong Aviation	32,963
Injected capital to Shandong Aviation	6,600,000
0	
Consideration transferred	6,632,963
Plus: non-controlling interests	403,469
Less: net assets recognised at the date of acquisition	(4,040,675)
Goodwill arising on acquisition	2,995,757

None of the goodwill arising on this acquisition is expected to be deductible for tax purposes.

The capital contribution of RMB6,600 million and RMB3,400 million by the Company and a non-controlling interest respectively were injected in April 2023.

Net cash inflows arising on acquisition are as follows:

	RMB'000
Consideration paid in cash	32,963
Less: cash and cash equivalents acquired	(5,425,076)
Net cash inflows	5,392,113

Impact of acquisition on the results of the Group

Included in the loss for the six months ended 30 June 2023 of the Group is profit of RMB544 million attributable to the additional business generated by Shandong Aviation after the acquisition. Revenue for the six months ended 30 June 2023 of the Group includes RMB5,176 million generated from Shandong Aviation after the acquisition.

Had the acquisition been completed on 1 January 2023, revenue and loss for the six months ended 30 June 2023 of the Group would have been RMB63,051 million and RMB4,389 million, respectively.

In determining the 'pro-forma' revenue and profit of the Group had Shandong Aviation been acquired at the beginning of the interim period, the Directors calculated depreciation of property, plant and equipment, right-of-use assets and investment properties based on the recognised amounts at the date of the acquisition.

On the date of acquisition, the cumulative share of other comprehensive income of Shandong Aviation and Shandong

Airlines previously accumulated in the capital reserve were transferred to accumulated losses.

Notes to the Condensed Consolidated Financial Statements

For the Six Months Ended 30 June 2023

22. ACQUISITION OF A SUBSIDIARY (continued)

As set out in the announcement published by the Company dated 27 April 2023, on 22 March 2023, in accordance with the Regulations on the Takeover of Listed Companies issued by China Securities Regulatory Commission, the Company made a general offer to the shareholders of Shandong Airlines other than the Company and Shandong Aviation at the price of Hong Kong Dollars 2.62 per share. Upon the expiration of the offer period, the Company have acquired 5,832 B shares with consideration amounting to approximately RMB13,000. The transaction was accounted for as an equity transaction with non-controlling shareholders.

23. COMMITMENTS

(a) Capital commitments

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

	At 30 June 2023 RMB'000 (Unaudited)	At 31 December 2022 RMB'000 (Audited)
Contracted, but not provided for: – aircraft and flight equipment	75,612,849	56,952,422
– buildings and others	1,626,358	1,556,361
Total capital commitments	77,239,207	58,508,783

(b) Investment commitments

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

	At 30 June 2023 RMB'000 (Unaudited)	At 31 December 2022 RMB'000 (Audited)
Contracted, but not provided for: – investment commitment to joint ventures	466,064	511,898

In 2012, the Company entered into an agreement with a joint venture as its 50% shareholder. As at 30 June 2023, the Company has invested United States Dollar ("USD") 1.5 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. As at 30 June 2023, the Company has invested USD34 million and committed to invest USD61 million in the future.

