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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)**

**INTERIM RESULTS**  
**FOR THE SIX MONTHS ENDED 30 JUNE 2020**

The Board of the Company has approved, among others, the unaudited interim results of the Group for the six months ended 30 June 2020 at a meeting of the Board held on 28 August 2020.

 **INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2020**

The Board presents the unaudited interim results of the Group for the six months ended 30 June 2020 as follows:

## CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE SIX MONTHS ENDED 30 JUNE 2020

	<i>NOTES</i>	Six months ended 30 June	
		2020	2019
		<i>RMB'000</i>	<i>RMB'000</i>
		(Unaudited)	(Unaudited)
Revenue	3A	29,645,766	65,313,087
Other income and gains	4	<u>1,867,685</u>	<u>1,931,447</u>
		<u>31,513,451</u>	<u>67,244,534</u>
<b>Operating expenses</b>			
Jet fuel costs		(6,811,760)	(17,614,613)
Employee compensation costs		(10,091,701)	(11,760,502)
Depreciation and amortisation		(9,964,824)	(10,302,734)
Take-off, landing and depot charges		(3,893,701)	(8,055,126)
Aircraft maintenance, repair and overhaul costs		(2,874,176)	(2,886,110)
Air catering charges		(625,766)	(1,928,614)
Aircraft and engine lease expenses		(121,882)	(560,023)
Other lease expenses		(245,660)	(323,185)
Other flight operation expenses		(2,055,640)	(4,071,682)
Selling and marketing expenses		(1,082,586)	(2,365,467)
General and administrative expenses		(511,959)	(643,591)
Net impairment gains under expected credit loss model		<u>84,155</u>	<u>9,483</u>
		<u>(38,195,500)</u>	<u>(60,502,164)</u>
<b>(Loss)/profit from operations</b>	5	(6,682,049)	6,742,370
Finance income		56,102	63,462
Finance costs	6	(2,548,296)	(2,439,582)
Share of results of associates		(3,010,754)	145,741
Share of results of joint ventures		106,840	112,021
Exchange loss, net		<u>(1,018,769)</u>	<u>(118,863)</u>
<b>(Loss)/profit before taxation</b>		(13,096,926)	4,505,149
Income tax credit/(expense)	7	<u>2,236,520</u>	<u>(1,004,795)</u>
<b>(Loss)/profit for the period</b>		<u>(10,860,406)</u>	<u>3,500,354</u>
Attributable to:			
– Equity shareholders of the Company		(9,439,799)	3,144,219
– Non-controlling interests		<u>(1,420,607)</u>	<u>356,135</u>
		<u>(10,860,406)</u>	<u>3,500,354</u>
<b>(Loss)/earnings per share</b>			
– Basic and diluted	9	<u>RMB(68.73) cents</u>	<u>RMB22.89 cents</u>

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER  
COMPREHENSIVE INCOME**

FOR THE SIX MONTHS ENDED 30 JUNE 2020

	<b>Six months ended 30 June</b>	
	<b>2020</b>	<b>2019</b>
	<b>RMB'000</b>	<b>RMB'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
<b>(Loss)/profit for the period</b>	<b>(10,860,406)</b>	<b>3,500,354</b>
Other comprehensive (expense)/income for the period		
Items that will not be reclassified to profit or loss:		
– Fair value loss on investments in equity instruments at fair value through other comprehensive income	(69,638)	(46,092)
– Income tax relating to items that will not be reclassified to profit or loss	17,409	12,424
– Remeasurement of net defined benefit liability	(4,432)	225
– Share of other comprehensive (expense)/income of associates and joint ventures	(103,423)	135,529
Items that may be reclassified subsequently to profit or loss:		
– Fair value loss on investments in debt instruments measured at fair value through other comprehensive income	(5,918)	(2,276)
– Impairment loss on investments in debt instruments measured at fair value through other comprehensive income	11,083	–
– Income tax relating to items that may be reclassified subsequently to profit or loss	(1,291)	569
– Share of other comprehensive (expense)/income of associates and joint ventures	(902,862)	181,405
– Exchange differences on translation of foreign operations	436,992	79,873
<b>Other comprehensive (expense)/income for the period (net of tax)</b>	<b>(622,080)</b>	<b>361,657</b>
<b>Total comprehensive (expense)/income for the period</b>	<b>(11,482,486)</b>	<b>3,862,011</b>
<b>Attributable to:</b>		
– Equity shareholders of the Company	(10,046,662)	3,520,756
– Non-controlling interests	(1,435,824)	341,255
	<b>(11,482,486)</b>	<b>3,862,011</b>

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2020

	At <b>30 June</b> <b>2020</b> <i>NOTE</i> <b>RMB'000</b> <b>(Unaudited)</b>	At 31 December 2019 <i>RMB'000</i> <b>(Audited)</b>
<b>Non-current assets</b>		
Property, plant and equipment	<b>101,135,048</b>	102,158,432
Right-of-use assets	<b>115,234,582</b>	119,376,500
Investment properties	<b>621,774</b>	637,986
Intangible assets	<b>36,610</b>	36,610
Goodwill	<b>1,099,975</b>	1,099,975
Interests in associates	<b>10,930,216</b>	14,647,561
Interests in joint ventures	<b>1,650,349</b>	1,543,509
Advance payments for aircraft and flight equipment	<b>24,925,332</b>	22,413,867
Deposits for aircraft under leases	<b>650,207</b>	636,671
Equity instruments at fair value through other comprehensive income	<b>183,475</b>	253,113
Debt instruments at fair value through other comprehensive income	<b>1,817,539</b>	1,688,451
Deferred tax assets	<b>6,355,240</b>	4,352,452
Other non-current assets	<b>480,642</b>	544,390
	<b><u>265,120,989</u></b>	<b><u>269,389,517</u></b>
<b>Current assets</b>		
Inventories	<b>2,633,232</b>	2,098,673
Accounts receivable	<i>10</i> <b>3,756,995</b>	5,997,690
Bills receivable	<b>23</b>	362
Prepayments, deposits and other receivables	<b>4,177,362</b>	3,724,468
Restricted bank deposits	<b>664,471</b>	728,385
Cash and cash equivalents	<b>13,442,617</b>	8,935,282
Other current assets	<b>3,794,932</b>	3,331,996
	<b><u>28,469,632</u></b>	<b><u>24,816,856</u></b>
<b>Total assets</b>	<b><u><u>293,590,621</u></u></b>	<b><u><u>294,206,373</u></u></b>

