

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



中國國際航空股份有限公司
AIR CHINA LIMITED

(a joint stock limited company incorporated in the People's Republic of China with limited liability)
(Stock Code: 00753)

INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 JUNE 2023

The Board of the Company has approved, among others, the unaudited interim results of the Group for the six months ended 30 June 2023 at a meeting of the Board held on 30 August 2023.

 **INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2023**

The Board presents the unaudited interim results of the Group for the six months ended 30 June 2023 as follows:

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	3A	59,613,193	23,952,653
Other income and gains	4	4,069,876	1,447,385
		<u>63,683,069</u>	<u>25,400,038</u>
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
		<u>(64,581,269)</u>	<u>(42,372,752)</u>
Loss from operations	5	(898,200)	(16,972,714)
Finance income		291,375	92,357
Finance costs	6	(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	7	316,216	861,652
Loss for the period		<u>(4,043,954)</u>	<u>(22,214,145)</u>
Attributable to:			
– Equity shareholders of the Company		(3,446,814)	(19,436,846)
– Non-controlling interests		(597,140)	(2,777,299)
		<u>(4,043,954)</u>	<u>(22,214,145)</u>
Loss per share			
– Basic and diluted	9	<u>RMB(22.39) cents</u>	<u>RMB(141.51) cents</u>

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	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Loss for the period	<u>(4,043,954)</u>	<u>(22,214,145)</u>
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	<u>16,942</u>	<u>(9,452)</u>
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	<u>(756)</u>	<u>1,676</u>
Other comprehensive income for the period, net of tax	<u>38,676</u>	<u>984,012</u>
Total comprehensive expense for the period	<u>(4,005,278)</u>	<u>(21,230,133)</u>
Attributable to:		
– Equity shareholders of the Company	(3,389,356)	(18,479,509)
– Non-controlling interests	<u>(615,922)</u>	<u>(2,750,624)</u>
	<u>(4,005,278)</u>	<u>(21,230,133)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2023

	At 30 June <i>NOTE</i> 2023 RMB'000 (Unaudited)	At 31 December 2022 RMB'000 (Audited)
Non-current assets		
Property, plant and equipment	110,177,752	99,574,059
Right-of-use assets	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	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	10 3,849,543	1,649,356
Bills receivable	22,387	7,483
Prepayments, deposits and other receivables	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

	<i>NOTE</i>	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	11	(19,855,943)	(10,935,546)
Bills payable		(419,064)	–
Dividends payable		(98,000)	(98,000)
Other payables and accruals		(18,621,075)	(16,548,144)
Advance		(150,970)	(58,970)
Current taxation		(123,506)	(9,359)
Lease liabilities		(21,563,115)	(17,085,829)
Interest-bearing borrowings		(40,930,563)	(42,957,170)
Provision for return condition checks		(1,517,497)	(936,804)
Contract liabilities		(1,248,549)	(1,095,185)
		<u>(112,338,189)</u>	<u>(92,482,608)</u>
Net current liabilities		<u>(69,071,645)</u>	<u>(70,237,477)</u>
Total assets less current liabilities		<u>232,148,720</u>	<u>202,496,769</u>
Non-current liabilities			
Lease liabilities		(73,207,451)	(76,897,347)
Interest-bearing borrowings		(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)
		<u>(199,254,411)</u>	<u>(180,968,541)</u>
NET ASSETS		<u>32,894,309</u>	<u>21,528,228</u>
CAPITAL AND RESERVES			
Issued capital		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		<u>34,914,799</u>	<u>23,577,176</u>
Non-controlling interests		<u>(2,020,490)</u>	<u>(2,048,948)</u>
TOTAL EQUITY		<u>32,894,309</u>	<u>21,528,228</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2023

1. 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 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 RMB 69,072 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.

2. 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 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)	Insurance Contracts
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to IAS 8	Definition of Accounting Estimates
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to IAS 12	International Tax Reform-Pillar Two model Rules

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.

