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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)**

**2020 ANNUAL RESULTS**

**FINANCIAL HIGHLIGHTS**

- During the Reporting Period, the Group recorded a revenue of RMB69,504 million with loss before tax of RMB18,466 million. The net loss attributable to equity shareholders of the Company was RMB14,403 million.
- As considered and approved by the 27th meeting of the fifth session of the Board of the Company, the Company proposed not to make profit distribution for the year of 2020.

 **2020 ANNUAL RESULTS**

The Board hereby announces the audited consolidated financial results of the Group for the year ended 31 December 2020 together with the corresponding comparative figures for the year ended 31 December 2019 as follows:

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS**  
**FOR THE YEAR ENDED 31 DECEMBER 2020**

	<i>Notes</i>	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Revenue	4	69,503,749	136,180,690
Other income and gains	6	4,356,946	4,059,190
		<u>73,860,695</u>	<u>140,239,880</u>
<b>Operating expenses</b>			
Jet fuel costs		(14,817,474)	(35,965,239)
Employee compensation costs		(22,012,834)	(25,473,898)
Depreciation and amortisation		(20,408,317)	(21,279,084)
Take-off, landing and depot charges		(9,239,943)	(16,440,081)
Aircraft maintenance, repair and overhaul costs		(6,423,313)	(6,119,539)
Air catering charges		(1,605,027)	(4,026,090)
Aircraft and engine lease expenses		(223,034)	(966,227)
Other lease expenses		(463,265)	(565,160)
Other flight operation expenses		(5,869,393)	(8,193,008)
Selling and marketing expenses		(2,568,362)	(4,684,722)
General and administrative expenses		(1,051,495)	(1,844,232)
Impairment loss recognised on property, plant and equipment		(439,656)	–
Net impairment loss reversed/(recognised) under expected credit loss model		<u>92,598</u>	<u>(40,682)</u>
		<u>(85,029,515)</u>	<u>(125,597,962)</u>
<b>(Loss)/profit from operations</b>	7	(11,168,820)	14,641,918
Finance income		191,598	163,185
Finance costs	8	(5,099,785)	(4,948,928)
Share of results of associates		(6,148,692)	215,532
Share of results of joint ventures		155,541	259,727
Exchange gain/(loss), net		<u>3,603,752</u>	<u>(1,211,171)</u>
<b>(Loss)/profit before taxation</b>		(18,466,406)	9,120,263
Income tax credit/(expense)	9	<u>2,650,275</u>	<u>(1,856,499)</u>
<b>(Loss)/profit for the year</b>		<u>(15,816,131)</u>	<u>7,263,764</u>
<b>Attributable to:</b>			
– Equity shareholders of the Company		(14,403,343)	6,420,294
– Non-controlling interests		<u>(1,412,788)</u>	<u>843,470</u>
		<u>(15,816,131)</u>	<u>7,263,764</u>
<b>(Loss)/earnings per share</b>			
– Basic and diluted	10	<u>RMB(104.87) cents</u>	<u>RMB46.74 cents</u>

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2020

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
(Loss)/profit for the year	<u>(15,816,131)</u>	<u>7,263,764</u>
Other comprehensive (expense)/income for the year		
Items that will not be reclassified to profit or loss:		
– Fair value (losses)/gains on investments in equity instruments at fair value through other comprehensive income	(19,933)	3,842
– Income tax relating to items that will not be reclassified to profit or loss	4,983	(59)
– Remeasurement of net defined benefit liability	3,265	(3,905)
– Share of other comprehensive income of associates	<u>94,761</u>	<u>441,862</u>
Items that may be reclassified subsequently to profit or loss:		
– Fair value (losses)/gains on investments in debt instruments at fair value through other comprehensive income	(4,310)	3,551
– Impairment loss on investments in debt instruments at fair value through other comprehensive income included in profit or loss	7,637	8,096
– Income tax relating to items that may be reclassified subsequently to profit or loss	(832)	(2,912)
– Share of other comprehensive income of associates	139,255	23,272
– Exchange differences on translation of foreign operations	<u>(1,111,691)</u>	<u>495,324</u>
Other comprehensive (expense)/income for the year (net of tax)	<u>(886,865)</u>	<u>969,071</u>
Total comprehensive (expense)/income for the year	<u><u>(16,702,996)</u></u>	<u><u>8,232,835</u></u>
Attributable to:		
– Equity shareholders of the Company	(15,260,368)	7,370,539
– Non-controlling interests	<u>(1,442,628)</u>	<u>862,296</u>
	<u><u>(16,702,996)</u></u>	<u><u>8,232,835</u></u>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2020

	<i>Note</i>	<b>31 December 2020 RMB'000</b>	31 December 2019 RMB'000
<b>Non-current assets</b>			
Property, plant and equipment		<b>101,346,490</b>	102,158,432
Right-of-use assets		<b>114,539,680</b>	119,376,500
Investment properties		<b>600,329</b>	637,986
Intangible assets		<b>36,580</b>	36,610
Goodwill		<b>1,099,975</b>	1,099,975
Interests in associates		<b>10,938,428</b>	14,647,561
Interests in joint ventures		<b>1,581,105</b>	1,543,509
Advance payments for aircraft and flight equipment		<b>24,907,862</b>	22,413,867
Deposits for aircraft under leases		<b>615,537</b>	636,671
Equity instruments at fair value through other comprehensive income		<b>233,180</b>	253,113
Debt instruments at fair value through other comprehensive income		<b>1,344,829</b>	1,688,451
Deferred tax assets		<b>6,750,883</b>	4,352,452
Other non-current assets		<b>298,836</b>	544,390
		<b><u>264,293,714</u></b>	<u>269,389,517</u>
<b>Current assets</b>			
Inventories		<b>1,853,990</b>	2,098,673
Accounts receivable	12	<b>2,942,799</b>	5,997,690
Bills receivable		<b>6,593</b>	362
Prepayments, deposits and other receivables		<b>3,912,471</b>	3,724,468
Restricted bank deposits		<b>737,245</b>	728,385
Cash and cash equivalents		<b>5,837,998</b>	8,935,282
Other current assets		<b>4,444,806</b>	3,331,996
		<b><u>19,735,902</u></b>	<u>24,816,856</u>
<b>Total assets</b>		<b><u><u>284,029,616</u></u></b>	<u><u>294,206,373</u></u>