Notes to the Condensed Consolidated Financial Statements

For the Six Months Ended 30 June 2023

24. RELATED PARTY TRANSACTIONS

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

- (i) Transactions with related parties

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Service provided to the CNAHC Group:		
Transportation service fee on the passenger aircraft cargo business (Note)	1,091,066	6,659,236
Aircraft maintenance income	90,290	123,782
Pilot service income	87,728	171,126
Land and buildings rental income	67,164	70,634
Government charter flights	60,659	4,523
Ground services income	54,435	47,571
Aircraft and flight equipment rental income	27,523	25,130
Air catering income	20,230	7,867
Income from advertising media business	6,778	6,553
Trademark licensing income	4,940	–
Sales commission income	3,103	477
Aviation communication income	1,185	12,571
Others	27,118	50,328
	1,542,219	7,179,798
Service provided by the CNAHC Group:		
Airport ground services, take-off, landing and depot expenses	553,989	424,909
Air catering charges	523,400	172,153
Aviation communication expenses	306,505	104,956
Other procurement and maintenance	211,827	78,394
Interest expenses	185,811	129,373
Management fees	149,430	123,738
Media advertisement expenses	48,704	54,888
Expense relating to short-term leases and leases of low-value assets	43,453	35,994
Repair and maintenance costs	24,745	12,730
Sales commission expenses	616	350,914
Others	14,250	21,942
	2,062,730	1,509,991

Notes to the Condensed Consolidated Financial Statements

For the Six Months Ended 30 June 2023

24. RELATED PARTY TRANSACTIONS (continued)

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

(i) Transactions with related parties (continued)

Note: In 2022, the Company and Air China Cargo Co., Ltd. (“ACC”, a subsidiary of CNAHC) entered into the 2022 ACC framework agreement and related specific agreement of the passenger aircraft cargo business under an exclusive operating model, in accordance with which, the entire passenger aircraft cargo business of the Company would be operated exclusively by ACC, and ACC undertook the overall responsibilities for transporting the cargos to the consignors with respect to the cargos which are transported through the passenger aircraft. Under the exclusive operating model, the Company should charge ACC the transportation service fee regularly in each year. Upon the 2022 ACC framework agreement became effective, the previous 2019 ACC Framework Agreement was terminated immediately.

	Six months ended 30 June 2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Loans to the CNAHC Group by CNAF:		
Advances of loans	40,000	–
Interest income	2,406	1,259
Deposits from the CNAHC Group received by CNAF:		
Increase/(decrease) in deposits received	1,380,536	(1,204,268)
Interest expenses	27,477	31,066
As a lessee with CNAHC Group:		
Additions to right-of-use assets and lease liabilities on new leases	62,259	1,060,515
Lease payments paid	1,321,734	1,090,338
Interest on lease liabilities	225,966	201,216

Notes to the Condensed Consolidated Financial Statements

For the Six Months Ended 30 June 2023

24. RELATED PARTY TRANSACTIONS (continued)

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

- (i) Transactions with related parties (continued)

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Service provided to joint ventures and associates:		
Aircraft maintenance income	36,353	44,411
Ground services income	36,079	42,305
Air catering income	3,842	1,505
Frequent-flyer programme income	2,343	223
Land and buildings rental income	1,255	1,489
Sales commission income	283	138
Others	134	635
	80,289	90,706
Service provided by joint ventures and associates:		
Airport ground services, take-off, landing and depot expenses	135,354	55,083
Repair and maintenance costs	783,106	185,830
Other procurement and maintenance	3,874	5,612
Aviation communication expenses	2,310	2,583
Air catering charges	920	4
Frequent-flyer programme expenses	310	46
Sales commission expenses	231	161
Expenses relating to short-term leases and leases of low-value assets	211	233
	926,316	249,552

Notes to the Condensed Consolidated Financial Statements

For the Six Months Ended 30 June 2023

24. RELATED PARTY TRANSACTIONS (continued)

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

- (i) Transactions with related parties (continued)

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Deposits from joint ventures and associates received by CNAF:		
Increase in deposits received	2,270	46,620
Interest expenses	807	1,376

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

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

- (ii) Balances with related parties

	At 30 June 2023	At 31 December 2022
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Outstanding balances with related parties*		
Amount due from the ultimate holding company	31,823	405,194
Amounts due from associates	47,776	109,162
Amounts due from joint ventures	1,831	547
Amounts due from other related companies	1,227,800	653,381
Amount due to the ultimate holding company	22,955	39,706
Amounts due to associates	48,678	78,787
Amounts due to joint ventures	582,306	248,095
Amounts due to other related companies	16,851,796	17,214,383

