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中國國際航空股份有限公司
AIR CHINA LIMITED

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

2019 ANNUAL RESULTS

FINANCIAL HIGHLIGHTS

- During the Reporting Period, the Group recorded a revenue of RMB136,181 million with profit before tax of RMB9,120 million. The net profit attributable to equity shareholders of the Company was RMB6,420 million.
- The Board recommends the payment of a cash dividend of RMB0.4442 (including tax) for every ten shares for the year 2019, totaling approximately RMB645 million based on the current total issued shares of 14,524,815,185 shares of the Company.

 **2019 ANNUAL RESULTS**

The Board hereby announces the audited consolidated financial results of the Group for the year ended 31 December 2019 together with the corresponding comparative figures for the year ended 31 December 2018 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED 31 DECEMBER 2019

	<i>Notes</i>	2019 RMB'000	2018 RMB'000
Revenue	3	136,180,690	136,774,403
Other income and gains	5	4,059,190	4,108,700
		140,239,880	140,883,103
Operating expenses			
Jet fuel costs		(35,965,239)	(38,481,303)
Employee compensation costs		(25,473,898)	(24,450,250)
Depreciation and amortisation		(21,279,084)	(14,503,676)
Take-off, landing and depot charges		(16,440,081)	(15,354,941)
Aircraft maintenance, repair and overhaul costs		(6,119,539)	(6,612,844)
Air catering charges		(4,026,090)	(3,787,134)
Aircraft and engine lease expenses		(966,227)	(7,165,554)
Other lease expenses		(565,160)	(1,117,478)
Other flight operation expenses		(8,193,008)	(9,419,344)
Selling and marketing expenses		(4,684,722)	(4,373,023)
General and administrative expenses		(1,844,232)	(1,535,617)
Net impairment (losses)/gains under expected credit loss model		(40,682)	264,392
		(125,597,962)	(126,536,772)
Profit from operations	6	14,641,918	14,346,331
Finance income		163,185	172,564
Finance costs	7	(4,948,928)	(2,914,097)
Share of results of associates		215,532	526,570
Share of results of joint ventures		259,727	222,226
Exchange loss, net		(1,211,171)	(2,376,577)
Profit before taxation		9,120,263	9,977,017
Income tax expense	8	(1,856,499)	(1,762,146)
Profit for the year		7,263,764	8,214,871
Attributable to:			
– Equity shareholders of the Company		6,420,294	7,350,661
– Non-controlling interests		843,470	864,210
Profit for the year		7,263,764	8,214,871
Earnings per share			
– Basic and diluted	9	RMB46.74 cents	RMB53.52 cents

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2019

	2019 <i>RMB'000</i>	2018 <i>RMB'000</i>
Profit for the year	<u>7,263,764</u>	<u>8,214,871</u>
Other comprehensive income (expense)		
Items that will not be reclassified to profit or loss:		
– Fair value gains/(losses) on investments in equity instruments at fair value through other comprehensive income	3,842	(31,921)
– Income tax relating to items that will not be reclassified to profit or loss	(59)	7,980
– Remeasurement of net defined benefit liability	(3,905)	(16,840)
– Share of other comprehensive income/(expense) of associates	<u>441,862</u>	<u>(73,364)</u>
Items that may be reclassified subsequently to profit or loss:		
– Fair value gains on investments in debt instruments measured at fair value through other comprehensive income	3,551	18,878
– Impairment loss on investments in debt instruments measured at fair value through other comprehensive income	8,096	6,827
– Income tax relating to items that may be reclassified subsequently to profit or loss	(2,912)	(6,415)
– Share of other comprehensive income of associates	23,272	10,425
– Exchange differences on translation of foreign operations	<u>495,324</u>	<u>999,423</u>
Other comprehensive income for the year (net of tax)	<u>969,071</u>	<u>914,993</u>
Total comprehensive income for the year	<u><u>8,232,835</u></u>	<u><u>9,129,864</u></u>
Attributable to:		
– Equity shareholders of the Company	7,370,539	8,279,120
– Non-controlling interests	<u>862,296</u>	<u>850,744</u>
Total comprehensive income for the year	<u><u>8,232,835</u></u>	<u><u>9,129,864</u></u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2019

	31 December 2019	31 December 2018
<i>Notes</i>	RMB'000	RMB'000
Non-current assets		
Property, plant and equipment	102,158,432	171,662,659
Right-of-use assets	119,376,500	–
Lease prepayments	–	2,599,058
Investment properties	637,986	650,786
Intangible assets	36,610	36,913
Goodwill	1,099,975	1,099,975
Interests in associates	14,647,561	15,253,744
Interests in joint ventures	1,543,509	1,427,063
Advance payments for aircraft and flight equipment	22,413,867	21,303,650
Deposits for aircraft under leases	636,671	613,346
Equity instruments at fair value through other comprehensive income	253,113	268,071
Debt instruments at fair value through other comprehensive income	1,688,451	1,040,419
Deferred tax assets	4,352,452	2,840,321
Other non-current assets	544,390	1,134,996
	269,389,517	219,931,001
Current assets		
Inventories	2,098,673	1,877,494
Accounts receivable	5,997,690	5,373,972
Bills receivable	362	403
Prepayments, deposits and other receivables	3,724,468	4,220,036
Restricted bank deposits	728,385	1,044,389
Cash and cash equivalents	8,935,282	6,763,183
Other current assets	3,331,996	4,446,630
	24,816,856	23,726,107
Total assets	294,206,373	243,657,108

		31 December 2019	31 December 2018
	<i>Notes</i>	<i>RMB'000</i>	<i>RMB'000</i>
Current liabilities			
Air traffic liabilities		(9,980,300)	(8,886,274)
Accounts payable	12	(16,578,153)	(14,726,428)
Other payables and accruals		(11,977,447)	(10,833,540)
Current taxation		(938,732)	(1,023,938)
Lease liabilities/obligations under finance leases		(13,861,503)	(7,125,586)
Interest-bearing bank loans and other borrowings		(22,729,991)	(27,194,901)
Provision for return condition checks		(869,651)	(1,447,693)
Contract liabilities		(1,037,031)	(1,301,518)
		<u>(77,972,808)</u>	<u>(72,539,878)</u>
Net current liabilities		<u>(53,155,952)</u>	<u>(48,813,771)</u>
Total assets less current liabilities		<u>216,233,565</u>	<u>171,117,230</u>
Non-current liabilities			
Lease liabilities/obligations under finance leases		(86,586,353)	(45,848,095)
Interest-bearing bank loans and other borrowings		(16,598,965)	(15,585,481)
Provision for return condition checks		(7,538,095)	(4,174,398)
Provision for early retirement benefit obligations		(1,989)	(3,105)
Long-term payables		(115,190)	(154,171)
Contract liabilities		(2,670,910)	(3,062,739)
Defined benefit obligations		(249,933)	(263,862)
Deferred income		(521,227)	(647,973)
Deferred tax liabilities		(621,440)	(879,372)
		<u>(114,904,102)</u>	<u>(70,619,196)</u>
NET ASSETS		<u>101,329,463</u>	<u>100,498,034</u>
CAPITAL AND RESERVES			
Issued capital		14,524,815	14,524,815
Treasury shares		(3,047,564)	(3,047,564)
Reserves		81,981,426	81,680,090
Total equity attributable to equity shareholders of the Company		93,458,677	93,157,341
Non-controlling interests		7,870,786	7,340,693
TOTAL EQUITY		<u>101,329,463</u>	<u>100,498,034</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

1. BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRSs”) issued by the International Accounting Standards Board (“IASB”). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“Listing Rules”) and by the Hong Kong Companies Ordinance (“Companies Ordinance”).

The consolidated financial statements have been prepared on the historical cost basis, except for certain financial instruments that are measured at fair values. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

As at 31 December 2019, the Group’s current liabilities exceeded its current assets by approximately RMB53,156 million. The liquidity of the Group is primarily dependent on its ability to maintain adequate cash inflows from operations and sufficient financing to meet its financial obligations as and when they fall due. Considering the Company’s sources of liquidity and the unutilised bank facilities of RMB109,437 million as at 31 December 2019, the Directors believe that adequate funding is available to fulfil the Group’s debt obligations and capital expenditure requirements when preparing the consolidated financial statements for the year ended 31 December 2019. Accordingly, the consolidated financial statements have been prepared on a basis that the Group will be able to continue as a going concern.

2. APPLICATION OF NEW AND AMENDMENTS TO IFRSs

New and Amendments to IFRSs that are mandatorily effective for the current year

The Group has applied the following new and amendments to IFRSs issued by the IASB for the first time in the current year:

IFRS 16	<i>Leases</i>
IFRIC 23	<i>Uncertainty over Income Tax Treatments</i>
Amendments to IAS 19	<i>Plan Amendment, Curtailment or Settlement</i>
Amendments to IAS 28	<i>Long-term Interests in Associates and Joint Ventures</i>
Amendments to IFRSs	<i>Annual Improvements to IFRS Standards 2015-2017 Cycle</i>

Except as described below, the application of the new and amendments to IFRSs in the current year has had no material impact on the Group’s financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

IFRS 16 Leases

The Group has applied IFRS 16 for the first time in the current year. IFRS 16 superseded IAS 17 *Leases* (“IAS 17”), and the related interpretations.

Definition of a lease

The Group has elected the practical expedient to apply IFRS 16 to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 *Determining whether an Arrangement contains a Lease* and not apply this standard to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 January 2019, the Group applies the definition of a lease in accordance with the requirements set out in IFRS 16 in assessing whether a contract contains a lease.

As a lessee

The Group has applied IFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 January 2019.

When applying the modified retrospective approach under IFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under IAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

- i. relied on the assessment of whether leases are onerous by applying IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* as an alternative of impairment review;
- ii. elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application;
- iii. excluded initial direct costs from measuring the right-of-use assets at the date of initial application;
- iv. applied a single discount rate to a portfolio of leases with a similar remaining terms for similar class of underlying assets in similar economic environment; and
- v. used hindsight based on facts and circumstances as at date of initial application in determining the lease term for the Group's leases with extension and termination options.

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average incremental borrowing rates applied by the relevant group entities range from 3.90% to 4.89%.

	At 1 January 2019
<i>Note</i>	<i>RMB'000</i>
Operating lease commitments disclosed as at 31 December 2018	51,395,439
Less: Value-added tax	<u>6,067,742</u>
Operating lease commitments without value-added tax	<u>45,327,697</u>
Lease liabilities discounted at relevant incremental borrowing rates	41,209,140
Less: Recognition exemption – short-term leases	633,655
Recognition exemption – low value assets	<u>205</u>
Lease liabilities relating to operating leases recognised upon application of IFRS 16	40,575,280
Add: Obligations under finance leases recognised at 31 December 2018	<i>(d)</i> <u>52,973,681</u>
Lease liabilities as at 1 January 2019	<u><u>93,548,961</u></u>
Analysed as	
Current	12,224,913
Non-current	<u>81,324,048</u>
	<u><u>93,548,961</u></u>

The carrying amount of right-of-use assets as at 1 January 2019 comprises the following:

	Right-of-use assets
<i>Notes</i>	<i>RMB'000</i>
Right-of-use assets relating to operating leases recognised upon application of IFRS 16	<i>(a)</i> 34,107,831
Reclassified from prepayments for rental expense	559,580
Reclassified from other non-current assets and deferred income in respect of sale and operating leaseback transactions	<i>(b)</i> (52,522)
Recognition of provisions in respect of final check costs	2,377,798
Reclassified from lease prepayments	<i>(c)</i> 2,599,058
Amounts included in property, plant and equipment under IAS 17 – Assets previously under finance leases	<i>(d)</i> <u>69,288,713</u>
	<u><u>108,880,458</u></u>

Notes:

- (a) Upon application of IFRS 16, right-of-use assets of RMB34,108 million were recognised relating to operating leases under IAS 17. The associated right-of-use assets for aircraft and engines leases were measured on a retrospective basis as if IFRS 16 had been applied since the commencement date but discounted using the lessee's incremental borrowing rate at the date of initial application. Other right-of-use assets were measured at the amount equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised as at 31 December 2018 as described below. Any difference at the date of initial application is recognised in the opening retained earnings and comparative information has not been restated.
- (b) Right-of-use assets were adjusted by the deferred income of RMB147 million and other non-current assets of RMB94 million respectively in respect of sale and operating leaseback transactions applying IAS 17 immediately before the date of initial application of IFRS 16.
- (c) Upfront payments for leasehold lands in the PRC were classified as lease prepayments as at 31 December 2018. Upon application of IFRS 16, lease prepayments amounting to RMB2,599 million were reclassified to right-of-use assets.
- (d) In relation to assets previously obtained under finance leases, the Group re-categorised the carrying amount of the relevant assets which were still under leases as at 1 January 2019 amounting to RMB69,289 million as right-of-use assets. In addition, the Group reclassified the obligations under finance leases of RMB7,126 million and RMB45,848 million to lease liabilities as current and non-current liabilities respectively at 1 January 2019.