		<b>31 December 2020</b>	31 December 2019
	<i>Note</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>Current liabilities</b>			
Air traffic liabilities		(2,002,649)	(9,980,300)
Accounts payable	13	(12,510,582)	(16,578,153)
Bills payable		(62,570)	–
Dividends payable		(98,000)	–
Other payables and accruals		(11,177,928)	(11,977,447)
Current taxation		(45,614)	(938,732)
Lease liabilities		(13,560,862)	(13,861,503)
Interest-bearing bank loans and other borrowings		(39,630,365)	(22,729,991)
Provision for return condition checks		(229,514)	(869,651)
Contract liabilities		(1,280,102)	(1,037,031)
		<u>(80,598,186)</u>	<u>(77,972,808)</u>
<b>Net current liabilities</b>		<u>(60,862,284)</u>	<u>(53,155,952)</u>
<b>Total assets less current liabilities</b>		<u>203,431,430</u>	<u>216,233,565</u>
<b>Non-current liabilities</b>			
Lease liabilities		(76,098,678)	(86,586,353)
Interest-bearing bank loans and other borrowings		(31,639,097)	(16,598,965)
Provision for return condition checks		(8,580,560)	(7,538,095)
Provision for early retirement benefit obligations		(1,351)	(1,989)
Long-term payables		(21,022)	(115,190)
Contract liabilities		(2,264,843)	(2,670,910)
Defined benefit obligations		(229,332)	(249,933)
Deferred income		(488,791)	(521,227)
Deferred tax liabilities		(334,720)	(621,440)
		<u>(119,658,394)</u>	<u>(114,904,102)</u>
<b>NET ASSETS</b>		<u><u>83,773,036</u></u>	<u><u>101,329,463</u></u>
<b>CAPITAL AND RESERVES</b>			
Issued capital		14,524,815	14,524,815
Treasury shares		(3,047,564)	(3,047,564)
Reserves		66,064,076	81,981,426
<b>Total equity attributable to equity shareholders of the Company</b>		<u>77,541,327</u>	<u>93,458,677</u>
<b>Non-controlling interests</b>		<u>6,231,709</u>	<u>7,870,786</u>
<b>TOTAL EQUITY</b>		<u><u>83,773,036</u></u>	<u><u>101,329,463</u></u>

## NOTES

FOR THE YEAR ENDED 31 DECEMBER 2020

### 1. BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with IFRSs issued by the International Accounting Standards Board. For the purpose of preparation of the consolidated financial statements, information is considered material if such information is reasonably expected to influence decisions made by primary users. In addition, the consolidated financial statements include applicable disclosures required by the Listing Rules and by the Hong Kong 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 at the end of each reporting period. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

As at 31 December 2020, the Group's current liabilities exceeded its current assets by approximately RMB60,862 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 RMB122,242 million as at 31 December 2020, 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 2020. 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 AMENDMENTS TO IFRSS

#### **Amendments to IFRSs that are mandatorily effective for the current year**

In the current year, the Group has applied the *Amendments to References to the Conceptual Framework in IFRS Standards* and the following amendments to IFRSs for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2020 for the preparation of the 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 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.

## 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 and the related Amendments<sup>1</sup></i>
Amendments to IFRS 3	<i>Reference to the Conceptual Framework<sup>2</sup></i>
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	<i>Interest Rate Benchmark Reform-Phase 2<sup>4</sup></i>
Amendments to IFRS 10 and IAS 28	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture<sup>3</sup></i>
Amendments to IAS 1	<i>Classification of Liabilities as Current or Non-current<sup>1</sup></i>
Amendments to IAS 1 and IFRS Practice Statement 2	<i>Disclosure of Accounting Policies<sup>1</sup></i>
Amendments to IAS 8	<i>Definition of Accounting Estimates<sup>1</sup></i>
Amendments to IAS 16	<i>Property, Plant and Equipment: Proceeds before Intended Use<sup>2</sup></i>
Amendments to IAS 37	<i>Onerous Contracts-Cost of Fulfilling a Contract<sup>2</sup></i>
Amendments to IFRS Standards	<i>Annual Improvements to IFRS Standards 2018-2020<sup>2</sup></i>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2023.

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2022.

<sup>3</sup> Effective for annual periods beginning on or after a date to be determined.

<sup>4</sup> Effective for annual periods beginning on or after 1 January 2021.

The Directors anticipate that the application of all new and amendments to IFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

### 3. CHANGE IN AN ACCOUNTING ESTIMATE

During the current year, the Group changed the depreciation method of overhaul components of engines, 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 *Accounting Policies, Changes in Accounting Estimates and Errors* effect from 1 January 2020 and the impact on the consolidated financial statements for the year ended 31 December 2020 was a reduction in depreciation expense of approximately RMB1,611 million.

#### 4. REVENUE

	<b>2020</b>	2019
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
Revenue from contracts with customers	<b>69,244,930</b>	135,898,971
Rental income (included in revenue of airline operations segment)	<b>258,819</b>	281,719
Total revenue	<b><u>69,503,749</u></b>	<u>136,180,690</u>

#### Disaggregation of revenue from contracts with customers

Segments	2020		2019	
	Airline operations	Other operations	Airline operations	Other operations
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>Type of goods or services</b>				
Airline operations				
Passenger	55,726,862	-	124,524,583	-
Cargo and mail	8,553,407	-	5,732,160	-
Ground service income	239,713	-	753,272	-
Others	<u>1,565,162</u>	-	<u>2,078,460</u>	-
	<b>66,085,144</b>	-	133,088,475	-
Other operations				
Aircraft engineering income	-	2,771,588	-	2,491,912
Others	-	<u>388,198</u>	-	<u>318,584</u>
	-	<b>3,159,786</b>	-	2,810,496
Total	<b><u>66,085,144</u></b>	<b><u>3,159,786</u></b>	<u>133,088,475</u>	<u>2,810,496</u>
<b>Geographical markets</b>				
Mainland China	48,535,069	3,159,786	85,907,957	2,810,496
Hong Kong, Special Administrative Region ("SAR"), Macau SAR and Taiwan, China	1,032,767	-	5,911,532	-
International	<u>16,517,308</u>	-	<u>41,268,986</u>	-
Total	<b><u>66,085,144</u></b>	<b><u>3,159,786</u></b>	<u>133,088,475</u>	<u>2,810,496</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 RMB1,537 million (2019: RMB2,304 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.