		At 30 June 2020 RMB'000 (Unaudited)	At 31 December 2019 RMB'000 (Audited)
<b>Current liabilities</b>			
Air traffic liabilities		(2,097,737)	(9,980,300)
Accounts payable	11	(14,320,211)	(16,578,153)
Dividends payable		(743,192)	–
Other payables and accruals		(9,928,622)	(11,977,447)
Current taxation		(66,885)	(938,732)
Lease liabilities		(14,365,800)	(13,861,503)
Interest-bearing bank loans and other borrowings		(50,200,763)	(22,729,991)
Provision for return condition checks		(552,415)	(869,651)
Contract liabilities		(1,114,476)	(1,037,031)
		<u>(93,390,101)</u>	<u>(77,972,808)</u>
<b>Net current liabilities</b>		<u>(64,920,469)</u>	<u>(53,155,952)</u>
<b>Total assets less current liabilities</b>		<u>200,200,520</u>	<u>216,233,565</u>
<b>Non-current liabilities</b>			
Lease liabilities		(81,687,194)	(86,586,353)
Interest-bearing bank loans and other borrowings		(17,649,899)	(16,598,965)
Provision for return condition checks		(8,135,891)	(7,538,095)
Provision for early retirement benefit obligations		(1,615)	(1,989)
Long-term payables		(59,112)	(115,190)
Contract liabilities		(2,469,386)	(2,670,910)
Defined benefit obligations		(245,643)	(249,933)
Deferred income		(525,690)	(521,227)
Deferred tax liabilities		(337,092)	(621,440)
		<u>(111,111,522)</u>	<u>(114,904,102)</u>
<b>NET ASSETS</b>		<u>89,088,998</u>	<u>101,329,463</u>
<b>CAPITAL AND RESERVES</b>			
Issued capital		14,524,815	14,524,815
Treasury shares		(3,047,564)	(3,047,564)
Reserves		<u>71,289,572</u>	<u>81,981,426</u>
<b>Total equity attributable to equity shareholders of the Company</b>		<u>82,766,823</u>	<u>93,458,677</u>
<b>Non-controlling interests</b>		<u>6,322,175</u>	<u>7,870,786</u>
<b>TOTAL EQUITY</b>		<u>89,088,998</u>	<u>101,329,463</u>

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
*FOR THE SIX MONTHS ENDED 30 JUNE 2020*

**1. BASIS OF PREPARATION**

The condensed consolidated financial statements for the six months ended 30 June 2020 have been prepared in accordance with International Accounting Standard 34 “*Interim Financial Reporting*” (“IAS 34”) issued by the International Accounting Standards Board (the “IASB”) as well as with the applicable disclosure requirements of Appendix 16 to the Listing Rules. The condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s financial statements for the year ended 31 December 2019.

As at 30 June 2020, the Group’s current liabilities exceeded its current assets by approximately RMB64,920 million. The liquidity of the Group is primarily dependent on its ability to maintain cash inflows from operations and sufficient financing to meet its financial obligations as and when they fall due. Considering the Company’s sources of liquidity and the unutilised bank facilities of RMB128,481 million as at 30 June 2020, the Directors believe that adequate funding is available to fulfil the Group’s debt obligations and capital expenditure requirements when preparing these condensed consolidated financial statements for the six months ended 30 June 2020. Accordingly, these condensed consolidated financial statements have been prepared on a basis that the Group will be able to continue as a going concern.

**1A. SIGNIFICANT EVENTS AND TRANSACTIONS IN THE CURRENT INTERIM PERIOD**

The outbreak of coronavirus (“Covid-19”) and the subsequent quarantine measures as well as the travel restrictions imposed by many countries have had negative impacts to the global economy, business environment and directly and indirectly affect the operations of the Group. Air passenger travel within Mainland China was decreased after Spring Festival. Global travel restrictions have also reduced the demand for international routes. As such, the financial position and performance of the Group were affected as a result of the reduction in revenue as disclosed in the relevant notes.

**2. PRINCIPAL ACCOUNTING POLICIES**

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

Other than application of amendments to International Financial Reporting Standards (“IFRSs”), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2020 are the same as those presented in the Group’s annual consolidated financial statements for the year ended 31 December 2019.

## Application of amendments to IFRSs

In the current interim period, the Group has applied *the Amendments to References to the Conceptual Framework in IFRS Standards* and the following amendments to IFRSs issued by the IASB, for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2020 for the preparation of the Group's condensed consolidated financial statements.

Amendments to IAS 1 and IAS 8	<i>Definition of Material</i>
Amendments to IFRS 3	<i>Definition of a Business</i>
Amendments to IFRS 9, IAS 39 and IFRS 7	<i>Interest Rate Benchmark Reform</i>

In addition, the Group has early applied the Amendment to IFRS 16 "*Covid-19-Related Rent Concessions*". Rent concessions relating to lease contracts that occurred as a direct consequence of the Covid-19 pandemic, the Group has elected to apply the practical expedient not to assess whether the change is a lease modification if all the specified conditions are met. Forgiveness or waiver of lease payments are accounted for as variable lease payments. The related lease liabilities are adjusted to reflect the amounts forgiven or waived with a corresponding adjustment recognised in profit or loss in the period in which the event occurs.

The application of *the Amendments to References to the Conceptual Framework in IFRS Standards* and the amendments to IFRSs in the current period has had no material impact on the Group's financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

## Changes in accounting estimates

During the current interim period, the Group changed the depreciation method of overhaul components of engine, included in property, plant and equipment and right-of-use assets, from straight-line method to the units of production method. The change was accounted for as a change in an accounting estimate in accordance with IAS 8 effect from 1 January 2020 and the impact on the condensed consolidated financial statements for the six months ended 30 June 2020 was a reduction in depreciation expense of approximately RMB899 million.

## 3A. REVENUE

	Six months ended 30 June	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Revenue from contracts with customers	<b>29,487,931</b>	65,164,538
Rental income (included in revenue of airline operations segment)	<b>157,835</b>	148,549
<b>Total revenue</b>	<b><u>29,645,766</u></b>	<b><u>65,313,087</u></b>

## Disaggregation of revenue from contracts with customers

Segments	Six months ended 30 June 2020		Six months ended 30 June 2019	
	Airline operations RMB'000 (Unaudited)	Other operations RMB'000 (Unaudited)	Airline operations RMB'000 (Unaudited)	Other operations RMB'000 (Unaudited)
<b>Type of goods or services</b>				
Airline operations				
Passenger	22,948,314	–	59,850,511	–
Cargo and mail	4,190,518	–	2,830,064	–
Ground service income	162,179	–	358,834	–
Others	755,956	–	940,996	–
	<u>28,056,967</u>	<u>–</u>	<u>63,980,405</u>	<u>–</u>
Other operations				
Aircraft engineering income	–	1,270,971	–	959,212
Others	–	159,993	–	224,921
	<u>–</u>	<u>1,430,964</u>	<u>–</u>	<u>1,184,133</u>
<b>Total</b>	<b><u>28,056,967</u></b>	<b><u>1,430,964</u></b>	<b><u>63,980,405</u></b>	<b><u>1,184,133</u></b>
<b>Geographical markets</b>				
Mainland China	17,597,210	1,430,964	41,142,506	1,184,133
Hong Kong SAR, Macau SAR and Taiwan, China	734,391	–	3,242,639	–
International	9,725,366	–	19,595,260	–
<b>Total</b>	<b><u>28,056,967</u></b>	<b><u>1,430,964</u></b>	<b><u>63,980,405</u></b>	<b><u>1,184,133</u></b>

### 3B. SEGMENT INFORMATION

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

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

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 (loss)/profit before taxation regarding the Group's operating segments in accordance with the Accounting Standards for Business Enterprises of the PRC ("CASs") for the six months ended 30 June 2020 and 2019 and the reconciliations of reportable segment revenue and (loss)/profit before taxation to the Group's consolidated amounts under IFRSs:

### For the six months ended 30 June 2020

	<b>Airline operations RMB'000</b>	<b>Other operations RMB'000</b>	<b>Elimination RMB'000</b>	<b>Total RMB'000</b>
<b>Revenue</b>				
Sales to external customers	28,214,802	1,430,964	-	29,645,766
Intersegment sales	<u>52,006</u>	<u>2,686,484</u>	<u>(2,738,490)</u>	<u>-</u>
Revenue for reportable segments under CASs and IFRSs	<u><u>28,266,808</u></u>	<u><u>4,117,448</u></u>	<u><u>(2,738,490)</u></u>	<u><u>29,645,766</u></u>
<b>Segment loss before taxation</b>				
Loss before taxation for reportable segments under CASs	<u><u>(12,898,404)</u></u>	<u><u>(158,866)</u></u>	<u><u>(41,428)</u></u>	<u><u>(13,098,698)</u></u>
Effect of differences between IFRSs and CASs				<u>1,772</u>
Loss before taxation for the period under IFRSs				<u><u>(13,096,926)</u></u>

For the six months ended 30 June 2019

	Airline operations <i>RMB'000</i>	Other operations <i>RMB'000</i>	Elimination <i>RMB'000</i>	Total <i>RMB'000</i>
<b>Revenue</b>				
Sales to external customers	64,128,954	1,184,133	–	65,313,087
Intersegment sales	<u>24,143</u>	<u>3,724,697</u>	<u>(3,748,840)</u>	<u>–</u>
Revenue for reportable segments under CASs and IFRSs	<u>64,153,097</u>	<u>4,908,830</u>	<u>(3,748,840)</u>	<u>65,313,087</u>
<b>Segment profit before taxation</b>				
Profit before taxation for reportable segments under CASs	<u>4,354,262</u>	<u>415,505</u>	<u>(270,967)</u>	4,498,800
Effect of differences between IFRSs and CASs				<u>6,349</u>
Profit before taxation for the period under IFRSs				<u>4,505,149</u>

The following table presents the segment assets of the Group's operating segments under CASs as at 30 June 2020 and 31 December 2019 and the reconciliations of reportable segment assets to the Group's consolidated amounts under IFRSs:

	Airline operations <i>RMB'000</i>	Other operations <i>RMB'000</i>	Elimination <i>RMB'000</i>	Total <i>RMB'000</i>
<b>Segment assets</b>				
Total assets for reportable segments as at 30 June 2020 under CASs (unaudited)	<u>284,339,086</u>	<u>20,047,141</u>	<u>(10,749,755)</u>	293,636,472
Effect of differences between IFRSs and CASs				<u>(45,851)</u>
Total assets as at 30 June 2020 under IFRSs (unaudited)				<u>293,590,621</u>
Total assets for reportable segments as at 31 December 2019 under CASs (audited)	<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 as at 31 December 2019 under IFRSs (audited)				<u>294,206,373</u>

## Geographical information

The following tables present the Group's consolidated revenue under IFRSs by geographical location for the six months ended 30 June 2020 and 2019, respectively:

### For the six months ended 30 June 2020

	Mainland China <i>RMB'000</i>	Hong Kong SAR, Macau SAR and Taiwan, China <i>RMB'000</i>	International <i>RMB'000</i>	Total <i>RMB'000</i>
Sales to external customers and total revenue	<u>19,186,009</u>	<u>734,391</u>	<u>9,725,366</u>	<u>29,645,766</u>

### For the six months ended 30 June 2019

	Mainland China <i>RMB'000</i>	Hong Kong SAR, Macau SAR and Taiwan, China <i>RMB'000</i>	International <i>RMB'000</i>	Total <i>RMB'000</i>
Sales to external customers and total revenue	<u>42,475,188</u>	<u>3,242,639</u>	<u>19,595,260</u>	<u>65,313,087</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.

## 4. OTHER INCOME AND GAINS

	Six months ended 30 June	
	2020 <i>RMB'000</i> (Unaudited)	2019 <i>RMB'000</i> (Unaudited)
Co-operation routes income and subsidy income	1,726,210	1,749,242
Dividend income	5,410	8,675
Gain on disposal of property, plant and equipment	22,749	383
Others	<u>113,316</u>	<u>173,147</u>
	<u>1,867,685</u>	<u>1,931,447</u>

## 5. (LOSS)/PROFIT FROM OPERATIONS

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

	Six months ended 30 June	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Depreciation of property, plant and equipment	4,431,039	4,704,949
Depreciation of right-of-use assets	5,521,043	5,585,175
Depreciation of investment properties	12,742	12,588
Amortisation of intangible assets	–	22
Impairment losses recognised on inventories	137	–
Research and development costs recognised as an expense	164,604	87,280

## 6. FINANCE COSTS

An analysis of the Group's finance costs during the period is as follows:

	Six months ended 30 June	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Interest on borrowings and lease liabilities	2,807,118	2,708,665
Less: Interest capitalised	(258,822)	(269,083)
	2,548,296	2,439,582

The interest capitalisation rates during the period range from 1.90% to 4.75% per annum (six months ended 30 June 2019: 3.80% to 4.75% per annum).

## 7. INCOME TAX (CREDIT)/EXPENSE

	Six months ended 30 June	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Current income tax:		
– Mainland China	68,822	1,036,090
– Hong Kong SAR and Macau SAR, China	2,655	13,575
Over – provision in respect of prior years	(37,316)	(2,006)
Deferred taxation	(2,270,681)	(42,864)
	(2,236,520)	1,004,795

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% (six months ended 30 June 2019: 15%) during the current period, all group companies located in Mainland China are subject to a corporate income tax rate of 25% (six months ended 30 June 2019: 25%) during the current period. Subsidiaries in Hong Kong SAR, China are taxed at corporate income tax rates of 8.25% and 16.5% (six months ended 30 June 2019: 8.25% and 16.5%), and subsidiaries in Macau SAR, China are taxed at corporate income tax rate of 12% (six months ended 30 June 2019: 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 periods.

## 8. DIVIDENDS

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

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

The Directors decided not to declare an interim dividend for the six months ended 30 June 2020 (six months ended 30 June 2019: Nil).

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

	<b>Six months ended 30 June</b>	
	<b>2020</b>	<b>2019</b>
	<b>RMB'000</b>	<b>RMB'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Final dividend in respect of the previous financial year, approved during the current interim period, of RMB0.4442 per ten shares (including tax) (six months ended 30 June 2019: RMB1.0328 per ten shares (including tax))	<b>645,192</b>	<b>1,500,123</b>

## 9. (LOSS)/EARNINGS PER SHARE

The calculation of basic (loss)/earnings per share was based on the loss attributable to ordinary equity shareholders of the Company of RMB9,440 million (six months ended 30 June 2019 (unaudited): profit of RMB3,144 million) and the number of 13,734,960,921 ordinary shares (six months ended 30 June 2019: 13,734,960,921 shares) in issue during the period, as adjusted to reflect the number of treasury shares held by Cathay Pacific through reciprocal shareholding.