As a lessor

In accordance with the transitional provisions in IFRS 16, the Group is not required to make any adjustment on transition for leases in which the Group is a lessor but account for these leases in accordance with IFRS 16 from the date of initial application and comparative information has not been restated.

Sales and leaseback transactions

The Group acts as a seller-lessee

In accordance with the transition provisions of IFRS 16, sale and leaseback transactions entered into before the date of initial application were not reassessed. Upon application of IFRS 16, the Group applies the requirements of IFRS 15 to assess whether sales and leaseback transaction constitutes a sale.

The following table summarises the impact of transition to IFRS 16 on retained earnings at 1 January 2019.

	Impact of adopting IFRS 16 at 1 January 2019 <i>RMB'000</i>
Retained earnings	
Recognition of right-of-use assets relating to operating leases	34,107,831
Recognition of lease liabilities relating to operating leases	(40,575,280)
The impact arising from initial application of IFRS 16 by associates	<u>(1,175,623)</u>
Impact before tax	(7,643,072)
Tax effects	1,553,393
Reserve funds	456,307
Non-controlling interests	<u>528,826</u>
Impact at 1 January 2019	<u><u>(5,104,546)</u></u>

The following adjustments were made to the amounts recognised in the consolidated statement of financial position at 1 January 2019. Line items that were not affected by the changes have not been included.

		Carrying amounts previously reported at 31 December 2018	Adjustments	Carrying amounts under IFRS 16 at 1 January 2019
	<i>Notes</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Non-current assets				
Property, plant and equipment	<i>(d)</i>	171,662,659	(69,288,713)	102,373,946
Right-of-use assets		–	108,880,458	108,880,458
Lease prepayments	<i>(c)</i>	2,599,058	(2,599,058)	–
Interests in associates		15,253,744	(1,175,623)	14,078,121
Deferred tax assets		2,840,321	1,553,393	4,393,714
Other non-current assets	<i>(b)</i>	1,134,996	(93,994)	1,041,002
Current assets				
Prepayments, deposits and other receivables		4,220,036	(559,580)	3,660,456
Total assets		243,657,108	36,716,883	280,373,991
Current liabilities				
Lease liabilities		–	(12,224,913)	(12,224,913)
Obligations under finance leases	<i>(d)</i>	(7,125,586)	7,125,586	–
Net current liabilities		(48,813,771)	(5,658,907)	(54,472,678)
Total assets less current liabilities		171,117,230	31,617,556	202,734,786
Non-current liabilities				
Lease liabilities		–	(81,324,048)	(81,324,048)
Obligations under finance leases	<i>(d)</i>	(45,848,095)	45,848,095	–
Deferred income	<i>(b)</i>	(647,973)	146,516	(501,457)
Provision for return condition checks		(4,174,398)	(2,377,798)	(6,552,196)
NET ASSETS		100,498,034	(6,089,679)	94,408,355
CAPITAL AND RESERVES				
Reserves		81,680,090	(5,560,853)	76,119,237
Non-controlling interests		7,340,693	(528,826)	6,811,867
TOTAL EQUITY		100,498,034	(6,089,679)	94,408,355

New and amendments to IFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to IFRSs that have been issued but are not yet effective:

IFRS 17	<i>Insurance Contracts</i> ¹
Amendments to IFRS 3	<i>Definition of a Business</i> ²
Amendments to IFRS 10 and IAS 28	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> ³
Amendments to IAS 1	<i>Classification of Liabilities as Current or Non-current</i> ⁵
Amendments to IAS 1 and IAS 8	<i>Definition of Material</i> ⁴
Amendments to IFRS 9, IAS 39 and IFRS 7	<i>Interest Rate Benchmark Reform</i> ⁴

¹ Effective for annual periods beginning on or after 1 January 2021.

² Effective for business combination and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020.

³ Effective for annual periods beginning on or after a date to be determined.

⁴ Effective for annual periods beginning on or after 1 January 2020.

⁵ Effective for annual periods beginning on or after 1 January 2022.

In addition to the above new and amendments to IFRSs, a revised Conceptual Framework for Financial Reporting was issued in 2018. Its consequential amendments, *the Amendments to References to the Conceptual Framework in IFRS Standards*, will be effective for annual periods beginning on or after 1 January 2020.

The Directors anticipate that the application of all new and amendments to IFRSs that have been issued but are not yet effective will have no material impact on the consolidated financial statements in the foreseeable future.

3. REVENUE

	2019	2018
	<i>RMB'000</i>	<i>RMB'000</i>
Revenue from contracts with customers	135,898,971	136,537,210
Rental income (included in revenue of airline operations segment)	281,719	237,193
Total revenue	<u>136,180,690</u>	<u>136,774,403</u>

Disaggregation of revenue from contracts with customers

Segments	2019		2018	
	Airline operations RMB'000	Other operations RMB'000	Airline operations RMB'000	Other operations RMB'000
Type of goods or services				
Airline operations				
Passenger	124,524,583	–	120,429,994	–
Cargo and mail	5,732,160	–	11,405,573	–
Ground service income	753,272	–	980,542	–
Others	2,078,460	–	2,122,542	–
	<u>133,088,475</u>	<u>–</u>	<u>134,938,651</u>	<u>–</u>
Other operations				
Aircraft engineering income	–	2,491,912	–	1,405,590
Import and export service income	–	41,599	–	83,896
Others	–	276,985	–	109,073
	<u>–</u>	<u>2,810,496</u>	<u>–</u>	<u>1,598,559</u>
Total	<u>133,088,475</u>	<u>2,810,496</u>	<u>134,938,651</u>	<u>1,598,559</u>
Geographical markets				
Mainland China	85,907,957	2,810,496	84,685,095	1,598,559
Hong Kong, Special Administrative Region (“SAR”), Macau SAR and Taiwan, China	5,911,532	–	6,029,445	–
Europe	13,374,965	–	14,865,700	–
North America	8,821,998	–	11,806,117	–
Japan and Korea	8,592,855	–	7,607,451	–
Asia Pacific and others	10,479,168	–	9,944,843	–
Total	<u>133,088,475</u>	<u>2,810,496</u>	<u>134,938,651</u>	<u>1,598,559</u>

Performance obligations for contracts with customers

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

The Group operates frequent-flyer programme and provides free services or products to the customers according to the miles they earn. The Group allocates the transaction price to each performance obligation on a relative stand-alone selling price basis. The amount allocated to the miles earned by the frequent-flyer programme members is recorded in contract liabilities and deferred until the miles are redeemed when the Group fulfils its obligations to supply services or products or when the miles expire. During the year, the Group recognised revenue of RMB2,304 million (2018: RMB1,701 million) which was included in contract liabilities in relation to frequent-flyer programme at the beginning of the year.

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

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

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

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

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

4. 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, import and export services and other airline-related services.

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

Operating segments

The following tables present the Group's consolidated revenue and profit before taxation regarding the Group's operating segments in accordance with the Accounting Standards for Business Enterprises of the PRC ("CASs") for the years ended 31 December 2019 and 2018 and the reconciliations of reportable segment revenue and profit before taxation to the Group's consolidated amounts under IFRSs:

Year ended 31 December 2019

	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	133,370,194	2,810,496	–	136,180,690
Intersegment sales	<u>147,968</u>	<u>7,999,141</u>	<u>(8,147,109)</u>	<u>–</u>
Revenue for reportable segments under CASs and IFRSs	<u><u>133,518,162</u></u>	<u><u>10,809,637</u></u>	<u><u>(8,147,109)</u></u>	<u><u>136,180,690</u></u>
Segment profit before taxation				
Profit before taxation for reportable segments under CASs	<u><u>8,425,964</u></u>	<u><u>899,234</u></u>	<u><u>(220,559)</u></u>	<u><u>9,104,639</u></u>
Effect of differences between IFRSs and CASs				<u>15,624</u>
Profit before taxation for the year under IFRSs				<u><u>9,120,263</u></u>

Year ended 31 December 2018

	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	135,175,844	1,598,559	–	136,774,403
Intersegment sales	<u>269,463</u>	<u>7,242,982</u>	<u>(7,512,445)</u>	<u>–</u>
Revenue for reportable segments under CASs and IFRSs	<u><u>135,445,307</u></u>	<u><u>8,841,541</u></u>	<u><u>(7,512,445)</u></u>	<u><u>136,774,403</u></u>
Segment profit before taxation				
Profit before taxation for reportable segments under CASs	<u><u>9,408,692</u></u>	<u><u>597,120</u></u>	<u><u>(47,907)</u></u>	<u><u>9,957,905</u></u>
Effect of differences between IFRSs and CASs				<u>19,112</u>
Profit before taxation for the year under IFRSs				<u><u>9,977,017</u></u>

The following tables present the segment assets, liabilities and other information of the Group's operating segments under CASs as at 31 December 2019 and 2018 and the reconciliations of reportable segment assets, liabilities and other information to the Group's consolidated amounts under IFRSs:

	Airline operations RMB'000	Other operations RMB'000	Elimination RMB'000	Total RMB'000
Segment assets				
Total assets for reportable segments as at 31 December 2019 under CASs	<u>286,516,534</u>	<u>25,238,859</u>	<u>(17,501,840)</u>	294,253,553
Effect of differences between IFRSs and CASs				<u>(47,180)</u>
Total assets under IFRSs				<u>294,206,373</u>
Total assets for reportable segments as at 31 December 2018 under CASs	<u>236,739,437</u>	<u>22,396,863</u>	<u>(15,420,294)</u>	243,716,006
Effect of differences between IFRSs and CASs				<u>(58,898)</u>
Total assets under IFRSs				<u>243,657,108</u>
	Airline operations RMB'000	Other operations RMB'000	Elimination RMB'000	Total RMB'000
Segment liabilities				
Total liabilities for reportable segments as at 31 December 2019 under CASs and IFRSs	<u>194,202,329</u>	<u>15,917,668</u>	<u>(17,243,087)</u>	<u>192,876,910</u>
Total liabilities for reportable segments as at 31 December 2018 under CASs and IFRSs	<u>144,807,641</u>	<u>13,576,780</u>	<u>(15,225,347)</u>	<u>143,159,074</u>

Year ended 31 December 2019

	Airline operations RMB'000	Other operations RMB'000	Elimination RMB'000	Total RMB'000	Effect of differences between IFRSs and CASs RMB'000	Amounts under IFRSs RMB'000
Other segment information						
Share of results of associates and joint ventures	143,914	331,345	–	475,259	–	475,259
Impairment losses recognised/ (reversed) on financial assets	42,615	(6,555)	4,622	40,682	–	40,682
Impairment losses recognised/ (reversed) on non-financial assets	2,041	(4,846)	–	(2,805)	–	(2,805)
Depreciation and amortisation	20,991,268	337,462	(32,152)	21,296,578	(17,494)	21,279,084
Finance income	210,028	120,098	(166,941)	163,185	–	163,185
Finance costs	5,105,887	88,478	(245,437)	4,948,928	–	4,948,928
Income tax expense	1,726,798	148,744	(22,949)	1,852,593	3,906	1,856,499
Interests in associates and joint ventures	14,327,393	1,776,946	(53,188)	16,051,151	139,919	16,191,070
Additions to non-current assets	<u>34,636,914</u>	<u>281,948</u>	<u>–</u>	<u>34,918,862</u>	<u>–</u>	<u>34,918,862</u>