## **5. 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 CASs for the years ended 31 December 2020 and 2019 and the reconciliations of reportable segment revenue and (loss)/profit before taxation to the Group's consolidated amounts under IFRSs:

### Year ended 31 December 2020

	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	66,343,963	3,159,786	–	69,503,749
Inter-segment sales	<u>171,659</u>	<u>6,406,908</u>	<u>(6,578,567)</u>	<u>–</u>
Revenue for reportable segments under CASs and IFRSs	<u><u>66,515,622</u></u>	<u><u>9,566,694</u></u>	<u><u>(6,578,567)</u></u>	<u><u>69,503,749</u></u>
Segment loss before taxation				
Loss before taxation for reportable segments under CASs	<u><u>(18,129,295)</u></u>	<u><u>(62,012)</u></u>	<u><u>(283,213)</u></u>	<u><u>(18,474,520)</u></u>
Effect of differences between IFRSs and CASs				<u><u>8,114</u></u>
Loss before taxation for the year under IFRSs				<u><u>(18,466,406)</u></u>

### 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
Inter-segment 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><u>15,624</u></u>
Profit before taxation for the year under IFRSs				<u><u>9,120,263</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 2020 and 2019 and the reconciliations of reportable segment assets, liabilities and other information to the Group's consolidated amounts under IFRSs:

	<b>Airline operations RMB'000</b>	<b>Other operations RMB'000</b>	<b>Elimination RMB'000</b>	<b>Total RMB'000</b>
<b>Segment assets</b>				
Total assets for reportable segments as at 31 December 2020 under CASs	<u>276,189,234</u>	<u>21,125,795</u>	<u>(13,244,319)</u>	<u>284,070,710</u>
Effect of differences between IFRSs and CASs				<u>(41,094)</u>
Total assets under IFRSs				<u><u>284,029,616</u></u>
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><u>294,206,373</u></u>
	<b>Airline operations RMB'000</b>	<b>Other operations RMB'000</b>	<b>Elimination RMB'000</b>	<b>Total RMB'000</b>
<b>Segment liabilities</b>				
Total liabilities for reportable segments as at 31 December 2020 under CASs and IFRSs	<u>198,629,828</u>	<u>14,553,683</u>	<u>(12,926,931)</u>	<u>200,256,580</u>
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>

**Year ended 31 December 2020**

	Airline operations <i>RMB'000</i>	Other operations <i>RMB'000</i>	Elimination <i>RMB'000</i>	Total <i>RMB'000</i>	Effect of differences between IFRSs and CASs <i>RMB'000</i>	Amounts under IFRSs <i>RMB'000</i>
<b>Other segment information</b>						
Share of (losses)/profit of associates and joint ventures	(6,146,027)	152,876	–	(5,993,151)	–	(5,993,151)
Impairment losses reversed on financial assets	9,351	73,780	9,467	92,598	–	92,598
Impairment losses recognised on non- financial assets	443,373	32,241	–	475,614	–	475,614
Depreciation and amortisation	20,123,001	427,606	(127,810)	20,422,797	(14,480)	20,408,317
Income tax (credit)/expense	(2,639,082)	7,353	(20,574)	(2,652,303)	2,028	(2,650,275)
Interests in associates and joint ventures	10,636,087	1,803,195	(59,668)	12,379,614	139,919	12,519,533
Additions to non-current assets	<u>18,799,950</u>	<u>261,633</u>	<u>(92,187)</u>	<u>18,969,396</u>	<u>–</u>	<u>18,969,396</u>

**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>	Effect of differences between IFRSs and CASs <i>RMB'000</i>	Amounts under IFRSs <i>RMB'000</i>
<b>Other segment information</b>						
Share of profit 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
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>

## Geographical information

The following table presents the Group's consolidated revenue under IFRSs by geographical location for the years ended 31 December 2020 and 2019, respectively:

### Year ended 31 December 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>51,953,674</u>	<u>1,032,767</u>	<u>16,517,308</u>	<u>69,503,749</u>

### Year ended 31 December 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>89,000,172</u>	<u>5,911,532</u>	<u>41,268,986</u>	<u>136,180,690</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 2020 (2019: Nil).

## 6. OTHER INCOME AND GAINS

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Co-operation routes income and subsidy income	4,076,199	3,643,407
Dividend income	8,034	12,550
Gain/(loss) on disposal of		
– Interests in joint ventures	–	(414)
– Property, plant and equipment	38,943	65,319
– Right-of-use assets	348	–
Gain on derecognition of land use rights	–	52,798
Others	233,422	285,530
	<u>4,356,946</u>	<u>4,059,190</u>

## 7. (LOSS)/PROFIT FROM OPERATIONS

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

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Depreciation of property, plant and equipment	9,168,355	9,704,731
Depreciation of right-of-use assets	11,214,630	11,548,619
Depreciation of investment properties	25,302	25,692
Amortisation of intangible assets	30	42
Impairment losses recognised on property, plant and equipment	439,656	–
Impairment losses recognised/(reversed) on inventories	35,958	(2,805)
Auditors' remuneration:		
– Audit related services	18,660	17,923
– Other services	435	–
	<u>435</u>	<u>–</u>

## 8. FINANCE COSTS

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Interest on interest-bearing bank loans and other borrowings	1,848,869	1,581,534
Interest on lease liabilities	3,694,546	3,897,514
Imputed interest expenses on defined benefit obligations	<u>8,163</u>	<u>8,880</u>
	5,551,578	5,487,928
Less: Interest capitalised	<u>(451,793)</u>	<u>(539,000)</u>
	<u><u>5,099,785</u></u>	<u><u>4,948,928</u></u>

The interest capitalisation rates during the year ranged from 1.9% to 4.41% (2019: 3.14% to 4.75%) per annum relating to the costs of related borrowings during the year.

## 9. INCOME TAX (CREDIT)/EXPENSE

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Current income tax:		
– Mainland China	23,894	2,047,335
– Hong Kong SAR and Macau SAR, China	326	23,227
Under-provision in respect of prior years	7,718	5,182
Deferred tax	<u>(2,682,213)</u>	<u>(219,245)</u>
	<u><u>(2,650,275)</u></u>	<u><u>1,856,499</u></u>

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

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

	<b>2020</b>	2019
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
(Loss)/profit before taxation	<b><u>(18,466,406)</u></b>	<u>9,120,263</u>
Tax at the applicable tax rate of 25%	<b>(4,616,602)</b>	2,280,066
Preferential tax rates on income/(loss) of group entities	<b>304,015</b>	(113,980)
Tax effect of share of results of associates and joint ventures	<b>1,498,288</b>	(118,815)
Tax effect of non-deductible expenses	<b>48,931</b>	100,099
Tax effect of non-taxable income	<b>(8,133)</b>	(30,749)
Tax effect of deductible temporary differences and tax losses not recognised	<b>118,485</b>	613
Tax effect of utilisation of tax losses not recognised in prior years	<b>(1,818)</b>	(18,180)
Tax effect of utilisation of deductible temporary differences not recognised in prior years	<b>(1,159)</b>	(247,737)
Under-provision in respect of prior years	<b><u>7,718</u></b>	<u>5,182</u>
Income tax (credit)/expense for the year	<b><u>(2,650,275)</u></b>	<u>1,856,499</u>



## 10. (LOSS)/EARNINGS PER SHARE

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

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
<b>(Loss)/earnings</b>		
(Loss)/earnings for the purpose of basic and diluted (loss)/earnings per share	<u>(14,403,343)</u>	<u>6,420,294</u>
	2020 <i>'000</i>	2019 <i>'000</i>
<b>Number of shares</b>		
Number of ordinary shares for the purpose of basic and diluted (loss)/earnings per share	<u>13,734,961</u>	<u>13,734,961</u>

The number of ordinary shares for the purpose of basic and diluted (loss)/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.