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

## 10. ACCOUNTS RECEIVABLE

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

	At 30 June 2020 <i>RMB'000</i> (Unaudited)	At 31 December 2019 <i>RMB'000</i> (Audited)
Within 30 days	1,135,759	2,589,150
31 to 60 days	1,242,882	789,472
61 to 90 days	725,003	452,542
Over 90 days	<u>653,351</u>	<u>2,166,526</u>
	<u><b>3,756,995</b></u>	<u><b>5,997,690</b></u>

## 11. ACCOUNTS PAYABLE

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

	At 30 June 2020 <i>RMB'000</i> (Unaudited)	At 31 December 2019 <i>RMB'000</i> (Audited)
Within 30 days	5,974,604	7,760,994
31 to 60 days	1,372,257	1,599,072
61 to 90 days	1,012,964	1,201,101
Over 90 days	<u>5,960,386</u>	<u>6,016,986</u>
	<u><b>14,320,211</b></u>	<u><b>16,578,153</b></u>

## CHAIRMAN'S STATEMENT

The first half of 2020 was extremely exceptional. The grave situation, huge challenges and the hardship in obtaining the current results during the half year were all unprecedented. The Group resolutely carried out the messages of the notable speeches and the important instructions of General Secretary Xi Jinping and the decisions and deployment plans of the Central Committee of the Party. The Group managed the complicated and ever-changing environment carefully and well organized and coordinated the “three strong fights” of containing the pandemic, safe operation and achieving operating performance. With its strenuous efforts, the Group has obtained certain significant results, surmounting all risks and challenges.

Facing the sudden outbreak of Covid-19 Pandemic that would be hardly seen in a hundred years, the Group despatched the pandemic control materials and medical teams promptly, pursuing the concept of an “unconditional and most priority” relief and rushing to the forefront for fighting the pandemic. Furthermore, it designated the aviation green way for rescue and relief freight against pandemic to demonstrate the vision and commitment of the national flag carrier persistently. At the most difficult time during the outbreak in China, we spared no effort in safeguarding the provision of transportation services for the guidance team appointed by the Central Government and the national medical teams to Wuhan timely against all odds, which involved a total of 166 charter flights, 11,306 pandemic fighting personnel and 1,158 tonnes of aid materials transported. Similarly, at the increasingly severe moments of the outbreak overseas, we despatched flights again to carry fellow nationals and students back from abroad where high risks existed, and delivered experts and prevention materials to assist various foreign countries in fighting the pandemic. A total of 16 flights for the mission of offshore aids were secured, carrying 144 members of medical teams and 156 tonnes of materials. When the industrial chain and supply chains were hard hit by the pandemic, we were at the forefront of the industry and launched the air cargo services with passenger aircraft. We transformed four B777-300 aircraft and two A330-200 aircraft to operate more than 5,800 air-cargo flights with these passenger aircraft. Our efforts ensured the international key manufacturers not to suffer from suspending production and safeguarded the core position of China among the global industrial chain and supply chains. To facilitate the resumption of work and production, we rapidly resumed flights again up to a number of nearly 2,000, carried out 67 domestic customized flights and international charter passenger flights, carrying a total of 7,788 passengers. By procuring pandemic relief, key flight routes, global supply chains and resumption of work and production without disruption with our best endeavors, we have faithfully fulfilled our political and social responsibilities as a central enterprise.

Always adhering to the principle of safety first as the lifeline of an aviation company, the Group insisted on the unwavering safety benchmark and strengthened risk management and control, and thus achieved a total of 0.617 million safe flight hours. We have strengthened our operation by persisting in the dynamic analysis of “one flight, one policy” so as to identify, assess, prevent and control the operation risks of flights. Further, we made serious inspections and investigations on any problems and hidden hazards, thereby enhancing the preparatory efforts for flight operation and the control on key working procedures. The Group strictly adhered to the flight operation standards, consolidated the allocation and rotation of flight crew members and arranged the technological enclosure and storage and daily maintenance of parked aircraft reasonably, ensuring the crew members and aircraft were always in good conditions for operation. We carefully implemented the operation and organization for international flight diversion to assure the safe operation of 242 diversion flights. We have built the protection model for “air-cargo flight with passenger aircraft” and formulated various risk prevention and control measures. With the orderly efforts such as the related training programs and maintenance for ARJ21 aircraft introduced, the first ARJ21 has been safely and successfully put into operation.

Amidst the Covid-19 pandemic outbreak, the Company has adjusted its operation strategies swiftly, seized the market opportunities precisely and prevented various operation risks stringently, striving to minimize the impacts of the pandemic. The operation quality of our main transportation business and competitive edge among the industry have been maintained accordingly. During the first half year, the Group completed the traffic measured by RTK of 5,355 million tonne kilometres. The Group’s revenue amounted to RMB29,646 million, while loss attributable to equity shareholders of the Company amounted to RMB9,440 million. With prudent responsive measures for the market change such as timely adjustment on the operation model and rapid formulation of exceptional production and operation strategies, we managed to ensure maximization of the marginal total profit contribution. By unleashing the management effectiveness of optimizing the operation of the entire fleet, we timely captured the market opportunities, organized sources of customers effectively and refined the yield management, striving to increase the revenue. We have changed the offshore sales model swiftly and organized the international passenger freight according to the practice of “one route, one policy” and “one flight, one policy”. With our arduous efforts, the general downside trend of the operating performance of the Group has been curbed effectively.

Bearing the concept of preparing for going through hard times, we put the strictest cost control measures into practice. The Group adjusted the introduction and retirement plan of aircraft, refined management and control on significant cost items, relocated the cost structures and systems and aligned operation with costs in a scientific manner. The Group strictly avoided capital risk, enhanced the management and control on cash flow forecast and improved efficiency in capital use. Moreover, the Group issued corporate bonds to replace bank borrowings so as to reduce financing cost and guarantee a secured and stable liquidity. We proactively prevented the contract performance risks by reviewing the performance of various contracts and timely identifying and following up on any extraordinary cases.



We actively implemented the required prevention and control measures against the pandemic to provide protection in our services for passengers in full swing. With increased awareness on offering active services and promptly adjusted service procedures, our employees of all levels have regarded the routes as if the front of cross-fire, the cabin as if the “Fangcang” mobile-cabin hospital, and the airport as if the battle field. We made all efforts to curtail the pandemic impacts on the travel of passengers with courage regardless of any dangers or risks. We adjusted the aircraft air-conditioning operation protocols, reduced the use of airport bridge-borne air conditioners, increased the frequency of daily clean ups and repair and maintenance of recirculating air conditioning units, strengthened the hygiene cleaning and ventilated disinfection of cabins and cockpits, strictly containing the spread of virus from passageways. Further, we promptly adjusted the on-board catering and provision of amenities in order to ensure safety of the food and on-board supplies. Meanwhile, we were sufficiently equipped with various pandemic fighting materials and sanitary utilities on aircraft, formulated and strictly implemented the operating rules and procedures on cleaning and sanitization with the facilities or equipment thereon. In view of the changes in travel demand of passengers and timely in response to the industrial demand, we made adjustment on flight planning, ticketing rules and service procedures, and 8.88 million tickets were returned and duly processed for free. We optimised products for transit, enhanced synergy among various channels, organized resources of services, strengthened delivery of information and properly handled the problems such as conflicts over the demand for and supply of international passenger tickets and provision of transit connection. In addition, we optimized online service capability and increased the use efficiency of self-service equipment in airports and expanded the “no-contact” service coverage. We have actively protected the rights of our frequent flyers and become the pioneer of the industry offering policy of extending the validity period of frequent flyers miles. With assured protection on international flight diversion services, we also improved the passenger service procedures during transit or landing of flights and orderly organized and provided protection for the subsequent flight journey of passengers.