Year ended 31 December 2018

	Airline operations RMB'000	Other operations RMB'000	Elimination RMB'000	Total RMB'000	Effect of differences between IFRSs and CASs RMB'000	Amounts under IFRSs RMB'000
Other segment information						
Share of results of associates and joint ventures	472,676	276,120	–	748,796	–	748,796
Impairment losses (reversed)/ recognised on financial assets	(269,618)	49,857	(44,631)	(264,392)	–	(264,392)
Impairment losses recognised on non- financial assets	631	12,758	–	13,389	–	13,389
Depreciation and amortisation	14,242,781	298,751	(14,579)	14,526,953	(23,277)	14,503,676
Finance income	221,360	150,020	(198,816)	172,564	–	172,564
Finance costs	3,079,036	58,268	(223,207)	2,914,097	–	2,914,097
Income tax expense	1,650,556	123,252	(16,440)	1,757,368	4,778	1,762,146
Interests in associates and joint ventures	14,964,461	1,576,427	–	16,540,888	139,919	16,680,807
Additions to non-current assets	<u>34,109,509</u>	<u>188,996</u>	<u>–</u>	<u>34,298,505</u>	<u>–</u>	<u>34,298,505</u>

Geographical information

The following table presents the Group's consolidated revenue under IFRSs by geographical location for the years ended 31 December 2019 and 2018, respectively:

Year ended 31 December 2019

	Mainland China <i>RMB'000</i>	Hong Kong SAR, Macau SAR and Taiwan, China <i>RMB'000</i>	Europe <i>RMB'000</i>	North America <i>RMB'000</i>	Japan and Korea <i>RMB'000</i>	Asia Pacific and others <i>RMB'000</i>	Total <i>RMB'000</i>
Sales to external customers and total revenue	<u>89,000,172</u>	<u>5,911,532</u>	<u>13,374,965</u>	<u>8,821,998</u>	<u>8,592,855</u>	<u>10,479,168</u>	<u>136,180,690</u>

Year ended 31 December 2018

	Mainland China <i>RMB'000</i>	Hong Kong SAR, Macau SAR and Taiwan, China <i>RMB'000</i>	Europe <i>RMB'000</i>	North America <i>RMB'000</i>	Japan and Korea <i>RMB'000</i>	Asia Pacific and others <i>RMB'000</i>	Total <i>RMB'000</i>
Sales to external customers and total revenue	<u>86,520,847</u>	<u>6,029,445</u>	<u>14,865,700</u>	<u>11,806,117</u>	<u>7,607,451</u>	<u>9,944,843</u>	<u>136,774,403</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 revenue from transactions with a single customer amounting to 10% or more of the Group's revenue during the year ended 31 December 2019 (2018: Nil).

5. OTHER INCOME AND GAINS

	2019 <i>RMB'000</i>	2018 <i>RMB'000</i>
Co-operation routes income and subsidy income	3,643,407	3,133,872
Dividend income	12,550	7,418
(Loss)/gain on disposal of		
– Interests in associates	–	163,184
– Interests in joint ventures	(414)	–
– Subsidiaries	–	405,543
– Property, plant and equipment	65,319	20,593
Gain on derecognition of land use rights	52,798	–
Gain on disposal of non-current assets held for sale	–	59,893
Net gain arising on financial assets measured at fair value through profit or loss	–	60
Others	285,530	318,137
	<u>4,059,190</u>	<u>4,108,700</u>

6. PROFIT FROM OPERATIONS

The Group's profit from operations is arrived at after charging/(crediting):

	2019 <i>RMB'000</i>	2018 <i>RMB'000</i>
Depreciation of property, plant and equipment	9,704,731	14,357,683
Depreciation of right-of-use assets	11,548,619	–
Depreciation of investment properties	25,692	32,912
Amortisation of intangible assets	42	38,803
Amortisation of lease prepayments	–	74,278
Impairment losses recognised on property, plant and equipment	–	16
Impairment losses (reversed)/recognised on inventories	(2,805)	13,373
Auditors' remuneration:		
– Audit related services	17,923	18,315
– Other services	–	525
	<u>17,923</u>	<u>18,840</u>

7. FINANCE COSTS

	2019	2018
	RMB'000	RMB'000
Interest on interest-bearing bank loans and other borrowings	1,581,534	2,104,602
Interest on lease liabilities/ obligations under finance leases	3,897,514	1,437,361
Imputed interest expenses on defined benefit obligations	8,880	10,822
	5,487,928	3,552,785
Less: Interest capitalised	(539,000)	(638,688)
	4,948,928	2,914,097

The interest capitalisation rates during the year ranged from 3.14% to 4.75% (2018: 2.67% to 4.75%) per annum relating to the costs of related borrowings during the year.

8. INCOME TAX EXPENSE

	2019	2018
	RMB'000	RMB'000
Current income tax:		
– Mainland China	2,047,335	2,341,423
– Hong Kong SAR and Macau SAR, China	23,227	23,664
Under/(over)-provision in respect of prior years	5,182	(13,444)
Deferred tax	(219,245)	(589,497)
	1,856,499	1,762,146

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No.7) Bill 2017 (the “Bill”) which introduced the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK\$2 million of profits of the qualifying group entity will be taxed at 8.25% and profits above HK\$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

Accordingly, starting from the prior year, the Hong Kong SAR profits tax is calculated at 8.25% on the first HK\$2 million of the estimated assessable profits and at 16.5% on the estimated assessable profits above HK\$2 million.

Under the relevant Corporate Income Tax Law and regulations in the PRC, except for two branches and two subsidiaries which are taxed at a preferential rate of 15% (2018: 15%), all group companies located in Mainland China are subject to a corporate income tax rate of 25% (2018: 25%) during the year. Subsidiaries in Hong Kong SAR, China are taxed at corporate income tax rates of 8.25% and 16.5% (2018: 8.25% and 16.5%) and subsidiaries in Macau SAR, China are taxed at corporate income tax rate of 12% (2018: 12%).

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

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

	2019 <i>RMB'000</i>	2018 <i>RMB'000</i>
Profit before taxation	<u>9,120,263</u>	<u>9,977,017</u>
Tax at the applicable tax rate of 25%	2,280,066	2,494,254
Preferential tax rates on income of group entities	(113,980)	(136,952)
Tax effect of share of profits less losses of associates and joint ventures	(118,815)	(187,199)
Tax effect of non-deductible expenses	100,099	65,086
Tax effect of non-taxable income	(30,749)	(255,466)
Deductible temporary differences and tax losses not recognised	613	15,847
Utilisation of tax losses not recognised in prior years	(18,180)	(106,952)
Utilisation of deductible temporary differences not recognised in prior years	(247,737)	(113,028)
Under/(over)-provision in respect of prior years	<u>5,182</u>	<u>(13,444)</u>
Taxation for the year	<u>1,856,499</u>	<u>1,762,146</u>

9. EARNINGS PER SHARE

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

	2019 <i>RMB'000</i>	2018 <i>RMB'000</i>
Earnings		
Earnings for the purpose of basic and diluted earnings per share	<u>6,420,294</u>	<u>7,350,661</u>

	2019 <i>'000</i>	2018 <i>'000</i>
Number of shares		

Number of ordinary shares for the purpose of basic and diluted earnings per share	<u>13,734,961</u>	<u>13,734,961</u>
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The number of ordinary shares for the purpose of basic and diluted earnings per share is calculated based on the number of ordinary shares in issue during the year, as adjusted to reflect the number of treasury shares held by Cathay Pacific through reciprocal shareholding

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

10. DIVIDENDS

Dividends for the shareholders of ordinary shares of the Company recognised as distribution during the year:

	2019 <i>RMB'000</i>	2018 <i>RMB'000</i>
Final dividend in respect of the previous financial year, approved during the current year, of RMB1.0328 per ten shares (including tax) (2018: RMB1.1497 per ten shares (including tax))	<u>1,500,123</u>	<u>1,669,918</u>

Subsequent to the end of the reporting period, final dividend in respect of the year ended 31 December 2019 of RMB0.4442 per ten ordinary shares (approximately RMB645 million in aggregate for ordinary shares) has been proposed by the Directors and is subject to approval by the shareholders at the forthcoming annual general meeting.

11. ACCOUNTS RECEIVABLE

	2019 <i>RMB'000</i>	2018 <i>RMB'000</i>
Accounts receivable	6,242,241	5,590,112
Less: Allowance for expected credit losses	<u>(244,551)</u>	<u>(216,140)</u>
	<u>5,997,690</u>	<u>5,373,972</u>

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:

	2019 <i>RMB'000</i>	2018 <i>RMB'000</i>
Within 30 days	2,589,150	2,548,148
31 to 60 days	789,472	696,437
61 to 90 days	452,542	514,171
Over 90 days	<u>2,166,526</u>	<u>1,615,216</u>
	<u>5,997,690</u>	<u>5,373,972</u>

12. ACCOUNTS PAYABLE

The ageing analysis of the accounts payable as at the end of the reporting period was as follows:

	2019	2018
	<i>RMB'000</i>	<i>RMB'000</i>
Within 30 days	7,760,994	7,587,233
31 to 60 days	1,599,072	1,440,778
61 to 90 days	1,201,101	1,063,182
Over 90 days	<u>6,016,986</u>	<u>4,635,235</u>
	<u><u>16,578,153</u></u>	<u><u>14,726,428</u></u>

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

CONSOLIDATED BALANCE SHEET

At 31 December 2019

(Prepared under the Accounting Standards for Business Enterprises of the PRC)

ASSETS	31 December 2019 RMB'000	31 December 2018 RMB'000
Current assets		
Cash and bank	9,663,667	7,807,572
Bills receivable	362	403
Accounts receivable	5,997,690	5,373,972
Other receivables	3,245,439	3,031,157
Prepayments	479,029	1,188,879
Inventories	2,098,673	1,877,494
Other current assets	<u>3,331,996</u>	<u>4,446,630</u>
Total current assets	<u>24,816,856</u>	<u>23,726,107</u>
Non-current assets		
Debt instruments at fair value through other comprehensive income	1,688,451	1,040,419
Long-term receivables	814,507	1,142,235
Long-term equity investments	16,051,151	16,540,888
Equity instruments at fair value through other comprehensive income	255,156	270,114
Investment properties	151,443	170,942
Fixed assets	88,890,118	160,402,819
Right-of-use assets	116,827,217	–
Construction in progress	35,276,017	32,179,581
Intangible assets	3,722,394	3,759,144
Goodwill	1,102,185	1,102,185
Long-term deferred expenses	366,554	606,105
Deferred tax assets	<u>4,291,504</u>	<u>2,775,467</u>
Total non-current assets	<u>269,436,697</u>	<u>219,989,899</u>
Total assets	<u>294,253,553</u>	<u>243,716,006</u>

LIABILITIES AND SHAREHOLDERS' EQUITY	31 December 2019 RMB'000	31 December 2018 RMB'000
Current liabilities		
Short-term loans	13,566,403	17,561,546
Short-term bonds payable	7,381,933	3,467,482
Accounts payable	17,307,980	16,174,121
Domestic air traffic liabilities	3,706,816	3,238,429
International air traffic liabilities	6,273,484	5,647,845
Contract liabilities	1,037,031	1,301,518
Employee compensations payable	3,196,108	2,806,901
Taxes payable	1,255,056	1,428,926
Other payables	9,031,542	7,162,819
Non-current liabilities repayable within one year	<u>14,873,364</u>	<u>13,441,489</u>
Total current liabilities	<u>77,629,717</u>	<u>72,231,076</u>
Non-current liabilities		
Long-term loans	1,200,430	3,185,481
Corporate bonds	15,398,535	12,400,000
Long-term payables	4,971,572	4,208,771
Lease liabilities/ obligations under finance leases	86,586,353	45,848,095
Defined benefit obligations	249,933	263,862
Accrued liabilities	3,026,793	431,705
Deferred income	521,227	647,973
Deferred tax liabilities	621,440	879,372
Other non-current liabilities	<u>2,670,910</u>	<u>3,062,739</u>
Total non-current liabilities	<u>115,247,193</u>	<u>70,927,998</u>
Total liabilities	<u>192,876,910</u>	<u>143,159,074</u>
Shareholders' equity		
Issued capital	14,524,815	14,524,815
Capital reserve	26,270,841	26,270,841
Other comprehensive income	(14,562)	(962,968)
Reserve funds	11,026,605	10,409,470
Retained earnings	41,587,530	42,880,893
General reserve	<u>110,628</u>	<u>93,188</u>
Equity attributable to shareholders of the Company	93,505,857	93,216,239
Non-controlling interests	<u>7,870,786</u>	<u>7,340,693</u>
Total shareholders' equity	<u>101,376,643</u>	<u>100,556,932</u>
Total liabilities and shareholders' equity	<u>294,253,553</u>	<u>243,716,006</u>