## 11. DIVIDENDS

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

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Final dividend in respect of the previous financial year, approved during the current year, of RMB0.4442 per ten shares (including tax) (2019: RMB1.0328 per ten shares (including tax))	<u>645,192</u>	<u>1,500,123</u>

Subsequent to the end of the reporting period, no dividend has been proposed in respect of the year ended 31 December 2020 by the Directors.

## 12. ACCOUNTS RECEIVABLE

	<b>2020</b>	2019
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
Accounts receivable	<b>3,102,328</b>	6,242,241
Less: Allowance for expected credit losses	<b>(159,529)</b>	(244,551)
	<b><u>2,942,799</u></b>	<u>5,997,690</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:

	<b>2020</b>	2019
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
Within 30 days	<b>1,270,198</b>	2,589,150
31 to 60 days	<b>488,965</b>	789,472
61 to 90 days	<b>259,396</b>	452,542
Over 90 days	<b>924,240</b>	2,166,526
	<b><u>2,942,799</u></b>	<u>5,997,690</u>

## 13. ACCOUNTS PAYABLE

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

	<b>2020</b>	2019
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
Within 30 days	<b>4,674,784</b>	7,760,994
31 to 60 days	<b>1,394,258</b>	1,599,072
61 to 90 days	<b>1,385,660</b>	1,201,101
Over 90 days	<b>5,055,880</b>	6,016,986
	<b><u>12,510,582</u></b>	<u>16,578,153</u>

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

## CONSOLIDATED BALANCE SHEET

At 31 December 2020

(Prepared under the CASs)

<b>ASSETS</b>	<b>31 December 2020 RMB'000</b>	31 December 2019 RMB'000
<b>Current assets</b>		
Cash and bank	6,575,243	9,663,667
Bills receivable	6,593	362
Accounts receivable	2,942,799	5,997,690
Prepayments	421,237	479,029
Other receivables	3,491,233	3,245,439
Inventories	1,853,990	2,098,673
Other current assets	<u>4,444,806</u>	<u>3,331,996</u>
<b>Total current assets</b>	<u><b>19,735,901</b></u>	<u>24,816,856</u>
<b>Non-current assets</b>		
Debt instruments at fair value through other comprehensive income	1,344,829	1,688,451
Long-term receivables	621,398	814,507
Long-term equity investments	12,379,614	16,051,151
Equity instruments at fair value through other comprehensive income	235,223	255,156
Investment properties	138,688	151,443
Fixed assets	87,717,717	88,890,118
Right-of-use assets	112,074,148	116,827,217
Construction in progress	38,138,866	35,276,017
Intangible assets	3,597,206	3,722,394
Goodwill	1,102,185	1,102,185
Long-term deferred expenses	292,972	366,554
Deferred tax assets	<u>6,691,963</u>	<u>4,291,504</u>
<b>Total non-current assets</b>	<u><b>264,334,809</b></u>	<u>269,436,697</u>
<b>Total assets</b>	<u><b>284,070,710</b></u>	<u><b>294,253,553</b></u>

<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>31 December 2020 RMB'000</b>	31 December 2019 RMB'000
<b>Current liabilities</b>		
Short-term loans	29,327,087	13,566,403
Short-term bonds payable	510,810	7,381,933
Bills payable	62,570	–
Accounts payable	12,740,096	17,307,980
Air traffic liabilities	2,002,649	9,980,300
Contract liabilities	1,280,102	1,037,031
Employee compensations payable	2,608,944	3,196,108
Taxes payable	206,547	1,255,056
Other payables	9,600,645	9,031,542
Non-current liabilities repayable within one year	<u>22,054,735</u>	<u>14,873,364</u>
<b>Total current liabilities</b>	<u>80,394,185</u>	<u>77,629,717</u>
<b>Non-current liabilities</b>		
Long-term loans	21,140,699	1,200,430
Corporate bonds	10,498,398	15,398,535
Long-term payables	5,783,825	4,971,572
Lease liabilities	76,098,678	86,586,353
Defined benefit obligations	229,332	249,933
Accrued liabilities	3,023,109	3,026,793
Deferred income	488,791	521,227
Deferred tax liabilities	334,720	621,440
Other non-current liabilities	<u>2,264,843</u>	<u>2,670,910</u>
<b>Total non-current liabilities</b>	<u>119,862,395</u>	<u>115,247,193</u>
<b>Total liabilities</b>	<u>200,256,580</u>	<u>192,876,910</u>
<b>Shareholders' equity</b>		
Issued capital	14,524,815	14,524,815
Capital reserve	26,270,841	26,270,841
Other comprehensive income	(871,587)	(14,562)
Reserve funds	11,564,287	11,026,605
Retained earnings	25,983,437	41,587,530
General reserve	<u>110,628</u>	<u>110,628</u>
Equity attributable to shareholders of the Company	77,582,421	93,505,857
Non-controlling interests	<u>6,231,709</u>	<u>7,870,786</u>
<b>Total shareholders' equity</b>	<u>83,814,130</u>	<u>101,376,643</u>
<b>Total liabilities and shareholders' equity</b>	<u>284,070,710</u>	<u>294,253,553</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:

	<b>2020</b> <i>RMB'000</i>	2019 <i>RMB'000</i>
Net (loss)/profit attributable to shareholders of the Company under CASs	<b>(14,409,429)</b>	6,408,576
Deferred taxation	<b>(2,028)</b>	(3,906)
Differences in value of fixed assets and other non-current assets	<b>8,114</b>	15,624
Net (loss)/profit attributable to shareholders of the Company under IFRSs	<b><u>(14,403,343)</u></b>	<b><u>6,420,294</u></b>
	<b>31 December</b> <b>2020</b> <i>RMB'000</i>	31 December 2019 <i>RMB'000</i>
Equity attributable to shareholders of the Company under CASs	<b>77,582,421</b>	93,505,857
Deferred taxation	<b>58,920</b>	60,948
Differences in value of fixed assets and other non-current assets	<b>(239,933)</b>	(248,047)
Unrealised profit of the disposal of Hong Kong Dragon Airlines Limited	<b>139,919</b>	139,919
Equity attributable to shareholders of the Company under IFRSs	<b><u>77,541,327</u></b>	<b><u>93,458,677</u></b>