Currently, the pandemic and economic conditions remain very sophisticated. Under the new pattern of accelerated construction of the dual circulation development, the economy of the PRC is moving forward steadily on the track of high-quality development with continuous upgrades. For the second half of 2020, we will focus on implementing the regularized pandemic prevention and control measures and adhering to the unwavering principles as follows: considering the health and safety of our passengers and employees as the top priority as always; insisting on the mission of responsibility in safety as significant as Mount Taishan and sticking to the “safety first” benchmark as always; putting huge efforts to pursue the fundamental strategies such as operating performance, precise and effective cost management and control, balanced development of domestic and global businesses as well as passenger and cargo freight, development of hub network and cost-oriented concept vigorously as always; persisting in the strategic directions such as innovation-driven mode, expedited upgrade of service quality and transformation of the business model and commitment to enhancing our services as always; being committed to the poverty-relief efforts in all our hearts, all our passions, all our might and all our minds, insisting on fighting the critical battle in respect of poverty-alleviation comprehensively as always.

New opportunities would arise from a crisis, while a new chapter would be turned from changes. By sustaining our strategic resilience, we insist on seeking growth in a steady manner, seizing the opportunities arising from crisis with confidence and recovering the loss arising from the pandemic with our best endeavors. We will procure a safe operation and strive to restore the operating performance to its normal level. We aspire to win the “three strong fights” of containing the pandemic, safe operation and achieving operating performance and as such, we look forward to making contributions to the successful achievement of the final year of the “13th five-year plan” and the accomplishment of completing the building of a moderately prosperous society in all respects, and make unremitting efforts to establish as a top-tier global aviation transportation group.

## 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.

	<b>January to June 2020</b>	January to June 2019	Increase/ (decrease)
<b>Capacity</b>			
<b>ASK (million)</b>	<b>65,565.98</b>	141,728.21	(53.74%)
International	<b>15,533.42</b>	54,504.05	(71.50%)
Mainland China	<b>48,858.88</b>	81,574.22	(40.11%)
Hong Kong SAR, Macau SAR and Taiwan, China	<b>1,173.68</b>	5,649.94	(79.23%)
<b>AFTK (million)</b>	<b>4,035.20</b>	5,534.23	(27.09%)
International	<b>2,895.20</b>	3,300.41	(12.28%)
Mainland China	<b>1,088.57</b>	2,084.05	(47.77%)
Hong Kong SAR, Macau SAR and Taiwan, China	<b>51.43</b>	149.78	(65.66%)
<b>ATK (million)</b>	<b>9,943.04</b>	18,319.41	(45.72%)
<b>Traffic</b>			
<b>RPK (million)</b>	<b>44,222.02</b>	114,784.17	(61.47%)
International	<b>10,299.97</b>	43,132.60	(76.12%)
Mainland China	<b>33,247.90</b>	67,083.22	(50.44%)
Hong Kong SAR, Macau SAR and Taiwan, China	<b>674.16</b>	4,568.34	(85.24%)
<b>RFTK (million)</b>	<b>1,459.02</b>	2,333.48	(37.47%)
International	<b>957.24</b>	1,555.17	(38.45%)
Mainland China	<b>489.26</b>	734.73	(33.41%)
Hong Kong SAR, Macau SAR and Taiwan, China	<b>12.52</b>	43.57	(71.26%)
<b>Passengers carried (thousand)</b>	<b>24,905.77</b>	56,483.19	(55.91%)
International	<b>2,003.89</b>	8,577.62	(76.64%)
Mainland China	<b>22,468.64</b>	45,003.00	(50.07%)
Hong Kong SAR, Macau SAR and Taiwan, China	<b>433.25</b>	2,902.57	(85.07%)
<b>Cargo and mail carried (tonnes)</b>	<b>450,950.73</b>	688,714.87	(34.52%)

	<b>January to June 2020</b>	January to June 2019	Increase/ (decrease)
<b>Kilometres flown (million)</b>	<b>394.60</b>	716.28	(44.91%)
<b>Block hours (thousand)</b>	<b>617.01</b>	1,129.22	(45.36%)
<b>Number of flights</b>	<b>212,595</b>	364,211	(41.63%)
International	<b>18,691</b>	49,153	(61.97%)
Mainland China	<b>189,047</b>	294,523	(35.81%)
Hong Kong SAR, Macau SAR and Taiwan, China	<b>4,857</b>	20,535	(76.35%)
<b>RTK (million)</b>	<b>5,354.92</b>	12,476.08	(57.08%)
<b>Load factor</b>			
<b>Passenger load factor (RPK/ASK)</b>	<b>67.45%</b>	80.99%	(13.54 ppt)
International	<b>66.31%</b>	79.14%	(12.83 ppt)
Mainland China	<b>68.05%</b>	82.24%	(14.19 ppt)
Hong Kong SAR, Macau SAR and Taiwan, China	<b>57.44%</b>	80.86%	(23.42 ppt)
<b>Cargo and mail load factor (RFTK/AFTK)</b>	<b>36.16%</b>	42.16%	(6.00 ppt)
International	<b>33.06%</b>	47.12%	(14.06 ppt)
Mainland China	<b>44.95%</b>	35.26%	9.69 ppt
Hong Kong SAR, Macau SAR and Taiwan, China	<b>24.35%</b>	29.09%	(4.74 ppt)
<b>Overall load factor (RTK/ATK)</b>	<b>53.86%</b>	68.10%	(14.24 ppt)
<b>Daily utilisation of aircraft (block hours per day per aircraft)</b>	<b>5.08</b>	9.71	(4.63 hours)
<b>Yield</b>			
<b>Yield per RPK (RMB)</b>	<b>0.5189</b>	0.5214	(0.48%)
International	<b>0.6136</b>	0.4086	50.17%
Mainland China	<b>0.4828</b>	0.5830	(17.19%)
Hong Kong SAR, Macau SAR and Taiwan, China	<b>0.8524</b>	0.6821	24.97%
<b>Yield per RFTK (RMB)</b>	<b>2.8721</b>	1.2128	136.82%
International	<b>3.5569</b>	1.2675	180.62%
Mainland China	<b>1.2795</b>	0.9969	28.35%
Hong Kong SAR, Macau SAR and Taiwan, China	<b>12.7560</b>	2.9031	339.39%
<b>Unit cost</b>			
<b>Operating cost per ASK (RMB)</b>	<b>0.5826</b>	0.4269	36.47%
<b>Operating cost per ATK (RMB)</b>	<b>3.8414</b>	3.3026	16.31%

## Development of Fleet

During the Reporting Period, the Group introduced 3 aircraft including two A320NEO and one ARJ21-700, and phased out 2 aircraft including one B737-800 and one A319. As at the end of the Reporting Period, the Group operated a fleet of 700 aircraft with an average age of 7.40 years, of which the Company operated a total of 428 aircrafts with an average age of 7.68 years. During the first half of the year, the Company introduced 3 aircraft and phased out 1 aircraft.