EFFECTS OF DIFFERENCES BETWEEN IFRSs AND CASs

The effects of differences between the consolidated financial statements of the Group prepared under IFRSs and CASs are as follows:

	2019 <i>RMB'000</i>	2018 <i>RMB'000</i>
Net profit attributable to shareholders of the Company under CASs	6,408,576	7,336,327
Deferred taxation	(3,906)	(4,778)
Differences in value of fixed assets and other non-current assets	15,624	19,112
	<hr/>	<hr/>
Net profit attributable to shareholders of the Company under IFRSs	6,420,294	7,350,661
	<hr/> <hr/>	<hr/> <hr/>
	31 December 2019 <i>RMB'000</i>	31 December 2018 <i>RMB'000</i>
Equity attributable to shareholders of the Company under CASs	93,505,857	93,216,239
Deferred taxation	60,948	64,854
Differences in value of fixed assets and other non-current assets	(248,047)	(263,671)
Unrealised profit of the disposal of Hong Kong Dragon Airlines Limited	139,919	139,919
	<hr/>	<hr/>
Equity attributable to shareholders of the Company under IFRSs	93,458,677	93,157,341
	<hr/> <hr/>	<hr/> <hr/>

SUMMARY OF OPERATING DATA

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

	Current period	Previous period	Increase/ (decrease)
Capacity			
ASK (million)	287,787.61	273,600.29	5.19%
International	109,336.78	103,475.62	5.66%
Mainland China	167,662.03	160,134.78	4.70%
Hong Kong SAR, Macau SAR and Taiwan, China	10,788.80	9,989.88	8.00%
AFTK (million)	10,951.75	10,710.56	2.25%
International	6,471.54	6,318.43	2.42%
Mainland China	4,222.84	4,139.15	2.02%
Hong Kong SAR, Macau SAR and Taiwan, China	257.38	252.99	1.74%
ATK (million)	36,917.59	35,390.26	4.32%
Traffic			
RPK (million)	233,176.14	220,528.34	5.74%
International	86,618.30	80,390.72	7.75%
Mainland China	138,193.52	132,102.72	4.61%
Hong Kong SAR, Macau SAR and Taiwan, China	8,364.31	8,034.91	4.10%
RFTK (million)	4,778.74	4,957.96	(3.61%)
International	3,150.59	3,324.61	(5.23%)
Mainland China	1,555.56	1,543.72	0.77%
Hong Kong SAR, Macau SAR and Taiwan, China	72.59	89.63	(19.01%)
Passengers carried (thousand)	115,006.12	109,726.59	4.81%
International	17,096.11	15,365.15	11.27%
Mainland China	92,550.97	89,257.14	3.69%
Hong Kong SAR, Macau SAR and Taiwan, China	5,359.05	5,104.30	4.99%
Cargo and mail carried (tonnes)	1,434,203.10	1,460,956.40	(1.83%)
Kilometres flown (million)	1,454.24	1,386.70	4.87%
Block hours (thousand)	2,285.05	2,194.53	4.12%
Number of flights	742,923	710,037	4.64%
International	97,785	90,904	7.57%
Mainland China	604,863	582,223	3.89%
Hong Kong SAR, Macau SAR and Taiwan, China	40,275	36,910	9.12%
RTK (million)	25,363.67	24,506.93	3.50%

	Current period	Previous period	Increase/ (decrease)
Load factor			
Passenger load factor (RPK/ASK)	81.02%	80.60%	0.42 ppt
International	79.22%	77.69%	1.53 ppt
Mainland China	82.42%	82.49%	(0.07 ppt)
Hong Kong SAR, Macau SAR and Taiwan, China	77.53%	80.43%	(2.90 ppt)
Cargo and mail load factor (RFTK/AFTK)	43.63%	46.29%	(2.66 ppt)
International	48.68%	52.62%	(3.93 ppt)
Mainland China	36.84%	37.30%	(0.46 ppt)
Hong Kong SAR, Macau SAR and Taiwan, China	28.20%	35.43%	(7.23 ppt)
Overall load factor (RTK/ATK)	68.70%	69.25%	(0.55 ppt)
Daily utilisation of aircraft (block hours per day per aircraft)	9.72	9.53	0.19 hour
Yield			
Yield per RPK (RMB)	0.5340	0.5461	(2.22%)
International	0.4303	0.4376	(1.67%)
Mainland China	0.5902	0.6028	(2.09%)
Hong Kong SAR, Macau SAR and Taiwan, China	0.6813	0.6998	(2.64%)
Yield per RFTK (RMB)	1.1995	1.2818	(6.42%)
International	1.2689	1.3590	(6.63%)
Mainland China	0.9778	1.0148	(3.65%)
Hong Kong SAR, Macau SAR and Taiwan, China	2.9382	3.0139	(2.51%)
Unit cost			
Operating cost per ASK (RMB)	0.4364	0.4460	(2.15%)
Operating cost per ATK (RMB)	3.4021	3.4481	(1.33%)

Note: As at 28 December 2018, the Company completed the relevant matters in relation to the transfer of 51% equity interest in Air China Cargo to China National Aviation Capital Holding Co., Ltd., and since then the Company ceased to hold any equity interest in Air China Cargo. Thus, from January 2019, the periodic reports of the Company no longer contained fleet information of Air China Cargo and the operating data would only include freight data of the bellyhold space of passenger aircraft. Also, the freight data, yield and unit cost of the previous period would no longer contain Air China Cargo's freight data of its freighters, and shall be adjusted to a comparable basis.

Fleet Information

During the year of 2019, the Group introduced a total of 48 aircraft, including four A350, one A330-300, two B737-8MAX, four B737-800, thirty A320NEO and seven A321NEO, among which one was bought with our own funds, 27 were introduced under finance leases and 20 were introduced under operating leases. On the other hand, the Group phased out 18 aircraft, including twelve B737-800, four A320 and two A319.

As at the end of 2019, the Group had a total of 699 passenger aircraft including business jets, with an average age of 6.96 years. Among the aircraft set out above, the Company operated a fleet of 426 aircraft in total, with an average age of 7.25 years. The Company introduced 29 aircraft and phased out 12 aircraft, among which two were sold to Air Macau, two were sold to Dalian Airlines and two were sold to Air China Inner Mongolia.

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

	Sub-total	Self-owned	Finance leases	Operating leases	Average age (year)
Passenger aircraft	694	285	207	202	6.96
Airbus	365	141	115	109	7.06
A319	43	32	6	5	12.40
A320/A321	247	81	91	75	6.22
A330	65	28	8	29	7.65
A350	10	0	10	0	1.04
Boeing	329	144	92	93	6.84
B737	277	120	72	85	7.03
B747	10	8	2	0	10.47
B777	28	4	18	6	5.71
B787	14	12	0	2	2.86
Business jets	5	1	0	4	7.41
Total	699	286	207	206	6.96

Passenger aircraft	Introduction Plan			Phase-out Plan		
	2020	2021	2022	2020	2021	2022
Airbus	34	41	8	3	1	5
A319	–	–	–	2	–	3
A320/A321	29	34	–	1	1	2
A350	5	7	8	–	–	–
Boeing	–	–	–	1	–	5
B737	–	–	–	1	–	5
COMAC	3	6	8	–	–	–
ARJ21	3	6	8	–	–	–
Total	<u>37</u>	<u>47</u>	<u>16</u>	<u>4</u>	<u>1</u>	<u>10</u>

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

2019 REVIEW

2019 was a crucial year for completing the building of a moderately prosperous society in all respects. Under the guidance of Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era, the Group faithfully fulfilled its political and social responsibilities as a central enterprise. In doing so, the Group earnestly studied and implemented the important instructions of General Secretary Xi Jinping, resolutely carried out the decisions and arrangements of the Central Committee of the Party and the State Council, and adhered to new development philosophy and requirements of high-quality development. With a commitment to becoming a world's leading enterprise, the Group capitalized on opportunities and surmounted difficulties to maintain safe and stable operation and improved its service quality on a continuous basis. Thus, the Group stayed at the forefront of the industry in terms of operating performance with strengthened competitive advantages. At the same time, positive and stable development was sustained in all aspects and new progress in high-quality development was achieved.

In 2019, the Group's revenue amounted to RMB136,181 million with a profit before tax of RMB9,120 million. Net profit attributable to equity shareholders of the Company was RMB6,420 million. The Group recorded 2.285 million accident-free flight hours, representing a year-on-year increase of 4.12%; traffic measured by RTK reached 25,364 million tonne kilometres, representing a year-on-year increase of 3.50%; 115 million passengers were carried, representing a year-on-year increase of 4.81%; the volume of cargo and mail carried amounted to 1,434.2 thousand tonnes, down by 1.83% on a year-on-year basis.

The Group stayed committed to the overarching principle of pursuing progress while ensuring stability. Amidst the increasingly complicated operating environment, the Group continued to push forward and deepen its reform and enhanced its growth momentum steadily, industry leading operating result was thus maintained. The Group continued to optimise the operation of the entire fleet in order to eliminate the impact of insufficient capacity, and continued to align its investments closely with market demand, thereby improving its resource utilization efficiency. Focusing consistently on the establishment of world-class hubs, the Group has delivered satisfactory results in the quick-profitting projects with solid progress achieved in network expansion. The Group continued to strengthen its marketing control capacity and deepen the transformation of its business model while reinforcing the refined management of yield and enhancing its competitive edges in marketing quality. In advancing its premium brand strategy, the Group has enhanced the synergy of its service provision with a focus on flight punctuality management, which significantly improved the quality of its operation and services. Meticulous arrangements have been made for the first flight and commencement of operation at Daxing Airport, ensuring safe and smooth operation in the two airports in Beijing. In response to the “Belt and Road” Initiative, the Group newly launched 9 international and regional routes such as Beijing-Nice, Shanghai-London and Hangzhou-Rome, and continued to extend the breadth and frequency of the route network of Beijing Hub. The Group also pushed forward the digital transformation and formed a leadership role in experience-oriented services. The Group has garnered 63.5953 million “Phoenix Miles” members, with a 5% year-on-year increase in revenue contributed by frequent fliers; while the number of mobile client users and the relevant sales revenue exceeded 10 million and RMB10 billion, respectively. The Group has devoted greater efforts in brand communication, and participated in the second China International Import Expo and supported the organization of Beijing Winter Olympic Games and International Horticultural Exhibition. The Group also carried out joint marketing and promotion, thereby significantly enhancing the brand recognition and influence of the Company.

The Group forged ahead in the three critical battles and achieved positive progress. Owing to the Group’s full devotion to poverty alleviation, Sonid Right Banner, an aid recipient county, has been lifted from poverty, while Zhaoping county has attained its annual target for poverty alleviation. The Group was rated “Excellent”, the highest grade, in the assessment of its targeted poverty alleviation work by the central government for two consecutive years. To actively prevent and control material risks, the Group enhanced its capability in risk compliance management, reinforced the foundation for system management and further promoted the development of its internal audit system. The construction of rule of law progressed smoothly. Law-based corporate governance and compliant operation became the general consensus among all staff members. With a commitment to winning the Blue Sky Defense War, the Group optimized its energy-saving and environmental protection management system, and propelled the implementation of energy-saving and emission reduction projects. The Company won the 10th China Environmental Award, and was distinguished as an exemplary company in the special industry inspection.

With a focus on tasks in relation to the state-owned enterprise reform, the Group implemented the requirements under the “two principles that must be consistently adhered to” (「兩個一以貫之原則」) to facilitate the incorporation of the guidance of the Communist Party into its corporate governance and step up the efforts in the regulated development of the Board, with a view to ensuring the coordinated operation, scientific decision-making and stable development of various governance bodies. The Board of the Company was once again honoured with the “Best Board of Directors” award of the 15th Golden Round Table Award of the Board of Directors of Chinese Listed Companies, and won the “Best Listed Company in terms of Corporate Governance” and “Listed Company with Best Investment Value” awards from the 9th Golden Bauhinia Awards for Hong Kong and China Securities.