## 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>Current period</b>	Previous period	Increase/ (decrease)
<b>Capacity</b>			
<b>ASK (million)</b>	<b>156,060.66</b>	287,787.61	(45.77%)
International	<b>18,639.58</b>	109,336.78	(82.95%)
Mainland China	<b>135,554.18</b>	167,662.03	(19.15%)
Hong Kong SAR, Macau SAR and Taiwan, China	<b>1,866.90</b>	10,788.80	(82.70%)
<b>AFTK (million)</b>	<b>9,634.66</b>	10,951.75	(12.03%)
International	<b>6,163.23</b>	6,471.54	(4.76%)
Mainland China	<b>3,375.26</b>	4,222.84	(20.07%)
Hong Kong SAR, Macau SAR and Taiwan, China	<b>96.17</b>	257.38	(62.63%)
<b>ATK (million)</b>	<b>23,685.73</b>	36,917.59	(35.84%)
<b>Traffic</b>			
<b>RPK (million)</b>	<b>109,830.07</b>	233,176.14	(52.90%)
International	<b>11,753.53</b>	86,618.30	(86.43%)
Mainland China	<b>97,117.80</b>	138,193.52	(29.72%)
Hong Kong SAR, Macau SAR and Taiwan, China	<b>958.75</b>	8,364.31	(88.54%)
<b>RFTK (million)</b>	<b>3,558.06</b>	4,778.74	(25.54%)
International	<b>2,300.49</b>	3,150.59	(26.98%)
Mainland China	<b>1,229.44</b>	1,555.56	(20.97%)
Hong Kong SAR, Macau SAR and Taiwan, China	<b>28.13</b>	72.59	(61.24%)
<b>Passengers carried (thousand)</b>	<b>68,687.07</b>	115,006.12	(40.28%)
International	<b>2,241.20</b>	17,096.11	(86.89%)
Mainland China	<b>65,834.70</b>	92,550.97	(28.87%)
Hong Kong SAR, Macau SAR and Taiwan, China	<b>611.18</b>	5,359.05	(88.60%)
<b>Cargo and mail carried (tonnes)</b>	<b>1,113,676.51</b>	1,434,203.10	(22.35%)
<b>Kilometres flown (million)</b>	<b>973.01</b>	1,454.24	(33.09%)
<b>Block hours (thousand)</b>	<b>1,552.86</b>	2,285.05	(32.04%)

	<b>Current period</b>	Previous period	Increase/ (decrease)
<b>Number of flights</b>	<b>551,373</b>	742,923	(25.78%)
International	<b>29,703</b>	97,785	(69.62%)
Mainland China	<b>513,747</b>	604,863	(15.06%)
Hong Kong SAR, Macau SAR and Taiwan, China	<b>7,923</b>	40,275	(80.33%)
<b>RTK (million)</b>	<b>13,285.14</b>	25,363.67	(47.62%)
<b>Load factor</b>			
<b>Passenger load factor (RPK/ASK)</b>	<b>70.38%</b>	81.02%	(10.64 ppt)
International	<b>63.06%</b>	79.22%	(16.16 ppt)
Mainland China	<b>71.65%</b>	82.42%	(10.77 ppt)
Hong Kong SAR, Macau SAR and Taiwan, China	<b>51.36%</b>	77.53%	(26.17 ppt)
<b>Cargo and mail load factor (RFTK/AFTK)</b>	<b>36.93%</b>	43.63%	(6.70 ppt)
International	<b>37.33%</b>	48.68%	(11.35 ppt)
Mainland China	<b>36.42%</b>	36.84%	(0.42 ppt)
Hong Kong SAR, Macau SAR and Taiwan, China	<b>29.25%</b>	28.20%	1.05 ppt
<b>Overall load factor (RTK/ATK)</b>	<b>56.09%</b>	68.70%	(12.61 ppt)
<b>Daily utilisation of aircraft (block hours per day per aircraft)</b>	<b>6.34</b>	9.72	(3.38 hours)
<b>Yield</b>			
<b>Yield per RPK (RMB)</b>	<b>0.5074</b>	0.5340	(4.98%)
International	<b>0.8204</b>	0.4303	90.66%
Mainland China	<b>0.4665</b>	0.5902	(20.96%)
Hong Kong SAR, Macau SAR and Taiwan, China	<b>0.8109</b>	0.6813	19.02%
<b>Yield per RFTK (RMB)</b>	<b>2.4040</b>	1.1995	100.42%
International	<b>2.9885</b>	1.2689	135.52%
Mainland China	<b>1.1574</b>	0.9778	18.37%
Hong Kong SAR, Macau SAR and Taiwan, China	<b>9.0770</b>	2.9382	208.93%
<b>Unit cost</b>			
<b>Operating expense per ASK (RMB)</b>	<b>0.5448</b>	0.4364	24.84%
<b>Operating expense per ATK (RMB)</b>	<b>3.5899</b>	3.4021	5.52%

## FLEET INFORMATION

During the year of 2020, the Group introduced a total of 14 aircraft, including two A350, eight A320NEO, one A321NEO and three ARJ21-700 aircraft, among which one was bought with our own funds, 11 were introduced under finance leases and two were introduced under operating leases. On the other hand, the Group phased out six aircraft, including two B737-800, one B737-300, one A320 and two A319.

As at the end of 2020, the Group had a total of 707 passenger aircraft including business jets, with an average age of 7.74 years. Among the aircraft set out above, the Company operated a fleet of 431 aircraft in total, with an average age of 7.99 years. The Company introduced 10 aircraft and phased out five aircraft, among which one was sold to Air China Inner Mongolia.

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

	<b>Sub-total</b>	<b>Self-owned</b>	<b>Finance leases</b>	<b>Operating leases</b>	<b>Average age (year)</b>
<b>Passenger aircraft</b>	<b>702</b>	<b>292</b>	<b>212</b>	<b>198</b>	<b>7.73</b>
<b>Airbus</b>	<b>373</b>	<b>148</b>	<b>118</b>	<b>107</b>	<b>7.77</b>
A319	41	32	6	3	13.18
A320/A321	255	88	92	75	6.96
A330	65	28	8	29	8.65
A350	12	0	12	0	1.71
<b>Boeing</b>	<b>326</b>	<b>143</b>	<b>92</b>	<b>91</b>	<b>7.76</b>
B737	274	119	72	83	7.93
B747	10	8	2	0	11.47
B777	28	4	18	6	6.71
B787	14	12	0	2	3.86
<b>COMAC</b>	<b>3</b>	<b>1</b>	<b>2</b>	<b>0</b>	<b>0.26</b>
ARJ21	3	1	2	0	0.26
<b>Business jets</b>	<b>5</b>	<b>1</b>	<b>0</b>	<b>4</b>	<b>8.41</b>
<b>Total</b>	<b><u>707</u></b>	<b><u>293</u></b>	<b><u>212</u></b>	<b><u>202</u></b>	<b><u>7.74</u></b>