3A. REVENUE

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

Disaggregation of revenue from contracts with customers

Segments	Six months ended 30 June 2023		Six months ended 30 June 2022	
	Airline operations RMB'000 (Unaudited)	Other operations RMB'000 (Unaudited)	Airline operations RMB'000 (Unaudited)	Other operations RMB'000 (Unaudited)
Type of goods or services				
Airline operations				
Passenger	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	–
	<u>57,574,893</u>	<u>–</u>	<u>22,782,416</u>	<u>–</u>
Other operations				
Aircraft engineering income	–	1,872,556	–	1,004,000
Others	–	35,433	–	42,287
	<u>–</u>	<u>1,907,989</u>	<u>–</u>	<u>1,046,287</u>
Total	<u>57,574,893</u>	<u>1,907,989</u>	<u>22,782,416</u>	<u>1,046,287</u>
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	<u>57,574,893</u>	<u>1,907,989</u>	<u>22,782,416</u>	<u>1,046,287</u>

3B. 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 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
Intersegment sales	<u>62,176</u>	<u>3,359,869</u>	<u>(3,422,045)</u>	<u>–</u>
Revenue for reportable segments under CASs and IFRSs	<u><u>57,767,380</u></u>	<u><u>5,267,858</u></u>	<u><u>(3,422,045)</u></u>	<u><u>59,613,193</u></u>
Segment (loss)/profit before taxation				
(Loss)/profit before taxation for reportable segments under CASs	<u><u>(4,584,441)</u></u>	<u><u>263,523</u></u>	<u><u>(44,471)</u></u>	<u><u>(4,365,389)</u></u>
Effect of differences between IFRSs and CASs				<u><u>5,219</u></u>
Loss before taxation for the period under IFRSs				<u><u>(4,360,170)</u></u>

For the six months ended 30 June 2022 (Unaudited)

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

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:

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

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 <i>RMB'000</i>	Hong Kong SAR, Macau SAR and Taiwan, China <i>RMB'000</i>	International <i>RMB'000</i>	Total <i>RMB'000</i>
Sales to external customers and total revenue	<u>50,342,825</u>	<u>1,730,660</u>	<u>7,539,708</u>	<u>59,613,193</u>

For the six months ended 30 June 2022 (Unaudited)

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

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).

4. 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 (<i>Note</i>)	1,386,824	66,618
	<u>4,069,876</u>	<u>1,447,385</u>

Note: These mainly include flight operation remedies.

5. 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
	<u>141,377</u>	<u>73,821</u>

6. 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
	<u>3,669,271</u>	<u>3,272,858</u>
Less: Interest capitalised	<u>(126,869)</u>	<u>(131,423)</u>
	<u>3,542,402</u>	<u>3,141,435</u>

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.

7. 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	<u>(455,490)</u>	<u>(880,575)</u>
	<u>(316,216)</u>	<u>(861,652)</u>

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.

8. 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).

9. 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.

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

10. 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 <i>RMB'000</i> (Unaudited)	At 31 December 2022 <i>RMB'000</i> (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	<u>216,318</u>	<u>318,949</u>
	<u><u>3,849,543</u></u>	<u><u>1,649,356</u></u>

11. 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 <i>RMB'000</i> (Unaudited)	At 31 December 2022 <i>RMB'000</i> (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	<u>6,341,876</u>	<u>4,522,415</u>
	<u><u>19,855,943</u></u>	<u><u>10,935,546</u></u>

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%

	January to June 2023	January to June 2022	Increase/(decrease)
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
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 results announcement 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 8 aircraft and phased out 2 aircraft.

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

	30 June 2023					Average age (year)
	Sub-total	Self-owned	Finance leases	Operating leases		
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.

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.

Reform And Development

Having a keen grasp of the new development stage, the Group clearly defined a model for centralized, synergistic, 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，追鱔長江」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.

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.