In response to the successive outbreak of novel coronavirus pneumonia pandemic in various regions at the beginning of 2020, the Group spared no effort in prevention and control of the pandemic in the bid to maximize the protection of health and safety of its passengers and employees. The Group earnestly performed its social responsibilities at the same time to contribute to this battle against the pandemic. The Group also strived to minimize the impact of the pandemic by adjusting its capacity structure, optimizing yield management, strengthening cost control, and placing more emphasis on risk management and control. We believe that, under the leadership of the Central Committee of the Party and with the nationwide endeavors of the public on a united front, we will surely be able to triumph over this battle of containing the pandemic.

The year of 2020 is the finale year for the 13th Five-year Plan, as well as a critical year for completing the building of a moderately prosperous society in all respects and achieving the first centenary goal. Faced with the missions, risks and challenges posed by the current situation, the Group will unite more closely around the Central Committee of the Party with President Xi Jinping at the core, and make concerted and aggressively excelling efforts to drive the modernization of its governance system and capability. The Group will also leverage its remarkable operation performance to lay a solid foundation for establishing itself as a top-tier global aviation transportation group, and make greater contributions to the great accomplishment of completing the building of a moderately prosperous society in all respects.

BUSINESS OVERVIEW

In 2019, the Group recorded a revenue of RMB136,181 million, a profit before tax of RMB9,120 million and a net profit attributable to equity shareholders of the Company of RMB6,420 million. The competitiveness of our core business was consolidated and improved. We have steadily expanded the fleet investment scale, strengthened the restructuring of operation resources, continuously enhanced the capacity input, diligently exploited the potential of production and insisted on “optimising the operation of the entire fleet”, and continued to enhance aircraft utilization efficiency. By insisting on new development concepts and focusing on high quality development, the Company continuously improved the operating quality, strengthened the refined cost management, and continued to maintain its leading advantages in the industry.

In 2019, the Group’s ASKs and RPKs reached 287,788 million and 233,176 million, representing a year-on-year increase of 5.19% and 5.74%, respectively. The passenger load factor was 81.02%, representing a year-on-year increase of 0.42 ppt. The Group’s AFTKs and RFTKs reached 10,952 million and 4,779 million, representing a year-on-year increase of 2.25% and a year-on-year decrease of 3.61%, respectively. The Group’s cargo and mail load factor was 43.63%, representing a year-on-year decrease of 2.66 ppt.

Safe Operation

- We are well aware that safety responsibility is also a kind of political responsibility, and the guarantee for safe flight underlies the foundation of the Group’s original aspiration and mission. We further promoted the implementation of 30 measures aiming at ensuring sustainable and safe development by firmly establishing the concept of safe development and holding the bottom line of safety.
- The Company devoted greater efforts in the development of systems and mechanisms in order to reinforce the foundation of its safe development. We have optimized the security risk management and control mechanism by promoting the development of a three-level risk management and control system. We have also improved the flight training system through the adoption of the new Flight Standard Operating Procedure Manual (SOP), thereby consolidating our business foundation on a continuous basis. A new system for AGS flight quality supervision has been applied to further enhance the management and control capability over the operation process. Moreover, the Company optimized the aircraft maintenance system by promoting the integration of maintenance quality management system and improving the preventive maintenance services. AMECO was awarded the maintenance license issued by the Civil Aviation Administration of China after the reform of “integrating certificates into one”. Meanwhile, the Company also optimized the operational system by enhancing the function of its system operation control (SOC) system more rapidly, and by facilitating the upgrade of dynamic management model and flight dispatch and release model in an orderly manner.

- During the Reporting Period, the Group recorded 2.285 million safe flight hours, representing a year-on-year increase of 4.12%. 1,454.24 million safe flight kilometres were recorded, representing a year-on-year increase of 4.87%; 115 million passengers were transported safely, representing a year-on-year increase of 4.81%. The Company had successfully safeguarded the provision of important transportation services involved in various events such as the second “Belt and Road” Forum for International Cooperation, Beijing International Horticultural Exhibition, Conference on Dialogue of Asian Civilizations and the celebration of the 70th anniversary of the founding of the People’s Republic of China.

Hub Network

- The Company’s principal base is located at Beijing Capital International Airport, also known as “the first gateway to China”, which has a unique and prime location advantage. During the Reporting Period, we actively promoted the renovation project for Terminal 3 and other construction projects including the fourth runway and the landside integrated transportation hub, with a view to establishing Beijing Capital International Airport as a world-class hub with unwavering efforts.
- Beijing World-class Hub newly launched international and domestic routes such as Beijing-Phnom Penh, Beijing-Nice, Beijing-Kashi and Beijing-Changzhi. Flight frequencies of Beijing-Shanghai, Beijing-Guangzhou and other routes were increased. The total OD connected by Beijing Hub increased to 6,332 and the number of persons who has received interlining services provided by the hub increased by 7% year-on-year. The all entrusted baggage through check services business covered 96% of total passengers who transit to China from the abroad via Beijing. Travel products for 144-hour visa-free transit in Beijing and the “Transit in Beijing” product package have been launched; and the number of product line under the joint transport product combining flight and ground transportation had increased to 33.
- Chengdu International Hub newly launched Chengdu-Bazhong-Shanghai, Chengdu-Wuyishan and other routes. Currently, there is a total of 39 navigation points for transiting to overseas countries via Chengdu. Various measures including priority security check channels for transit were launched, which led to a year-on-year increase of 6% in the number of transit passengers. Leveraging the opportunities arising from the development of Chengdu New Tianfu International Airport (成都新天府機場), the Company has formulated plans for operation and route network for “two airports in one city”, striving towards its development goal of becoming a top-tier aviation hub in the world.
- The Company newly launched international and regional routes such as Shanghai-London, Hangzhou-Rome, Tianjin-Osaka, Yinchuan-Hong Kong, Chongqing-Tokyo, Chongqing-Okinawa, Hohhot-Ulaanbaatar and Wenzhou-Bangkok, as well as domestic routes such as Hohhot-Shenyang, Chongqing-Changchun, Zhengzhou-Yinchuan and Guiyang-Fuzhou.

- As at the end of the Reporting Period, the Company, Shenzhen Airlines (including Kunming Airlines), Air Macau, Beijing Airlines, Dalian Airlines and Air China Inner Mongolia operated a total of 770 passenger routes, including 137 international routes, 27 regional routes and 606 domestic routes. The Company’s passenger routes reached 43 countries and regions and 187 cities, including 65 international cities, 3 regions and 119 domestic cities. Through cooperation with members of Star Alliance, the Company has further expanded its service coverage to 1,317 destinations in 195 countries and regions.
- In 2020, the Company intends to launch new international and domestic routes such as Chongqing-San Francisco, Hangzhou-Tokyo, Beijing-Yan’an and Shanghai (Pudong)-Shenyang.

Products and Services

- The Company upheld the doctrine of offering sincere services and focused on the goal of building a “world-class model enterprise”. During the Reporting Period, the Company further deepened the “three orientations” in terms of values, customers and issues, and implementing the “three comprehensive strategies” of global benchmarking, full-process governance and full-chain capacity. Refined measures such as raising the standards of service systems, improving the quality of hardware regarding service provision, upgrading soft services and products and developing professional service teams were implemented.
- From governance of business to governance of systems: With a commitment to keep abreast of global standards, the Company has comprehensively improved the quality of its three “principal products”. The standards for allocation of aircraft seats and entertainment systems were released, striving to strengthen the management on its principal in-flight products throughout the product lifecycle at the system level. The Company also released the “General Rules for Standard System of Products and Services at Touchpoints throughout the Whole Process (《全流程接觸點產品服務標準體系總則》)” with 106 standards for whole process product and service and the “Manual of Standards for Products and Services at Touchpoints throughout the Whole Process (《全流程接觸點產品服務標準手冊》)”, signifying the completion of the establishment of whole process product standard system.
- The Company has enhanced its internal and external synergistic coordination as well as management and control over various key aspects with a focus on flight punctuality management. The flight punctuality rate of the Company reached 81.83%.
- The renovation of old lounges and construction of new lounges have commenced and the lounge at Hangzhou airport was put into trial operation. Leveraging the resources of CNAHC, the Company has established a global catering supply management center and a cultural and entertainment brand under Air China, thereby improving the quality of its catering and aircraft entertainment in an all-rounded manner.

- Beijing Hub has realized a new smart service model of “self-service-oriented, manual assisted” by setting up a “Self-service Area” for domestic routes, which was equipped with 40 self-service baggage check-in devices and facial recognition-based self-boarding devices. It has also promoted the “paperless” convenient travel service in full swing by putting into service the QR code e-boarding pass clearance service in 105 cities within China. Moreover, the first international route adopting “paperless” travel services was launched, i.e. the Beijing-Australia route.
- The Company has enriched the functions of Air China APP by launching various new functions, such as Air China’s wallet and credit payment (國航錢包信用付), non-voluntary self-service flight-ticket changing, air-rail and air-bus interline operations, cross-platform ticket sales between Air China and Shenzhen Airlines, and irregular flight services, which have integrated the whole service chain of and increased the scenarios through which services are provided on the APP.
- The Company has provided whole process training with full coverage to its service team to facilitate the improvement of their professionalism through mediums such as positional and vocational skill system and vocational skills contests.

Sales and Marketing

- The Company continued to explore potentials of its core resources. Adhering to the general guidelines of optimizing the operation of the entire fleet, we have strengthened the management over fleet value and established fixed flight cycle. Under the combined effects of various factors such as capacity shortage, sluggish international (regional) markets and major events, the daily utilisation of aircraft reached 9.72 hours, representing a year-on-year growth of 0.19 hours.
- The Company has strengthened the refined management of yield and optimized the pricing management system. Sales revenue recorded a year-on-year growth of 2.1%, while the revenue from its premium cabins services saw a 2.4% year-on-year increase. We strenuously promoted the Phase 2 business model transformation project and realized scenario-based payment services based on frequent fliers’ credit points. To keep pace with the rapid upgrade of e-commerce platforms and websites, we also carried out over 30 iterative developments with over 1,900 improved and new functions, boosting the number of registered users of Air China APP to over 10 million with sales revenue exceeding RMB10 billion, representing a year-on-year growth of 39%.

- The Company launched paid upgrade product at departure gates at 52 domestic airports and 16 international airports, and introduced products such as the Premium Economy Class for in-flight upgrade of economy class on the new A350 aircraft. We have also expanded the sales channel of paid seat selection and prepaid luggage. The number of persons who has received our travelling products and services increased by 52.4% year-on-year. During the Reporting Period, the accumulated sales revenue contributed by aviation-related income from ancillary products amounted to RMB360 million, representing a year-on-year increase of 57%, and the revenue generated from upgrade product, paid seat selection and prepaid luggage recorded a year-on-year growth of 103%, 21% and 33%, respectively.
- The Company has accelerated the application of innovative marketing and further promoted the transformation of its business models. New segments such as commission-based collaboration, attributable tenants and mileage payment were added to the loyalty point platform. Mileage payment business was introduced to 1,155 tenants or duty-free shops, marking continuous expansion of Air China’s travel ecosystem.
- “Phoenix Miles” won the “Best Quality Frequent-flyer Program (最佳品質常旅客計劃)” award from Xinhua Net. As at the end of the Reporting Period, the total number of “Phoenix Miles” members amounted to 63.5953 million. With the all-round upgrade of services offered to the frequent fliers, customer loyalty and stickiness also increased remarkably, leading to a year-on-year growth of 5% in the revenue contributed by frequent fliers.

Brand Value

- Air China positioned its brand as “professional and reliable with both international quality and Chinese temperament”. By virtue of the immense historical heritage, we strive to create perfect travel experience and help passengers to stay safe by upholding the spirit of phoenix of being a practitioner, promoter and leader for the 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 innovative and excelling efforts.