Passenger aircraft	Introduction Plan			Phase-out Plan		
	2021	2022	2023	2021	2022	2023
<b>Airbus</b>	<b>53</b>	<b>16</b>	<b>5</b>	<b>3</b>	<b>8</b>	<b>7</b>
A319	–	–	–	–	6	4
A320/A321	48	8	–	–	2	3
A330	–	–	–	3	–	–
A350	5	8	5	–	–	–
<b>Boeing</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>3</b>	<b>10</b>	<b>7</b>
B737	–	–	–	3	10	7
<b>COMAC</b>	<b>6</b>	<b>8</b>	<b>9</b>	<b>–</b>	<b>–</b>	<b>–</b>
ARJ21	6	8	9	–	–	–
<b>Total</b>	<b><u>59</u></b>	<b><u>24</u></b>	<b><u>14</u></b>	<b><u>6</u></b>	<b><u>18</u></b>	<b><u>14</u></b>

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

## 2020 REVIEW

The year of 2020 is the final year for the 13th Five-year Plan, it is also the critical year for completing the building of a moderately prosperous society in all respects and achieving the first centenary goal. Under the strong leadership of the Central Committee of the Party with General Secretary Xi Jinping at the core, the Group resolutely carried out the decisions and deployment plans of the Central Committee of the Party and the State Council. The Group served the nation's needs for containing the pandemic and resumption of work and production as well as poverty alleviation. The Group has undertaken overall planning for various major tasks including pandemic prevention, safe production, performance maximization, targeted poverty alleviation, environmental protection, risk prevention and control and passenger services, thereby minimizing the impact of the pandemic and laying a solid foundation for the new stage of development of the Group.

Bravely carrying out the risky and challenging mission of fighting the pandemic. Facing the sudden outbreak of the COVID-19 pandemic, the Group immediately activated the emergency mechanism and fulfilled the joint responsibilities of prevention and control. The Group strictly implemented the pandemic prevention and control policies, made every effort to sustain flights for key international routes, made every effort to transport medical teams, personnel and materials and facilitated the resumption of work, production and schools. The Group has set up a three-dimensional ground-to-air prevention and control network which allowed international direct flights being resumed from Beijing. We ensured employees' health and safety by pursuing the joint virus prevention in respect of ground and aviation as well as individuals and properties. Since the outbreak of the pandemic, 216 anti-epidemic transport service charter flights have been operated, transporting 31,000 passengers, and 154 customized flights carrying 18,000 passengers for the resumption of work, production and schools. A number of teams and individuals of the Group have been awarded anti-pandemic honorary titles at the national level, and been publicly honored outstanding anti-epidemic titles by the SASAC or within the transportation industry.

Laying a safety foundation for high quality development. By giving top priority to safety as the lifeline of the Company, the Group strengthened the organizational leadership, specified the safety-oriented responsibilities and strictly implemented the responsibilities in safety supervision. The Group paid close attention to prevent and control safety and risk, strengthened the management and control of safety procedures and ensured normal operation of flights. The Group enhanced the safety infrastructures, organized and launched a specific program of “revamping corporate culture, strengthening three basics, and safeguarding the bottom line of safety”, so that its requirements for the development of business practices become a part of the institution to maintain the stable position of the Group. In 2020, amidst the complicated production and operation conditions, the Group achieved a total of 1.553 million safe flight hours ensuring the safety of all kinds of major transportation missions.

Putting every effort in maximizing operating performance. The pandemic has brought unprecedented challenges to the aviation transportation industry. Facing the severe environment, the Group has strengthened market research and production organization, and focused on improving the service quality and cost-effectiveness and had taken various measures to promote operation, strengthen the performance and prevent risks. Through timely application of performance emergency response mechanism, the Group has increased revenue and cost-effectiveness in full swing so as to reverse the downward trend. The Group seized market opportunities and coordinated the allocation of production resources by taking abreast of the market changes precisely. The Group took the lead in implementing the operation model of “passenger aircraft converted cargo flight” by grasping the trend of cargo freight supply and demand and flexibly making adjustments between passenger flights and cargo flights, resulted in 13,120 air-cargo flights operated by using the passenger aircraft. In addition, the Group implemented stringent cost control to ensure a safe and steady fund flow.

Comprehensively implementing the requirements of the three critical battles. The Group focused on precision and promoted enhancement, persisted in promoting and optimizing the “8+2” designated poverty alleviation model and dedicated to assisting the designated poverty alleviation regions to timely accomplish the task of poverty alleviation with high quality, thereby ensuring feasible and sustainable poverty alleviation. We would continue to implement the Three-Year Action Plan for “battling against air pollution” project, accelerate the establishment of a carbon emission system and a energy conservation and environmental protection management platform and to promote the “fuel to electricity” project. By perfecting risk prevention and control, internal control, compliance and law into the “four-in-one” management mechanism, the Group would advance the development of internal audit system for preventing operational and management risks and effectively promoting the modernization of its corporate governance system and capabilities.

Steadily enhancing the service quality. The Group adhered to customer orientation, grasped the changes in passengers’ demands and adjusted the service procedures so as to continuously enhance passengers’ sense of security and achievement. We considered the health of our passengers as the top priority that we strictly implemented the epidemic prevention and control requirements in the whole service process and ensured our passengers’ safety. We have developed a sound product management and service system and a full-process product management system by product categorization and classification. On one hand, we accelerated the establishment of the global ground support platform to improve our ability in fast response and flexible decision making under irregular operation. On the other hand, we sped up the formulation of hub-based strategic products and the development of new transit centers, promoted the creation of innovative products for convenient travel and actively promoted the domestic facial recognition-based self-boarding travel services in Beijing, thereby expanding the self-service and intelligent application. In addition, we prepared for the provision of services to the Winter Olympic Games and the Winter Paralympic Games in an orderly manner and fulfilled the mission of various safeguarding services successfully, which demonstrated the image of the Company as the partner of both the Summer Olympic Games and the Winter Olympic Games.

The period covered by the 14th Five-Year Plan is the period in which embarks a new journey to build China into a modern socialist country in all respects. Meanwhile, it is also a critical era for the Group to deepen its reform and establish itself as a top-tier global aviation and transportation group at the new stage of national development. The year of 2021 is the inception year of the 14th Five-year Plan, the Group is committed to follow the underlying principle of pursuing progress while ensuring stability. The Group will continue to enhance development quality, consolidate the success in containing the pandemic, strengthen the operational safety and development. Taking a large stride towards the development into a global leading enterprise, the Group will embrace the 100th Anniversary of the Chinese Communist Party with its outstanding performance, making new and greater contributions to China on her new journey of building a modern socialist country in all respects!