MANAGEMENT DISCUSSION AND ANALYSIS ON FINANCIAL CONDITIONS AND RESULTS OF OPERATIONS

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 announcement 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

<i>(in RMB'000)</i>	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	<u>59,613,193</u>	<u>100.00%</u>	<u>23,952,653</u>	<u>100.00%</u>	<u>148.88%</u>

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:

For the six months ended 30 June

	2023	2022	Change
Available seat kilometres (<i>million</i>)	128,799.56	44,282.01	190.86%
Passenger load factor (%)	70.52	60.42	10.10 ppt
Yield per RPK (<i>RMB</i>)	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

<i>(in RMB'000)</i>	For the six months ended 30 June		2022		Change
	2023		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	<u>55,469,530</u>	<u>100.00 %</u>	<u>15,103,503</u>	<u>100.00 %</u>	<u>267.26 %</u>

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		Change
	2023	2022	
Available freight tonne kilometres (<i>million</i>)	4,090.64	5,172.28	(20.91%)
Cargo and mail load factor (%)	26.62	40.69	(14.07 ppt)
Yield per RFTK (<i>RMB</i>)	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.

Air Cargo and Mail Revenue Contributed by Geographical Segments

<i>(in RMB'000)</i>	For the six months ended 30 June				
	2023		2022		Change
	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	<u>1,409,862</u>	<u>100.00%</u>	<u>6,879,669</u>	<u>100.00%</u>	<u>(79.51%)</u>

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:

<i>(in RMB'000)</i>	For the six months ended 30 June				
	2023		2022		Change
	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	<u>64,581,269</u>	<u>100.00%</u>	<u>42,372,752</u>	<u>100.00%</u>	<u>52.41%</u>

- 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.

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.

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:

<i>(in RMB'000)</i>	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	<u>242,126,590</u>	<u>100.00%</u>	<u>229,787,462</u>	<u>100.00%</u>	<u>5.37%</u>

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.

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.

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.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

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

INTERIM DIVIDEND

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

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.

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.

DISCLOSURE REQUIREMENTS UNDER THE LISTING RULES

In order to comply with the requirements under paragraph 46 of Appendix 16 to the Listing Rules, the Company confirmed that save as disclosed in this announcement, there are no material changes in the current information of the Company in relation to matters as set out in paragraph 46(3) of Appendix 16 to the Listing Rules as compared with relevant disclosures in the 2022 annual report of the Company.

REVIEW BY THE AUDIT AND RISK CONTROL COMMITTEE

The audit and risk control committee of the Company has reviewed the Company's interim results 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.

GLOSSARY OF TECHNICAL TERMS

Capacity Measurements

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

Traffic Measurements

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

Efficiency Measurements

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

Yield Measurements

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

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

DEFINITIONS

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

“Airbus”	Airbus S.A.S., a company established in Toulouse, France
“Air China Cargo”	Air China Cargo Co., Ltd., a subsidiary of CNAHC
“Air China Inner Mongolia”	Air China Inner Mongolia Co., Ltd., a non-wholly owned subsidiary of the Company
“Air Macau”	Air Macau Company Limited, a non-wholly owned subsidiary of the Company
“Ameco”	Aircraft Maintenance and Engineering Corporation, a non-wholly owned subsidiary of the Company
“Articles of Association”	the articles of association of the Company, as amended from time to time
“A Share(s)”	ordinary share(s) in the share capital of the Company, with a nominal value of RMB1.00 each, which is/are subscribed for and traded in Renminbi and listed on the Shanghai Stock Exchange
“Beijing Airlines”	Beijing Airlines Company Limited, a non-wholly owned subsidiary of the Company
“Board”	the board of directors of the Company
“CASs”	China Accounting Standards for Business Enterprises
“Cathay Pacific”	Cathay Pacific Airways Limited, an associate of the Company
“CNACG”	China National Aviation Corporation (Group) Limited
“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
“CNAHC”	China National Aviation Holding Corporation Limited
“CNAHC Group”	CNAHC and its subsidiaries
“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)
“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 subsidiary of Shandong Aviation Group Corporation
“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

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

Beijing, the PRC, 30 August 2023

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

* *Independent non-executive director of the Company*