- The Company fulfilled its social and political responsibilities by participating in an array of activities, including the exhibition hall featuring “Wings of Dream (夢之翼)” of Beijing International Horticultural Exhibition, the Beijing 2022 Winter Olympic Games, the 2nd China International Import Expo and the maiden flight of Beijing Daxing International Airport. The new version of “Panda” inflight safety instructions video was launched in an effort to reinforce a younger brand image of Air China. The brand culture was communicated and well-received by the public, which contributed to the enhancement of the Company’s brand value. The brand communication project of Air China titled “Landing with Dreams” and the cultural innovation work in relation to the brand’s IP image “Panda” have received a number of domestic and international awards, including the “2018 Brand Innovation Achievement of Chinese Enterprises – Innovative Brand Culture and Innovative Brand Communication Award (2018年中國企業品牌創新成果品牌文化創新和品牌傳播創新獎)” from China Association for Quality, the 10th Tiger Roar Award – Silver Prize (第10屆虎嘯獎銀獎), the “Excellent Chinese Global Brand Award (中國出海品牌卓越獎)” for the thematic activity of “China Home (中國之家)” at Cannes Lions International Festival of Creativity, the “Best VR/AR” of 2019 Asia Pacific PR Award (亞太公關大獎「最佳VR/AR」獎), and nomination for the “Best Enterprise Brand Communication on the Global Award List” by the PR Week (《公關週刊》全球榜單「最佳企業品牌傳播獎」) for 2019.
- Air China ranked 21st in the list of “Top 500 Most Valuable Chinese Brands 2019” released at the “16th World Brand Convention” of World Brand Lab with a brand value of RMB167.876 billion, which is the highest ranking among civil aviation companies in China. Air China also ranked 281st among global brands in the “The World’s 500 Most Influential Brands (世界品牌500強排行榜)” released by World Brand Lab, up by 6 rankings as compared with last year, and was the only Chinese civil aviation company on the list. Meanwhile, Air China received the “China No.1 Brand Award for Year 2019 (Aviation Services Industry) (2019中國品牌年度大獎NO.1 (航空服務行業))” and a special award named “2019 Cultural Brand Award (2019年文化品牌大獎)”.

Three Critical Battles

- Leveraging the resources of CNAHC, the Company shouldered its corporate social responsibilities by implementing the “8+2” designated poverty alleviation plan. During the Reporting Period, the Company provided nil-consideration supporting funds of over RMB38.51 million to the designated poverty alleviation regions and carried out various supporting projects such as infrastructure construction as well as poverty alleviation through industry, education, health and ecological protection. Special surveys and researches for poverty alleviation have been conducted with poverty alleviation cadres being assigned to these projects. The Company also encouraged its staff to participate in poverty alleviation through consumption. The amount of product purchased for the purpose of poverty alleviation amounted to RMB45.37 million, and the assisted sales of poverty alleviation-related products amounted to RMB4.93 million. Meanwhile, the Company introduced 12 partners in relation to poverty alleviation and commenced collaborative poverty alleviation work in various fields. We helped nurture over 1,000 talents for the poverty-stricken regions and recruited an aggregate of 62 staff members from the poverty alleviation regions. The voluntary supporting education activity of “Air China Class” had been carried out with over 200 volunteers giving a total of over 1,300 class hours, and the trial program of poverty alleviation through aesthetic education has been implemented. During the Reporting Period, Sonid Right Banner, Xilingol League, Inner Mongolia Autonomous Region, an aid recipient county, has been lifted from the status as a national-level poverty-stricken county, while Zhaoping county, Hezhou City, Guangxi Zhuang Autonomous Region has attained its annual target for poverty alleviation.
- The Company has enhanced its capability in risk compliance management, reinforced the foundation for system management and issued the relevant requirements on comprehensive risk management of the Company. The “Year for Enhancement of Compliance Management” activity was carried out, pursuant to which regular management on statutory self-inspection has been achieved. We have accelerated the development of the compliance management system with increased efforts put in compliance training. The rule of law construction of Air China progressed smoothly with law-based corporate governance and compliant operation becoming the general consensus among all staff members. We also further promoted the development of the internal control and audit system and completed 107 internal audit items. Moreover, the Company has enhanced the level of operation management and its risk prevention capability on a continuous basis with a view to actively preventing, controlling and eliminating major operational risks.

- Adhering to the development concept of “green operation for sustainable development”, the Company is fully committed to winning the Blue Sky Defense War. To this end, the Company has optimized its energy-saving and environmental protection management system by issuing the “Implementation Rules for Energy Saving, Environmental Protection, Education and Training (《節能環保及教育培訓實施細則》)”. It has also propelled the “fuel to electricity” project for vehicles within the airports by introducing 97 electric commuter buses, increasing the number of electric vehicles owned by the Company to over 200. Moreover, the Company has commenced the upgrade and transformation of its carbon emission system, through which it has strengthened the monitoring and analysis of carbon emission-related data. Besides, the Company actively participated in promotional activities for environmental protection and charitable purposes. On 5 June, the World Environment Day, we organized a flight event under the theme of “Joining Hands to Build a Green Environment (共建綠水青山)”. The Company won the 10th China Environmental Award, as the first aviation company awarded with such honour.

Innovation and Digitalization

- The Company has continuously uplifted its information technology level and accelerated the application of innovative management. We have completed the top-level design for digital transformation with constantly improved self-development capability and increased effort in the development of the information security and protection system. The “Lounge Service Management System” has been launched and put into service at 33 self-operated lounges at 12 airports across the country, while the “Luggage Service Information System” developed by the Ground Service Department of the Company has received the “QIC-V Grade Technological Achievement Award (QIC-V級技術成果獎)”, the top award of the National Quality Innovation Competition (全國質量創新大賽). Furthermore, the “Human Resources Information System Application Project” and the “Wing of Air China”, which is both the corporate mobile application platform and the standard APP for staff members, received the First Prize and Second Prize at the 17th Innovative Achievements in the Management Modernisation of National Transport Enterprises Award respectively. The Company also put great efforts in aligning with the digitalization strategy of the Star Alliance and received the Star Alliance CEO Award in the field of digitalization and passenger experience.
- The Company has stepped up its efforts in the development of innovative management systems and mechanisms. The Company has commenced its innovation laboratory work in full swing by setting up 2 company-level innovation laboratories and 7 laboratories for special fields. The Company published Administration Measures for Innovation Laboratories/Engineering Technology Centers (《創新實驗室/工程技術中心管理辦法》) and promoted the development of talent, incentive and procurement mechanisms to ensure quality and efficient operation of laboratory work. The Company has pushed forward the cooperation mechanism for innovation studio projects and integrated flight safety assurance, improving service quality, facilitating the enhancement of effectiveness and inspiring designated poverty alleviation. In this regard, 10 innovation laboratories and 30 innovation studios have been set up, among which, the “Innovation Laboratory for QAR Data Application” was awarded the title of “Labor Model Innovation Studio for High-skilled Talents of Chinese Civil Aviation Companies (全國民航勞模高技能人才創新工作室)”.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL POSITION AND OPERATING RESULTS

The following discussion and analysis are based on the Group's consolidated financial statements and the notes thereto prepared in accordance with the IFRSs and are designed to assist the readers in further understanding the information provided in this announcement so as to better understanding the financial conditions and results of operations of the Group as a whole.

Revenue

During the Reporting Period, the Group's revenue was RMB136,181 million, representing a decrease of RMB593 million or 0.43% as compared with last year. Among which, air traffic revenue was RMB130,257 million, representing a decrease of RMB1,579 million or 1.20% as compared with last year; other operating revenue was RMB5,924 million, representing a year-on-year increase of RMB986 million or 19.97%.

Revenue Contributed by Geographical Segments

<i>(in RMB'000)</i>	2019		2018		Change
	Amount	Percentage	Amount	Percentage	
Mainland China	89,000,172	65.35%	86,520,847	63.26%	2.87%
Hong Kong SAR, Macau SAR and Taiwan, China	5,911,532	4.34%	6,029,445	4.41%	(1.96%)
Europe	13,374,965	9.82%	14,865,700	10.87%	(10.03%)
North America	8,821,998	6.48%	11,806,117	8.63%	(25.28%)
Japan and Korea	8,592,855	6.31%	7,607,451	5.56%	12.95%
Asia Pacific and others	10,479,168	7.70%	9,944,843	7.27%	5.37%
Total	<u>136,180,690</u>	<u>100.00%</u>	<u>136,774,403</u>	<u>100.00%</u>	<u>(0.43%)</u>

Air Passenger Revenue

During the Reporting Period, the Group recorded an air passenger revenue of RMB124,525 million, representing an increase of RMB4,095 million over the previous year. Among the air passenger revenue, the increase of capacity contributed an increase of RMB6,245 million to the revenue, and the increase of passenger load factor led to an increase of RMB662 million to the revenue, while the decrease of passenger yield resulted in a decrease in revenue of RMB2,812 million. The Group's capacity, passenger load factor and yield per RPK in 2019 are as follows:

	2019	2018	Change
ASK (<i>million</i>)	287,787.61	273,600.29	5.19%
Passenger load factor (%)	81.02	80.60	Increased by 0.42 ppt
Yield per RPK (<i>RMB</i>)	0.5340	0.5461	(2.22%)

Air Passenger Revenue Contributed by Geographical Segments

<i>(in RMB'000)</i>	2019		2018		Change
	Amount	Percentage	Amount	Percentage	
Mainland China	81,555,227	65.49%	79,627,346	66.12%	2.42%
Hong Kong SAR, Macau SAR and Taiwan, China	5,698,251	4.58%	5,622,473	4.67%	1.35%
Europe	12,007,281	9.64%	11,064,799	9.19%	8.52%
North America	7,917,567	6.36%	8,069,082	6.70%	(1.88%)
Japan and Korea	7,817,141	6.28%	6,854,749	5.69%	14.04%
Asia Pacific and others	9,529,116	7.65%	9,191,545	7.63%	3.67%
Total	<u>124,524,583</u>	<u>100.00%</u>	<u>120,429,994</u>	<u>100.00%</u>	<u>3.40%</u>

Air Cargo and Mail Revenue

During the Reporting Period, the Group's air cargo and mail revenue was RMB5,732 million, representing a decrease of RMB5,673 million as compared with last year. Excluding the impact of deconsolidation of Air China Cargo, air cargo and mail revenue decreased by RMB623 million year-on-year, among which the increase of capacity contributed an increase of RMB143 million to the revenue, while the decrease of cargo and mail load factor resulted in a decrease in revenue of RMB373 million, and the decrease of yield of cargo and mail resulted in a decrease of RMB393 million to the revenue. The capacity, cargo and mail load factor and yield per RFTK in 2019 are as follows:

	2019	2018	Change
Available freight tonne kilometres (<i>million</i>)	10,951.75	10,710.56	2.25%
Cargo and mail load factor (%)	43.63	46.29	Decreased by 2.66 ppt
Yield per RFTK (<i>RMB</i>)	1.1995	1.2818	(6.42%)

Note: Data of year 2018 in the above table excluded the freight transportation data of freighters of Air China Cargo.

Air Cargo and Mail Revenue Contributed by Geographical Segments

<i>(in RMB'000)</i>	2019		2018		Change
	Amount	Percentage	Amount	Percentage	
Mainland China	1,520,998	26.53%	1,954,665	17.14%	(22.19%)
Hong Kong SAR, Macau SAR and Taiwan, China	213,281	3.72%	406,972	3.57%	(47.59%)
Europe	1,367,684	23.86%	3,800,901	33.33%	(64.02%)
North America	904,431	15.78%	3,737,035	32.76%	(75.80%)
Japan and Korea	775,714	13.53%	752,702	6.60%	3.06%
Asia Pacific and others	950,052	16.58%	753,298	6.60%	26.12%
Total	<u>5,732,160</u>	<u>100.00%</u>	<u>11,405,573</u>	<u>100.00%</u>	<u>(49.74%)</u>

Operating Expenses

During the Reporting Period, the Group's operating expenses were RMB125,598 million, representing a decrease of 0.74% from RMB126,537 million in the same period last year. The breakdown of the operating expenses is set out below:

(in RMB'000)	2019		2018		Change
	Amount	Percentage	Amount	Percentage	
Jet fuel costs	35,965,239	28.64%	38,481,303	30.41%	(6.54%)
Take-off, landing and depot charges	16,440,081	13.09%	15,354,941	12.13%	7.07%
Depreciation, amortisation and aircraft and engine lease expenses	22,245,311	17.71%	21,669,230	17.12%	2.66%
Aircraft maintenance, repair and overhaul costs	6,119,539	4.87%	6,612,844	5.23%	(7.46%)
Employee compensation costs	25,473,898	20.28%	24,450,250	19.32%	4.19%
Air catering charges	4,026,090	3.21%	3,787,134	2.99%	6.31%
Selling and marketing expenses	4,684,722	3.73%	4,373,023	3.46%	7.13%
General and administrative expenses	1,844,232	1.47%	1,535,617	1.21%	20.10%
Others	8,798,850	7.00%	10,272,430	8.13%	(14.34%)
Total	<u>125,597,962</u>	<u>100.00%</u>	<u>126,536,772</u>	<u>100.00%</u>	<u>(0.74%)</u>

Jet fuel costs decreased by RMB2,516 million on a year-on-year basis, mainly due to the combined effect of the increase in the consumption and the decrease in prices of jet fuel.