### *Containing the pandemic*

Facing the sudden outbreak of the COVID-19 pandemic, the Group followed the important instructions of General Secretary Xi Jinping, who proposed that “go where there is epidemic, fight it till it perishes”. The Group immediately activated the emergency response mechanism and quickly set up a leading team for pandemic prevention and control to provide support in the fight against the epidemic “regardless of the conditions and at the most advanced level”. The Group has built anti-epidemic rescue transport channels to aid the battle against the pandemic. This demonstrated the Group’s vision and commitment as the national flag carrier. The Group strived to implement the deployment of “preventing the coronavirus from spreading within the city/region or beyond” by establishing the three-dimensional prevention and control network covering from the ground to the air, so as to overcome difficulties and pave way for the resumption of international direct flights from Beijing. The Group consistently implemented regularized pandemic prevention and control measures to ensure the health and safety of passengers and employees.

In the year-long fight against the COVID-19 pandemic, all employees of the Group firmly adhered to the idea that “the epidemic calls us to action” and practiced the fighting spirit of “the airports as the battlefields, the flight routes as the frontline and the cabins as the ‘mobile-cabin hospitals’”, so that our staff remained courageous regardless of any dangers or risks. In the time of crisis, the flight attendant team stayed calm and stood up bravely. With a willingness to take responsibility and sacrifice, they travelled between pandemic-stricken “battlefields” and undertook urgent and high-risk tasks fearlessly. Our employees were put under a total of 98,243 quarantine, of which 68,000 quarantine were for pilots. On average, each employee underwent quarantines 2.6 times and the average quarantine time was more than 36 days per capita. In particular, the quarantine period for pilots of wide-body aircraft of the General Fleet exceeded 100 days per capita. Concurrently, the ground service team and the staff at the aviation security centre were heedless of their own safety and headed for the frontline against the virus, which they had orderly organized diversion of international inbound flights, strenuously discharged transit passengers and accomplished various mission to safeguard the transportation of rescue charter flights, personnel and supplies. While employees at the call centre worked around the clock to handle approximately 10 million ticket exchange and refund requests from passengers, overseas staff were eager to help the country by promptly procuring pandemic control materials and preventing interruption to the important international routes. At the Hubei branch, the Group’s employees were determined to stay behind to fulfil their responsibility for local pandemic prevention and securing the transportation for relief operations. Approximately 100,000 frontline and backline employees have made enormous efforts in fighting the epidemic. Together, we have forged the backbone for overcoming difficulties. Since the outbreak of the COVID-19 pandemic, 216 anti-epidemic transport service charter flights have been operated sending personnel in 31,000 missions. Approximately 32,000 passengers had been put on waitlist for international flights and 631 international inbound flights had been diverted and organized. The General Fleet of the Company was named as National Advanced Unit in Pandemic Prevention and Ms. Liu Tingting of the Cabin Service Department was awarded the title of National Advanced Individual in Pandemic Prevention. In addition, seven teams and 17 individuals were publicly recognized and awarded by the SASAC and within the transportation industry.

The Group always puts the passengers first. With a focus on passengers' needs and experience, the Company provides the passengers with excellent services in a "fast", "tailor-made" and "flexible" manner. At the beginning of the COVID-19 outbreak, the Group took the lead to offer e-health declaration forms to passengers. In addition to taking strict sterilization measures for aircraft interior, the Group ensures passengers are sanitized before boarding. Moreover, the Group arranged measuring of passengers' body temperature at the boarding gates to ensure steady flight operation and passenger safety. The Group sent messages to notify passengers of the refund and exchange policy and update them on flight resumption. 258,000 prompt text messages were sent throughout the year, which effectively improved communication and ensured service continuity during the special period. At the same time, the Group advanced the application of mobile technology by completing 112 iterative development for the e-commerce platform and website as it optimized and offered 1,970 new functions addressing the pandemic scenario. The Group was the first domestic airline to allow passengers of international flights to change their waitlist and reservation status through its APP. In order to upgrade passenger experience, the Group streamlined the self-service ticket change process, launched the self-service function for the change of names on tickets, rolled out the self-service reservation function for special requirements such as wheelchair service/checked-in baggage/carried on baggage, brought in voice identification and control functions for visually impaired passengers and developed a more user-friendly and convenient interface. Based on passengers' preference, the Company actively adjusted the in-flight entertainment content and mix. In an effort to innovate flight operating models for an unusual period, the Group launched new food presentation ideas with the "Henishuo" (盒你說) food box.

## *Safe operation*

The Group is well aware that safety responsibility is a kind of political responsibility and the guarantee for safe flight underlies the foundation of the Group's original aspiration and mission. The Group has firmly established the concept of safety development and stayed committed to safety and risk control. Based on the operational characteristics in times of pandemic prevention, the Group took the approach of "one flight, one policy, one route, one strategy" to prevent and control safety and risks and formulate risk control measures for "passenger aircraft converted cargo flight". The Company strengthened the safety management and control over the operation process, launched a special inspection for in-flight shutdown prevention and engine management system and implemented measures for proper dangerous goods transportation and warehousing. The Group ensured the safe operation of new aircraft and adopted specific risk control measures for introducing and operating the ARJ21 aircraft. As a result, three ARJ21 have joined the fleet and recorded 1,198 safe flight hours. Meanwhile, the Group enhanced the basis of safety management by launching a special program of "revamping corporate culture, strengthening three basics, and safeguarding the bottom line of safety". The Group revised the SMS manual and operating procedures/standards, so that its requirements for the development of business practices become a part of the institution. The Company properly arranged the training plans and adjusted pace of trainings dynamically to ensure the proficiency of key technicians. Furthermore, the Group established cooperation with aviation schools for setting up exclusive training base to increase support for aviation training. The Group also held pilot skill competition to boost the competency of the workforce.

During the Reporting Period, the Group maintained sound and safe development in the complex operating environment. It recorded 1.553 million safe flight hours and 973.01 million safe flight kilometres when transporting 68.687 million passengers safely, successfully safeguarded the provision of important transportation services for various events, such as the China International Import Expo and the China (Beijing) International Fair for Trade in Services.