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

	<b>30 June 2020</b>				
	<b>Sub-total</b>	<b>Self-owned</b>	<b>Finance leases</b>	<b>Operating leases</b>	<b>Average age (year)</b>
<b>Airbus</b>	<b>366</b>	<b>142</b>	<b>115</b>	<b>109</b>	<b>7.49</b>
A319	42	32	6	4	12.79
A320/A321	249	82	91	76	6.67
A330	65	28	8	29	8.15
A350	10	0	10	0	1.54
<b>Boeing</b>	<b>328</b>	<b>144</b>	<b>92</b>	<b>92</b>	<b>7.32</b>
B737	276	120	72	84	7.50
B747	10	8	2	0	10.97
B777	28	4	18	6	6.21
B787	14	12	0	2	3.36
<b>COMAC</b>	<b>1</b>	<b>1</b>	<b>0</b>	<b>0</b>	<b>0.01</b>
ARJ21	1	1	0	0	0.01
<b>Business jets</b>	<b>5</b>	<b>1</b>	<b>0</b>	<b>4</b>	<b>7.90</b>
<b>Total</b>	<b><u>700</u></b>	<b><u>288</u></b>	<b><u>207</u></b>	<b><u>205</u></b>	<b><u>7.40</u></b>

	Introduction Plan			Phase-out Plan		
	2020	2021	2022	2020	2021	2022
<b>Airbus</b>	<b>16</b>	<b>51</b>	<b>13</b>	<b>3</b>	<b>2</b>	<b>3</b>
A319	–	–	–	2	–	3
A320/A321	14	46	5	1	2	–
A350	2	5	8	–	–	–
<b>Boeing</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>3</b>	<b>–</b>	<b>3</b>
B737	–	–	–	3	–	3
<b>COMAC</b>	<b>3</b>	<b>6</b>	<b>8</b>	<b>–</b>	<b>–</b>	<b>–</b>
ARJ21	3	6	8	–	–	–
<b>Total</b>	<b><u>19</u></b>	<b><u>57</u></b>	<b><u>21</u></b>	<b><u>6</u></b>	<b><u>2</u></b>	<b><u>6</u></b>

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

## MANAGEMENT DISCUSSION AND ANALYSIS ON FINANCIAL CONDITIONS AND RESULTS OF OPERATIONS

The following discussion and analysis are based on the Group’s interim condensed consolidated financial statements and notes thereto prepared in accordance with International Accounting Standard 34 “Interim Financial Reporting” as well as with the applicable disclosure requirements of Appendix 16 to the Listing Rules and are designed to assist the readers in further understanding the information provided in this announcement so as to better understand the financial conditions and results of operations of the Group as a whole.

### OPERATION ANALYSIS

During the first half of 2020, the Group’s available seat kilometres for air passenger amounted to 65,566 million, representing a year-on-year decrease of 53.74%; the total air passenger traffic amounted to 44,222 million RPK, representing a year-on-year decrease of 61.47%; passenger load factor was 67.45%, representing a year-on-year decrease of 13.54 percentage points. The available freight tonne kilometres for freight amounted to 4,035 million, representing a year-on-year decrease of 27.09%; the total cargo and mail traffic amounted to 1,459 million tonne kilometres, representing a year-on-year decrease of 37.47%; cargo and mail load factor was 36.16%, representing a year-on-year decrease of 6.00 percentage points. During the Reporting Period, the Group recorded a loss attributable to equity shareholders of the Company of RMB9,440 million compared to a profit attributable to equity shareholders of the Company of RMB3,144 million in the same period last year.

## Revenue

During the Reporting Period, the Group's revenue was RMB29,646 million, representing a year-on-year decrease of RMB35,667 million or 54.61%. Among the revenues, air traffic revenue was RMB27,139 million, representing a year-on-year decrease of RMB35,542 million or 56.70%. Other operating revenue was RMB2,507 million, representing a year-on-year decrease of RMB125 million or 4.75%.

## Revenue Contributed by Geographical Segments

<i>(in RMB'000)</i>	For the six months ended 30 June				Change
	2020		2019		
	Amount	Percentage	Amount	Percentage	
International	9,725,366	32.81%	19,595,260	30.00%	(50.37%)
Mainland China	19,186,009	64.72%	42,475,188	65.03%	(54.83%)
Hong Kong SAR, Macau SAR and Taiwan, China	734,391	2.47%	3,242,639	4.97%	(77.35%)
Total	<u>29,645,766</u>	<u>100.00%</u>	<u>65,313,087</u>	<u>100.00%</u>	<u>(54.61%)</u>

## Air Passenger Revenue

During the Reporting Period, the Group recorded an air passenger revenue of RMB22,948 million, representing a decrease of RMB36,903 million or 61.66% from that of the same period of 2019. Among the air passenger revenue, the decrease of capacity resulted in a decrease in revenue of RMB32,163 million, the decrease of passenger load factor resulted in a decrease in revenue of RMB4,630 million, while the decrease of passenger yield resulted in a decrease in revenue of RMB110 million. The capacity, passenger load factor and yield per RPK of air passenger business during the Reporting Period are as follows:

	For the six months ended 30 June		Change
	2020	2019	
Available seat kilometres <i>(million)</i>	65,565.98	141,728.21	(53.74%)
Passenger load factor (%)	67.45	80.99	(13.54 ppt)
Yield per RPK <i>(RMB)</i>	0.5189	0.5214	(0.48%)

## Air Passenger Revenue Contributed by Geographical Segments

<i>(in RMB'000)</i>	For the six months ended 30 June		2019		Change
	2020		Amount	Percentage	
	Amount	Percentage	Amount	Percentage	
International	6,320,556	27.54%	17,624,133	29.45%	(64.14%)
Mainland China	16,053,091	69.95%	39,110,239	65.35%	(58.95%)
Hong Kong SAR, Macau SAR and Taiwan, China	574,667	2.51%	3,116,139	5.20%	(81.56%)
Total	<u>22,948,314</u>	<u>100.00%</u>	<u>59,850,511</u>	<u>100.00%</u>	<u>(61.66%)</u>

## Air Cargo and Mail Revenue

During the Reporting Period, the Group's air cargo and mail revenue was RMB4,191 million, representing an increase of RMB1,361 million as compared with that of the same period of 2019. Among the air cargo and mail revenue, the decrease of capacity resulted in a decrease in revenue of RMB766 million, while the decrease of cargo and mail load factor resulted in a decrease in revenue of RMB294 million, and the increase of yield of cargo and mail contributed an increase in revenue of RMB2,421 million. The capacity, cargo and mail load factor and yield per RFTK of air cargo and mail business during the Reporting Period are as follows:

	For the six months ended 30 June		Change
	2020	2019	
Available freight tonne kilometres <i>(million)</i>	4,035.20	5,534.23	(27.09%)
Cargo and mail load factor (%)	36.16	42.16	(6.00 ppt)
Yield per RFTK (RMB)	2.8721	1.2128	136.82%