Take-off, landing and depot charges increased by RMB1,085 million on a year-on-year basis, mainly due to an increase in the number of take-offs and landings.

Depreciation, amortisation and aircraft and engine lease expenses increased by RMB576 million on a year-on-year basis, mainly due to the increase in the number of self-owned and leased aircraft.

Aircraft maintenance, repair and overhaul costs decreased by RMB493 million on a year-on-year basis, mainly due to the implementation of the IFRS 16 *Leases* during the Reporting Period.

Employee compensation costs increased by RMB1,024 million on a year-on-year basis, mainly due to the impact of the expansion of operation scale and the increase in the number of employees.

Air catering charges increased by RMB239 million on a year-on-year basis, mainly due to the increase in the number of passengers.

Sales and marketing expenses increased by RMB312 million on a year-on-year basis, mainly due to the impact of the deconsolidation of Air China Cargo and the increase in booking fees resulting from the increase in the number of passengers during the Reporting Period.

Other operating expenses mainly included contributions to the civil aviation development fund and ordinary expenses arising from the core air traffic business not specifically mentioned above, which decreased by 14.34% on a year-on-year basis. The decrease was mainly due to effect of the policy regarding 50% reduction of the collection of civil aviation development fund implemented since 1 July 2019.

Finance Income, Finance Costs and Net Exchange Loss

During the Reporting Period, the Group recorded a finance income of RMB163 million, representing a year-on-year decrease of RMB10 million or 5.44%; and incurred finance costs (excluding the capitalised portion) of RMB4,949 million, representing a year-on-year increase of RMB2,035 million, which is mainly attributable to the impact of the implementation of the IFRS 16 *Leases*. During the Reporting Period, the Group recorded a net exchange loss of RMB1,211 million, representing a year-on-year decrease of RMB1,166 million.

Share of Results of Associates and Joint Ventures

During the Reporting Period, the Group's share of results of its associates and joint ventures was a profit of RMB475 million, representing a year-on-year decrease of RMB274 million. Among which, during the Reporting Period, the Group recognized a gain on investment of Cathay Pacific of RMB67 million, representing a year-on-year decrease of RMB135 million; and recognized a loss on investment of Tibet Airlines of RMB119 million, while the gain on investment was RMB79 million for the same period last year.

Material Acquisitions and Disposals

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

Assets Structure Analysis

As a result of the implementation of the IFRS 16 *Leases*, the Group recorded a total assets of RMB280,374 million as at 1 January 2019, representing an increase of RMB36,717 million from that as at 31 December 2018. As at the end of the Reporting Period, the total assets of the Group was RMB294,206 million, representing an increase of 4.93% from that as at 1 January 2019, among which current assets accounted for RMB24,817 million or 8.44% of the total assets, while non-current assets accounted for RMB269,389 million or 91.56% of the total assets.

Among the current assets, cash and cash equivalents were RMB8,935 million, accounting for 36.00% of the current assets and representing an increase of 32.12% from that as at 1 January 2019.

Among the non-current assets, the net book value of property, plant and equipment and right-of-use assets as at the end of the Reporting Period amounted to RMB221,535 million, accounting for 82.24% of the non-current assets and representing an increase of 4.87% from that as at 1 January 2019.

Asset Mortgage

As at the end of the Reporting Period, the Group, pursuant to certain bank loans and finance leasing agreements, had mortgaged certain aircraft and premises with an aggregated net book value of approximately RMB81,724 million (RMB85,514 million as at 31 December 2018) and land use rights with net book value of approximately RMB27 million (RMB28 million as at 31 December 2018). In addition, as at the end of the Reporting Period, the Group had restricted bank deposits of approximately RMB728 million (approximately RMB1,044 million as at 31 December 2018), which were mainly 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 RMB25,855 million, of which the total investment in aircraft was RMB19,875 million, mainly including procurement of aircraft and engines, aircraft modifications, flight simulators, etc. Other capital expenditure investment amounted to RMB5,980 million, mainly including infrastructure construction, IT system construction, ground equipment procurement and cash component of the long-term investments.

Equity Investment

As at the end of the Reporting Period, the Group's equity investment in its associates amounted to RMB14,648 million, representing an increase of 4.05% from the beginning of 2019. Among this, the balance of the equity investment of the Group in Cathay Pacific, Shandong Aviation Group Corporation and Shandong Airlines amounted to RMB12,337 million, RMB1,155 million and RMB619 million, respectively, with such companies recording profits of RMB1,498 million, RMB375 million and RMB361 million, respectively during the Reporting Period.

As at the end of the Reporting Period, the Group's equity investment in its joint ventures was RMB1,544 million, representing an increase of 8.16% from that as at 1 January 2019, mainly due to the recognized gain on investment from the joint ventures during the Reporting Period.

Debt Structure Analysis

As a result of the implementation of the IFRS 16 *Leases*, the Group recorded total liabilities of RMB185,966 million as at 1 January 2019, representing an increase of RMB42,807 million from those as at 31 December 2018. As at the end of the Reporting Period, the Group's total liabilities were RMB192,877 million, representing an increase of 3.72% from that as at 1 January 2019. Among them, current liabilities amounted to RMB77,973 million, accounting for 40.43% of the total liabilities; and non-current liabilities amounted to RMB114,904 million, accounting for 59.57% of the total liabilities.

Among the current liabilities, interest-bearing debts (including bank loans and other borrowings, corporate bonds and lease liabilities) amounted to RMB36,591 million, representing a decrease of 7.17% from that as at 1 January 2019, which is mainly attributable to the decrease in working capital loans of the Group.

Among the non-current liabilities, interest-bearing debts (including bank loans and other borrowings, corporate bonds and lease liabilities) amounted to RMB103,185 million, representing an increase of 6.48% from that as at 1 January 2019.

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

(in RMB'000)	31 December 2019		1 January 2019		Change
	Amount	Percentage	Amount	Percentage	
US dollars	60,356,994	43.18%	66,022,894	48.43%	(8.58%)
RMB	77,029,395	55.11%	68,549,101	50.28%	12.37%
Others	2,390,421	1.71%	1,757,348	1.29%	36.02%
Total	<u>139,776,810</u>	<u>100.00%</u>	<u>136,329,343</u>	<u>100.00%</u>	<u>2.53%</u>

Capital Commitments

The Group's capital commitments, which mainly consisted of the payables in the next few years for purchasing certain aircraft and related equipment, decreased by 6.74% from RMB39,269 million as at 31 December 2018 to RMB36,621 million as at the end of the Reporting Period. The Group's investment commitments, which was mainly used in the investment agreements entered into, amounted to RMB24 million as at the end of the Reporting Period, representing a decrease of RMB35 million from RMB59 million as at 31 December 2018.

Capital Expenditure Plan and Relevant Financing Plan for Aircraft and Related Equipment for the Coming Three Years

The Group has set the total budgeted capital expenditure for aircraft and related equipment at RMB88,898 million, of which RMB30,116 million, RMB29,473 million and RMB29,309 million have been allocated to the years of 2020, 2021 and 2022, respectively. The Group intends to satisfy the capital expenditure requirement by means such as internal funds or debt financing.

Gearing Ratio

As a result of the implementation of the IFRS 16 *Leases* by the Group since 1 January 2019, the gearing ratio (total liabilities divided by total assets) increased by 7.58 percentage points to 66.33% at the beginning of the year from that as at 31 December 2018. As at the end of the Reporting Period, the Group's gearing ratio (total liabilities divided by total assets) was 65.56%, representing a decrease of 0.77 percentage points from that as at 1 January 2019. High gearing ratio is common among aviation enterprises, and the current gearing ratio of the Group is at a relatively reasonable level. Taking into account the Group's profitability and the market environment where it operates, its long-term insolvency risk is within controllable range.

Working Capital and its Sources

As at the end of the Reporting Period, the Group's net current liabilities (current liabilities minus current assets) were RMB53,156 million, representing a decrease of RMB1,317 million from that as at 1 January 2019. Based on the structure of current assets and current liabilities, the current ratio (current assets divided by current liabilities) was 0.32, representing an increase from 0.30 as at 1 January 2019.

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 RMB33,599 million, representing an increase of 17.14% from RMB28,683 million for the corresponding period last year, which is mainly due to the reduction of cost and the classification of paid operating lease expenses in financing activities after the implementation of the IFRS 16 *Leases* during the Reporting Period. Net cash outflow from investment activities was RMB11,967 million, representing an increase of 33.71% from RMB8,950 million for the corresponding period of 2018, mainly due to the year-on-year increase in the cash payment of advances and remaining balances for aircraft during the Reporting Period and the change in the scope of consolidation. Net cash outflow from financing activities amounted to RMB19,510 million, representing an increase of 4.63% from RMB18,647 million for the corresponding period of 2018, mainly due to the improved efficiency of funds use, the optimised debt structure and the impact of the implementation of the IFRS 16 *Leases* by the Group. The Company has obtained bank facilities of a total of RMB137,148 million granted by several banks in the PRC, of which approximately RMB27,711 million has been utilised, sufficient to meet our demand on working capital and future capital commitments.

OPERATIONAL PLAN

The Company has established its operational focuses of 2020, including (1) strengthening operation safety to consolidate the foundation of quality development; (2) enhancing competitiveness and innovation to build organic impetus for quality development; (3) scientifically planning top-level design to draw a picture of quality development; and (4) continuously improving Party building to serve as a strong guarantee for quality development.

OUTLOOK FOR FUTURE

The implementation of national strategies will change the spatial pattern of the existing aviation market

The seven national strategies, namely the “Belt and Road” initiative, the Ecological Protection and High-quality Development strategy of Yellow River Basin, the Yangtze River Economic Belt development strategy, the Yangtze River Delta Integration plan, the “Beijing-Tianjin-Hebei” Integration plan, the Plan for Xiong’an New Area and Guangdong-Hong Kong-Macau Greater Bay Area will strengthen regional links and coordination, and as a result, change the existing landscape of the aviation market. The “Belt and Road” initiative will promote China’s economic and trade exchanges and cooperation with Southeast Asia and Europe, not only strengthening the international hub status of Shanghai and Guangzhou, but also providing development opportunities for airports in domestic second-tier cities. The Ecological Protection and High-quality Development strategy of Yellow River Basin will promote the economic development and optimization of industrial structure of the nine provinces and regions along the Yellow River, which will present development opportunities for the aviation industry. The Yangtze River Economic Belt and Yangtze River Delta Integration plan will speed up the formation of the aviation network with Shanghai international aviation hub and regional aviation hub as the core. The strategy of coordinated development of Beijing-Tianjin-Hebei and the Plan for Xiong’an New Area will significantly enhance the international competitiveness of Beijing aviation hub, and the hub function will be further strengthened, which will promote the regional development of Tianjin and Hebei. The Guangdong-Hong Kong-Macau Greater Bay Area strategy will deepen the cooperation between the Mainland and Hong Kong and Macao, and promote the construction of international hubs of Hong Kong, Guangzhou and Shenzhen. The construction of airport groups serving the three major urban agglomerations received increasing attention from the State, and the pattern of “two airports in one city” in Beijing, Shanghai, Chengdu and other major cities has taken or is taking shape.