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

Notes to the Condensed Consolidated Financial Statements

For the Six Months Ended 30 June 2023

24. RELATED PARTY TRANSACTIONS (continued)

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

- (ii) Balances with related parties (continued)

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

	At 30 June 2023 RMB'000 (Unaudited)	At 31 December 2022 RMB'000 (Audited)
Outstanding borrowing balances with related parties		
Interest-bearing borrowings		
– Due to the ultimate holding company	14,794,456	14,796,068
– Due to other related companies	1,076,510	1,061,844
Outstanding balances between CNAF and related parties		
(1) Outstanding balances between CNAF and CNAHC Group		
Loans granted	160,000	120,000
Deposits received	8,978,934	7,598,398
Interest payable to related parties	25,099	22,062
Interest receivable from related parties	140	67
(2) Outstanding balances between CNAF and joint ventures and associates of the Group		
Deposits received	175,232	173,151
Interest payable to related parties	41	52
Interest receivable from related parties	–	40

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

Notes to the Condensed Consolidated Financial Statements

For the Six Months Ended 30 June 2023

24. RELATED PARTY TRANSACTIONS (continued)

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

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Short term employee benefits	4,749	5,529
Retirement scheme contributions	945	817
Total emoluments for key management personnel	5,694	6,346

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

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Directors and supervisors	1,720	1,419
Senior management	3,974	4,927
	5,694	6,346

- (c) Guarantee with related parties:

Amount of guaranty at 30 June 2023:

Name of guarantor	Name of guarantee	Amount of guaranty at 30 June 2023 RMB'000 (Unaudited)	Inception date of guaranty	Maturity date of guaranty
Corporate bonds: CNAHC	Air China Limited	1,500,000	16/08/2013	16/02/2024

Notes to the Condensed Consolidated Financial Statements

For the Six Months Ended 30 June 2023

24. RELATED PARTY TRANSACTIONS (continued)

(c) Guarantee with related parties: (continued)

Amount of guaranty at 31 December 2022:

Name of guarantor	Name of guarantee	Amount of guaranty at 31 December 2022 RMB'000 (Audited)	Inception date of guaranty	Maturity date of guaranty
Corporate bonds:				
CNAHC	Air China Limited	5,000,000	18/01/2013	18/07/2023
CNAHC	Air China Limited	1,500,000	16/08/2013	16/02/2024

(d) Asset transfers with related parties:

	Six months ended 30 June 2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Sales of aircraft	108,434	-
Procurement of asset	332,104	-
Finance lease to a related party	332,104	-

(e) 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.

Report on Review of Condensed Consolidated Financial Statements

Deloitte.

德勤

TO THE BOARD OF DIRECTORS OF AIR CHINA LIMITED

(中國國際航空股份有限公司)

(Incorporated in the People's Republic of China with limited liability)

INTRODUCTION

We have reviewed the condensed consolidated financial statements of Air China Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 35 to 72, which comprise the condensed consolidated statement of financial position as of 30 June 2023 and the related condensed consolidated statement of profit or loss, statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34") issued by the International Accounting Standards Board. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with IAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

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

CONCLUSION

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

Deloitte Touche Tohmatsu Certified Public Accountants LLP

Certified Public Accountants

(Registered as a Third Country Auditor with the UK Financial Reporting Council)

Shanghai, China

30 August 2023

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

TRAFFIC MEASUREMENTS

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

EFFICIENCY MEASUREMENTS

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

YIELD MEASUREMENTS

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

Definitions

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

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

Definitions

“International Financial Reporting Standards” or “IFRSs”	International Financial Reporting Standards
“Kunming Airlines”	Kunming Airlines Company Limited, a subsidiary of Shenzhen Airlines
“Listing Rules”	The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules
“Reporting Period”	the period from 1 January 2023 to 30 June 2023
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	The Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Shandong Airlines”	Shandong Airlines Co., Ltd., a non-wholly owned subsidiary of 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