## Air Cargo and Mail Revenue Contributed by Geographical Segments

<i>(in RMB'000)</i>	For the six months ended 30 June		2019		Change
	2020		Amount	Percentage	
	Amount	Percentage	Amount	Percentage	
International	3,404,810	81.25%	1,971,127	69.65%	72.73%
Mainland China	625,984	14.94%	732,437	25.88%	(14.53%)
Hong Kong SAR, Macau SAR and Taiwan, China	159,724	3.81%	126,500	4.47%	26.26%
<b>Total</b>	<b>4,190,518</b>	<b>100.00%</b>	<b>2,830,064</b>	<b>100.00%</b>	<b>48.07%</b>

## Operating Expenses

During the Reporting Period, the Group's operating expenses were RMB38,196 million, representing a decrease of 36.87% from RMB60,502 million in the same period of the previous year. The breakdown of the operating expenses is set out below:

<i>(in RMB'000)</i>	For the six months ended 30 June		2019		Change
	2020		Amount	Percentage	
	Amount	Percentage	Amount	Percentage	
Jet fuel costs	6,811,760	17.83%	17,614,613	29.11%	(61.33%)
Take-off, landing and depot charges	3,893,701	10.19%	8,055,126	13.31%	(51.66%)
Depreciation and amortisation	9,964,824	26.09%	10,302,734	17.03%	(3.28%)
Aircraft maintenance, repair and overhaul costs	2,874,176	7.52%	2,886,110	4.77%	(0.41%)
Employee compensation costs	10,091,701	26.42%	11,760,502	19.44%	(14.19%)
Air catering charges	625,766	1.64%	1,928,614	3.19%	(67.55%)
Selling and marketing expenses	1,082,586	2.83%	2,365,467	3.91%	(54.23%)
General and administrative expenses	511,959	1.34%	643,591	1.06%	(20.45%)
Others	2,339,027	6.14%	4,945,407	8.18%	(52.70%)
<b>Total</b>	<b>38,195,500</b>	<b>100.00%</b>	<b>60,502,164</b>	<b>100.00%</b>	<b>(36.87%)</b>

- Jet fuel costs decreased by RMB10,803 million on a year-year basis, mainly due to the combined effect of the decrease in the consumption and prices of jet fuel.
- Take-off, landing and depot charges decreased by RMB4,161 million on a year-on-year basis, mainly due to a decrease in the number of take-offs and landings.



- Depreciation and amortisation decreased by RMB338 million on a year-on-year basis, mainly due to the change of depreciation method of the Group's overhaul components of engine from straight-line method to the units-of-production method (see Note 2 to the condensed consolidated financial statements for details).
- Employee compensation costs decreased by RMB1,669 million on a year-on-year basis, mainly due to the decrease in the number of flights, the adjustment of compensation standards and the 50% reduction in social insurance.
- Air catering charges decreased by RMB1,303 million on a year-on-year basis, mainly due to the decrease in the number of passengers.
- Selling and marketing expenses decreased by RMB1,283 million on a year-on-year basis, mainly due to the decrease in handling fees and booking fees resulting from the decrease in the sales volumes and the number of passengers.
- General and administrative expenses decreased by RMB132 million on a year-on-year basis, mainly due to the decrease in bank handling fees and other expenses.
- Other operating expenses mainly included civil aviation development fund and non-above-mentioned ordinary expenses arising from the core air traffic business, which decreased by 52.70% on a year-on-year basis, mainly due to the decrease in transport and the exemption of civil aviation development fund.

### **Net Exchange Loss and Finance Costs**

During the Reporting Period, the Group recorded a net exchange loss of RMB1,019 million, representing a year-on-year increase of RMB900 million. The Group incurred finance costs of RMB2,548 million (excluding those capitalised) during the Reporting Period, representing a year-on-year increase of RMB109 million.

### **Share of Results of Associates and Joint Ventures**

During the Reporting Period, the Group's share of losses of its associates was RMB3,011 million, as compared with the share of profits of RMB146 million for the same period of the previous year. Among them, the Group recorded a loss on investment of Cathay Pacific of RMB2,373 million during the Reporting Period, as compared with the profit on investment of RMB199 million for the same period of the previous year.

During the Reporting Period, the Group's share of profits of its joint ventures was RMB107 million, representing a year-on-year decrease of RMB5 million.

## **Assets Structure Analysis**

As at the end of the Reporting Period, the total assets of the Group were RMB293,591 million, representing a decrease of 0.21% from that as at 31 December 2019. Among them, the current assets accounted for RMB28,470 million or 9.70% of the total assets, while the non-current assets accounted for RMB265,121 million or 90.30% of the total assets.

Among the current assets, cash and cash equivalents were RMB13,443 million, representing an increase of 50.44% from that as at 31 December 2019.

Among the non-current assets, the aggregate carrying amount of property, plant and equipment and right-of-use assets as at the end of the Reporting Period was RMB216,370 million, representing a decrease of 2.33% from that as at 31 December 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 RMB78,851 million (approximately RMB81,724 million as at 31 December 2019) and land use rights with net book value of approximately RMB27 million (approximately RMB27 million as at 31 December 2019). In addition, the Group had restricted bank deposits of approximately RMB664 million (approximately RMB728 million as at 31 December 2019), 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 RMB3,907 million, of which the total investment in aircraft and engines was RMB2,556 million. Other capital expenditure investment amounted to RMB1,351 million, mainly including investment in rotables, flight simulators, 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 RMB10,930 million, representing a decrease of 25.38% from that as at 31 December 2019, among which, the balance of the equity investment of the Group in Cathay Pacific, Shandong Aviation Group Corporation and Shandong Airlines amounted to RMB9,371 million, RMB886 million and RMB283 million, respectively. Cathay Pacific, Shandong Aviation Group Corporation and Shandong Airlines recorded a net loss attributable to its shareholders of RMB8,924 million, RMB464 million and RMB1,296 million, respectively, for the Reporting Period.

As at the end of the Reporting Period, the Group's equity investment in its joint ventures was RMB1,650 million, representing an increase of 6.92% from that as at 31 December 2019.

## Debt Structure Analysis

As at the end of the Reporting Period, the total liabilities of the Group amounted to RMB204,502 million, representing an increase of 6.03% from those as at 31 December 2019, among which current liabilities were RMB93,390 million and non-current liabilities were RMB111,112 million, accounting for 45.67% and 54.33% of the total liabilities, respectively.

Among the current liabilities, interest-bearing debts (including bank and other loans, corporate bonds and lease liabilities) amounted to RMB64,567 million, representing an increase of 76.45% from that as at 31 December 2019, mainly due to the increase of the Group's financing scale to cope with the impact of Covid-19 pandemic and ensure the liquidity safety.

Among the non-current liabilities, interest-bearing debts (including bank and other loans, corporate bonds and lease liabilities) amounted to RMB99,337 million, representing a decrease of 3.73% from that as at 31 December 2019.