With the rapid growth of air passenger transport market in China, market structure will undergo huge changes

In 2020, it is expected that there will be no change in the fundamentals of the Chinese economy, and the basic trend of steady growth and positive long-term outlook of the economy will remain unchanged. China's aviation market demand will remain strong in the long run, and the market potential is huge. The trend of changes in market structure will continue. The Civil Aviation Administration of China published Certain Policies and Measures on Controlling the Total Traffic and Adjusting Flight Structure to Improve the Punctuality Rate of Flights, aiming at strictly controlling the airport capacity and optimizing the allocation of time resources. In the central and western regions, most airports have not been affected by this policy and can still maintain relatively high growth. In the long run, business travel and holiday tours continue to be drivers of the development of the aviation industry, and air travel will become increasingly individualized and popularized. Affected by the relaxation on policies of overseas study, immigration, visa and other factors, the growth in outbound passenger traffic will outpace that in domestic passenger traffic.

With the continuous evolution of global aviation competition and cooperation, China's aviation market competition is becoming increasingly fierce

From the perspective of global market, new changes have occurred to the mode of competition. European and American airlines have basically completed their consolidation process, and their competitiveness has significantly improved. The bilateral and multilateral alliances of large network carriers are increasing, and the minority equity investment strategy established a global partnership that goes beyond the existing aviation alliance framework and code sharing model.

From the perspective of China's international market, the rapid expansion of transport capacity in recent years has gradually caused an oversupply. The Company, China Eastern Airlines Corporation Limited and China Southern Airlines Company Limited slowed down in introducing wide-body aircraft. However, domestic second-tier cities continued to open international medium- and long-haul routes, which will intensify the competition in terms of international long-haul routes. In the future, the international air traffic rights will be expanded but continue to be scarce. Europe and the United States transit markets face serious diversion. North American routes are confronted the competition from Seoul, Tokyo, Hong Kong and other hubs, and European routes face the diversion of Middle East carriers.

From the perspective of China’s domestic market, private airlines generally show a rising trend and present increasingly fierce competition. When the market access in the early stage was relaxed, regional airlines shoot up in succession, and the wave of low-cost airlines is gradually rising, which will further intensify the fierce competition in the domestic market and reduce the yield level. Meanwhile, the impact from high-speed rail transportation for medium- and short-haul routes is manifested not only in the primary diversion by newly opened lines, secondary diversion will emerge through network operation, overall speed-up, frequency increase, and extended operation time of existing routes. In 2020, as affected by the novel coronavirus pneumonia pandemic, there will be a sharp short-term decline of the number of domestic and international passengers. Under the influence of such uncontrollable factor, it is estimated that the development of the aviation market will be affected within a certain period.

SHARE CAPITAL STRUCTURE

As at the end of the Reporting Period, the Company had a total share capital of RMB14,524,815,185, divided into 14,524,815,185 shares of RMB1.00 each. The following table sets out the share capital structure of the Company as at the end of the Reporting Period:

Category of shares	Number of shares	Percentage of the total share capital
A Shares	9,962,131,821	68.59%
H Shares	<u>4,562,683,364</u>	<u>31.41%</u>
Total	<u><u>14,524,815,185</u></u>	<u><u>100.00%</u></u>

PURCHASES, SALES OR REDEMPTION OF LISTED SECURITIES

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

CORPORATE GOVERNANCE

Compliance with the Corporate Governance Code

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

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. 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.

SUBSEQUENT EVENTS

On 17 January 2020, the Company received the Approval Document Zheng Jian Xu Ke [2020] No. 60 from the China Securities Regulatory Commission (中國證券監督管理委員會) (the "CSRC") (the "CSRC's Approval"), which approved the Company's public issue of corporate bonds with an aggregate nominal value of no more than RMB16,000,000,000 (the "Corporate Bonds") to qualified investors. The Corporate Bonds will be issued in tranches, with the first tranche to be issued within 12 months from the date of approval of the issue by the CSRC (8 January 2020) and the other tranches to be issued within 24 months from the date of approval of the issue by the CSRC. The CSRC's Approval is valid for 24 months commencing from the date of approval of the issue by the CSRC. For details, please refer to the announcement of the Company dated 17 January 2020.

On 21 January 2020, the Board resolved to propose to appoint Mr. Feng Gang as a non-executive director of the Company. The proposed appointment is subject to the approval by shareholders of the Company at the general meeting of the Company. On the same date, Mr. Liu Deheng resigned as an independent non-executive director of the Company, the chairman and a member of the Audit and Risk Control Committee of the Board and a member of the Strategy and Investment Committee of the Board due to his age. For details, please refer to the announcements of the Company dated 21 January 2020 and 23 January 2020.

In early 2020, the outbreak of the novel coronavirus pneumonia pandemic impacted the aviation industry adversely and loss may be incurred inevitably in the short term. Air passenger travel within Mainland China has decreased during and after Spring Festival. Global travel restriction has also reduced the demand for international routes. The Company spared no effort in prevention and control of the pandemic in a bid to maximize the protection of health and safety of its passengers and employees. The Company earnestly performed its social responsibilities at the same time to contribute to this battle against the pandemic. The Company also strived to minimize the impact of the pandemic by optimizing the capacity resources distribution, enhancing yield management, strengthening cost control and enhancing risk management.

DIVIDENDS

In accordance with the relevant requirements of the China Securities Regulatory Commission and the CSRC Beijing Bureau on the cash dividends of listed companies and the provisions of the Articles of Association, the Company implements an active dividend distribution policy and attaches importance to the reasonable return for investment of investors. The Company maintains a consistent and stable dividend distribution policy and prioritizes cash dividends when distributing profits. It's expressly stipulated in the Articles of Association that in the case that the distributable profits (representing the profit after tax after making up for the losses and making contributions to the common reserve fund in accordance with the provisions of the Articles of Association as well as deductions otherwise approved by the relevant national authorities) realized for the current year in the financial statement of the parent company prepared in accordance with applicable domestic and overseas accounting standards and regulations are positive, the Company will distribute dividends in cash with the cash dividends to be distributed each year no less than 15% of the applicable distributable profits. The applicable distributable profits represent the distributable profits in the financial statement of the parent company prepared in accordance with applicable domestic and overseas accounting standards, whichever is lower. The Company's profit distribution plan should be reviewed by independent non-executive Directors and the Board shall bring about a resolution which shall be then submitted to the general meeting for consideration. The Company should actively communicate with shareholders, especially minority shareholders through various means (including online voting and inviting minority shareholders to attend the meetings) to fully understand the opinions and needs of minority shareholders and timely answer the questions of their concerns. Please refer to Article 195, Article 196 and Article 197 of the Articles of Association for details of the principles and policies of dividend distribution of the Company.

In accordance with above-mentioned policies and based on the actual circumstances of the Company, the Board recommends the appropriation of 10% and 10% of profit after tax realized in the financial statement of the parent company prepared in accordance with the Chinese accounting standards to statutory surplus reserve and discretionary surplus reserve, respectively, and the payment of cash dividend amounting to approximately RMB645 million which is 15% of the distributable profits for the current period, i.e. RMB0.4442 (including tax) for every ten shares based on the current total number of 14,524,815,185 issued shares of the Company for the year 2019.

The proposed payment of the final dividends is subject to shareholders' approval at the annual general meeting to be held on 26 May 2020 (the "AGM"). Dividends payable to the Company's shareholders shall be denominated and declared in RMB. Dividends payable to the holders of A Shares and the holders of H Shares who are mainland investors investing in H Shares through Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect shall be paid in RMB while dividends payable to the other holders of H Shares shall be paid in Hong Kong dollars. The amount of Hong Kong dollars payable shall be calculated on the basis of the average of the middle price of the exchange rate of RMB against Hong Kong dollars as announced by the People's Bank of China for the calendar week prior to the declaration of the final dividends (if approved) at the AGM.

The Company proposed to pay the aforesaid final dividends on 16 July 2020. For H Shares of the Company, the dividends shall be paid to H-Share shareholders whose names appear on the register of members of the Company on 6 June 2020. For A Shares, the dividends will be paid to A-Share shareholders whose names appear on the register of members of the Company according to the record of the Shanghai Branch of China Securities Depository and Clearing Corporation Limited after the closing of trading hours of the Shanghai Stock Exchange on 15 July 2020, and the ex-dividend date of A Shares will be 16 July 2020.

CLOSURE OF REGISTER OF MEMBERS

The register of members of H Shares will be closed from Sunday, 26 April 2020 to Tuesday, 26 May 2020, both days inclusive, during which period no transfer of H Shares will be effected. In order to be entitled to attend and vote at the AGM, the holders of H Shares must return all the transfer documents to the Company's H Shares registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong for registration not later than 4:30 p.m. on Friday, 24 April 2020. The holders of H Shares whose names appear on the register of shareholders of the Company on Sunday, 26 April 2020 will be entitled to attend the AGM.

The register of members of H Shares will be closed from Monday, 1 June 2020 to Saturday, 6 June 2020, both days inclusive, during which period no transfer of H Shares will be effected. In order to qualify for the final dividend, the holders of H Shares must return all the transfer documents to the Company's H Shares registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong for registration not later than 4:30 p.m. on Friday, 29 May 2020. The holders of H Shares whose names appear on the register of shareholders of the Company on Saturday, 6 June 2020 will be qualified for the final dividend.

ANNUAL REPORT

The annual report for the year ended 31 December 2019 containing all information required by Appendix 16 to the Listing Rules will be dispatched to Shareholders and will be published on the website of the Hong Kong Stock Exchange (www.hkexnews.hk) as well as the website of the Company (www.airchina.com.cn) in due course.

FORWARD-LOOKING STATEMENT

The Company would like to remind the readers of this announcement that the airline operations are substantially influenced by global political and economic developments. Accidental and unexpected incidents may have material impacts on our operations or the industry as a whole. This 2019 annual results announcement of the Company contains, inter alia, certain forward-looking statements, such as forward-looking statements on the global and Chinese economies and aviation markets. Such forward-looking statements are subject to some uncertainties and risks.

AUDIT AND RISK CONTROL COMMITTEE

The 2019 annual results of the Company have been reviewed by the audit and risk control committee of the Board.

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
“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

Load Factors

“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 hours”	each 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:

“Air China Cargo”	Air China Cargo Co., Ltd., a non-wholly owned subsidiary of CNAHC
“Air China Inner Mongolia”	Air China Inner Mongolia Co., Ltd., a non-wholly owned subsidiary of the Company
“Air Macau”	Air Macau Company Limited, a non-wholly owned subsidiary of the Company
“Articles of Association”	the Articles of Association of the Company
“A Share(s)”	ordinary share(s) in the share capital of the Company, with a nominal value of RMB1.00 each, which are subscribed for and traded in Renminbi and listed on Shanghai Stock Exchange
“Beijing Airlines”	Beijing Airlines Company Limited, a non-wholly owned subsidiary of the Company
“Board”	the board of directors of the Company
“Cathay Pacific”	Cathay Pacific Airways Limited, an associate of the Company
“CNAHC”	China National Aviation Holding Corporation Limited
“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
“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 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 are listed on the Hong Kong Stock Exchange (as primary listing venue) and have been admitted into the Official List of the UK Listing Authority (as secondary listing venue)
“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 Transaction by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules
“Reporting Period”	from 1 January 2019 to 31 December 2019
“RMB”	Renminbi, the lawful currency of the PRC
“Shandong Airlines”	Shandong Airlines Co., Ltd., a non-wholly owned subsidiary of Shandong Aviation Group Corporation
“Shandong Aviation Group Corporation”	Shandong Aviation Group Company Limited, an associate of the Company
“Shareholders”	the shareholders of the Company
“Shenzhen Airlines”	Shenzhen Airlines Company Limited, a non-wholly owned subsidiary of the Company
“US dollars”	United States dollars, the lawful currency of the United States

By Order of the Board
Air China Limited
Zhou Feng Tam Shuit Mui
Joint Company Secretaries

Beijing, the PRC, 31 March 2020

As at the date of this announcement, the directors of the Company are Mr. Cai Jianjiang, Mr. Song Zhiyong, Mr. Patrick Healy, Mr. Xue Yasong, Mr. Wang Xiaokang, Mr. Stanley Hui Hon-chung* and Mr. Li Dajin*.*

* *Independent non-executive director of the Company*