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

<i>(in RMB'000)</i>	30 June 2020		31 December 2019		Change
	Amount	Percentage	Amount	Percentage	
US dollars	58,176,944	35.49%	60,356,994	43.18%	(3.61%)
RMB	102,729,432	62.68%	77,029,395	55.11%	33.36%
Others	<u>2,997,280</u>	<u>1.83%</u>	<u>2,390,421</u>	<u>1.71%</u>	<u>25.39%</u>
Total	<u>163,903,656</u>	<u>100.00%</u>	<u>139,776,810</u>	<u>100.00%</u>	<u>17.26%</u>

## Commitments and Contingent Liabilities

The Group's capital commitments, which mainly consisted of the payables in the next few years for purchasing certain aircraft and related equipment, decreased by 2.72% from RMB50,007 million as at 31 December 2019 to RMB48,648 million as at the end of the Reporting Period. The Group's investment commitments, which was mainly used for the investment agreements entered into, amounted to RMB3,234 million as at the end of the Reporting Period, as compared to that of RMB24 million as at 31 December 2019, which was mainly attributable to the addition of RMB3,209 million regarding the investment commitment to Cathay Pacific.

## Gearing Ratio

As at the end of the Reporting Period, the Group's gearing ratio (total liabilities divided by total assets) was 69.66%, representing an increase of 4.10 percentage points from the gearing ratio as at 31 December 2019. High gearing ratio is common among aviation enterprises, and the current gearing ratio of the Group is at a reasonable level. 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 RMB64,920 million, representing an increase of RMB11,765 million from that as at 31 December 2019. The Group's current ratio (current assets divided by current liabilities) was 0.30, representing a decrease as compared to that of 0.32 as at 31 December 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 outflow from operating activities was RMB10,256 million, as compared to the net cash inflow of RMB13,075 million for the corresponding period in 2019, which was mainly because the sales fell and the number of ticket refunds rose on a year-on-year basis as affected by the Covid-19 pandemic. Net cash outflow from investing activities was RMB7,397 million, representing an increase of 114.06% from RMB3,456 million for the corresponding period in 2019, mainly due to the year-on-year increase in the cash payment of advances and remaining balances for the purchase of aircraft during the Reporting Period. Net cash inflow from financing activities amounted to RMB22,148 million, as compared with the net cash outflow from financing activities of RMB8,703 million for the same period of the previous year, mainly due to the increase of its financing scale to cope with the impact of Covid-19 pandemic and ensure the liquidity safety.

The Company has obtained bank facilities of up to RMB158,648 million granted by several banks in the PRC, among which approximately RMB30,167 million has been utilised. The remaining amount is sufficient to meet our demands on working capital and future capital commitments.

## **Description on the changes in annual results**

As affected by the Covid-19 pandemic across the globe, aviation demand dropped sharply. During this critical period, the Group earnestly performed its social responsibilities and its missions as a national flag carrier by safeguarding the transportation of personnel and materials for the prevention of the pandemic in an effort to maximize the protection for the health and safety of its passengers and employees. The Group grasped the changes in market demand, dynamically optimized the deployment of transport capacity, refined marketing control, optimized yield management, strengthened cost control, and actively sought to increase revenue through flexible adjustment between domestic and international flights, passenger and freight transportation, through resource guarantee mechanisms and other measures, all with an aim to minimize the impact of the pandemic with best efforts. However, in view of the uncertainties of the evolvement of the pandemic and its serious impact on the civil aviation transport industry, it is anticipated that the Group's results from the beginning of the year to the end of next reporting period will be significantly affected.

## **PURCHASE, SALE OR REDEMPTION OF SECURITIES**

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

## **INTERIM DIVIDEND**

No interim dividend will be paid by the Company for the six months ended 30 June 2020.

## **SUBSEQUENT EVENTS**

On 9 June 2020, the Company issued an Irrevocable Undertaking to Cathay Pacific, pursuant to which the Company has irrevocably undertaken to procure each of the Relevant Subsidiaries to take up in full at the Subscription Price of HK\$4.68 per Cathay Pacific Rights Share its respective entitlement to Cathay Pacific Rights Shares according to the Cathay Pacific Rights Issue. Cathay Pacific Rights Issue was completed on 10 August 2020 and the Relevant Subsidiaries of the Company have taken up a total of 750,756,347 Cathay Pacific Rights Shares which were allocated to such subsidiaries in the Cathay Pacific Rights Issue.

## **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 as set out in Appendix 10 to the Listing Rules. After making specific enquiries, the Company confirmed that each Director and each Supervisor have complied with the required standards of the Model Code and the Company’s code of conduct throughout the Reporting Period.

## **DISCLOSURE REQUIREMENTS UNDER THE LISTING RULES**

In order to comply with the requirements under paragraph 46 of Appendix 16 to the Listing Rules, the Company confirmed that save as disclosed in this announcement, there are no material changes in the current information of the Company in relation to matters as set out in paragraph 46(3) of Appendix 16 to the Listing Rules as compared with relevant disclosures in 2019 annual report of the Company.

## REVIEW BY THE AUDIT AND RISK CONTROL COMMITTEE

The audit and risk control committee of the Company has reviewed the Company's interim results for the six months ended 30 June 2020, the Company's unaudited interim condensed consolidated financial statements and the accounting policies and practices adopted by the Group.

## GLOSSARY OF TECHNICAL TERMS

### Capacity Measurements

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

### Traffic Measurements

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

### Efficiency Measurements

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

### Yield Measurements

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

## DEFINITIONS

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

“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
“A Share(s)”	ordinary share(s) in the share capital of the Company, with a nominal value of RMB1.00 each, which is/are subscribed for and traded in Renminbi and listed on the Shanghai Stock Exchange
“Beijing Airlines”	Beijing Airlines Company Limited, a non-wholly owned subsidiary of the Company
“Board”	the board of directors of the Company
“Cathay Pacific”	Cathay Pacific Airways Limited, an associate of the Company
“CNAHC”	China National Aviation Holding Corporation Limited
“COMAC”	Commercial Aircraft Corporation of China Ltd.
“Company” or “Air China”	Air China Limited, a company incorporated in the PRC, whose H Shares are listed on the Hong Kong Stock Exchange as its primary listing venue and on the Official List of the UK Listing Authority as its secondary listing venue, and whose A Shares are listed on the Shanghai Stock Exchange
“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”	Hong Kong Special Administrative Region of the People’s Republic of China
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited

“H Share(s)”	overseas-listed foreign invested share(s) in the share capital of the Company, with a nominal value of RMB1.00 each, which is/are listed on the Hong Kong Stock Exchange (as primary listing venue) and has/have been admitted into the Official List of the UK Listing Authority (as secondary listing venue)
“International Financial Reporting Standards” or “IFRSs”	International Financial Reporting Standards
“Kunming Airlines”	Kunming Airlines Company Limited, a subsidiary of Shenzhen Airlines
“Listing Rules”	The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Model Code”	The Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 of the Listing Rules
“Reporting Period”	the period from 1 January 2020 to 30 June 2020
“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
“Shareholder(s)”	the shareholder(s) 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 Huen Ho Yin**  
*Joint Company Secretaries*

Beijing, the PRC, 28 August 2020

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

\* *Independent non-executive director of the Company*