### *Maximising operating performance*

During the Reporting Period, the Group strengthened the market research and production organization in view of the challenging conditions. Aiming for higher quality and efficiency, the Group took a multipronged approach to promote operation, strengthen performance and prevent risks. Aside from activating the performance emergency response mechanism, the Group adopted a series of extraordinary measures in the aspects of production organization, marketing and cost management, so as to reverse the downward trend by driving up revenue and cost-effectiveness. In parallel to that, the Group seized market opportunities and kept abreast of policy changes. For instance, the Group customized 154 flights and transported 18,000 passengers for business, production and schools resumption. The Group precisely tapped the cargo freight supply and demand and enhanced the collaboration between passenger flights and cargo flights. To maintain capacity input and utilize wide-body aircraft effectively, the Group pioneered the “passenger aircraft converted cargo flight” business model which resulted in profit margin and sharing of fixed costs of passenger aircraft. At the same time, the Group closely monitored the recovery of the domestic market and customized production organization to maximize profit margins. It rapidly resumed the scale of production input, adjusted the allocation and structure of transport capacity dynamically and developed detailed marketing and product investment plans. In terms of value-added services, new product models and precise marketing, the Group continued its innovation efforts and rolled out the “Your Journey, Your Pick” (你的旅程，自由定義) travel product series. Through the online direct sales platform, the Group launched the extensive product and service offering for a wide range of customers, which comprised the “Two-city Card” (雙城次卡), “Curiosity Calendar” (好奇心日曆) and “Youth Right Card” (青春權益卡). Based on the travel pattern of targeted passengers, the Group enriched its value-added product mix by providing electronic upgrade coupons, two-for-one ticket deals and other products developed from unsold seats to cater to passengers’ needs at different stages throughout the journey, thereby offsetting the loss of revenue from premium cabins services. The Group moved ahead with the transition towards the customer-oriented business model, with the view of supporting the transformation of Air China from a flight provider to an integrated service provider. It expanded the application of mileage credits monetization on an ongoing basis and accelerated its value development. While establishing a more comprehensive product system, it drove the growth of businesses that generated additional revenue. The Group exercised stringent cost control and aligned operation with costs in a scientific manner. It relocated the cost structures and systems swiftly and allowed internal financing to ensure safe and sound capital flow.

### ***Designated poverty alleviation***

The Group implemented the important instructions of General Secretary Xi Jinping on surmounting the challenge of poverty alleviation. The Company shouldered its political and social responsibility as a national flag carrier and is dedicated to ending poverty in designated areas. Based on the “8+2” designated poverty alleviation plan of CNAHC, the Group carried out various supporting projects such as infrastructure construction as well as poverty alleviation through industry, education, health and ecological protection. During the Reporting Period, the Company provided and introduced the same level of relief funds and supporting funds to the designated poverty alleviation regions. The Company offered trainings to 4,890 grass-roots cadres and technicians, procured the purchase of RMB56.28 million worth of farming and livestock products from poor regions and assisted the sales of such products for RMB10.73 million. During the Reporting Period, the aid recipients, namely Sonid Right Banner of Xilingol League in Inner Mongolia Autonomous Region and Zhaoping County of Hezhou City in Guangxi Zhuang Autonomous Region, had been lifted from the status as a national-level poverty-stricken county.

### ***Environmental protection***

Adhering to the concept of “green operation for sustainable development”, the Company is fully committed to battling against air pollution. To this end, the Company has optimized its energy-saving and environmental protection management system by formulating and issuing the “Implementation Rules for the Management of Energy Saving and Environmental Protection Fund” (《節能環保專項資金管理實施細則》) and the “Implementation Rules of Energy Saving and Environmental Protection Inspection” (《節能環保督查實施細則》). As the Company established and launched the energy-saving and environmental protection management platform, the Company had achieved informatized and automated energy data management for collective data processing and procedure enhancement. In pursuit of a green and low-carbon operation, the Company adopted various fuel-saving measures to lower the use of jet fuel, including fair control over aircraft weight, monitor aircraft performance, implement better route planning and refine fuel consumption management and computation. The Group advanced the replacement of aircraft APU with ground equipment and facilities, which effectively reduced aircraft ground emissions. In addition, the Company accelerated the “fuel to electricity” project. By the end of the Reporting Period, the Company owned 653 new energy vehicles, built 195 charging piles and completed flue gas renovation for 1,431 on-site fossil fuel vehicles. Besides, the Company improved its capacity of scientific management and control of carbon emission and compiled the “Implementation Rules of Carbon Emission Management” (《碳排放管理實施細則》) for further improvement of the carbon emission management system. The Company optimized and upgraded the carbon emission monitoring and analysis system, and launched the carbon emission calculator for passengers. In December 2020, Air China Passenger Carbon Emission Calculator was launched on Air China APP, its official website and WeChat mini-program simultaneously. In 2020, the Company and its Southwest branch were honoured as the Advanced Civil Aviation Unit in battling against air pollution.



## ***Risk prevention and control***

The Group continued to comprehensively reinforce the risk management and highlight the forward-looking risk research and assessment for expediting the optimization of the compliance-focused internal control system of the Company. The Company also strengthened the study, judgment and disposal of material risks during the year and performed risk evaluation of major decisions to the greatest extent. The Group carried out risk monitoring and closed-loop management on an ongoing basis and implemented stringent risk mitigation plans. During the year, the Group prioritized overseas compliance facilities for its annual system construction with a view to continuously enhancing the compliance management system. Meanwhile, the Group cultivated compliance culture by organizing compliance promotion month events and holding 31 training sessions on risk control. The Group worked conscientiously to fulfil its responsibility in internal audit and supervision, set up an internal audit and organization structure and optimized the internal audit system. The Group had completed 31 internal audit projects during the year. By strengthening the research in key compliance areas, the Group ensured proper forecasting for compliance risks. In order to keep decision-making process in line with laws, the Group maintained operation compliance and had different systems in place to uphold the rules. The Group aimed to achieve more effective management process and ensure the smooth operation of the risk management mechanism. The compliance and risk prevention capabilities of the Company kept growing, which provided strong support to its steady operation and risk mitigation.

## **CORE COMPETENCE ANALYSIS**

### **Strong brand advantage**

Air China positioned its brand as “professional and reliable with both international quality and Chinese temperament”. By virtue of the immense historical heritage, Air China strives 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”, while pursuing outstanding performance through innovative and excelling efforts. By maintaining its world-class flight safety record and leading comprehensive strengths in Mainland China, the Group has extensive brand recognition and excellent brand reputation among consumers. As the only national flag carrier in the civil aviation industry in China, the Company has been providing special flights and charter flights services to state leaders, diplomatic envoys, cultural and sports representatives of China for a long time, which is the best embodiment of the unique honorable status and comprehensive strengths of the Company.

During 2020, Air China focused on brand communication activities including the prevention and control of the pandemic, safeguarding the Winter Olympic Games and introducing domestically manufactured aircrafts. The Company also launched hardcore works such as “pilot’s warm broadcast” and “flights to spring”. Air China organized the “Flying the national flag to the blue sky by operating the domestically manufactured ARJ aircrafts” event and hosted a series of campaigns, including the “500 days of New Voyage for the Winter Olympics” campaign for the first voyage of the color-painted “Winter Olympic Ice and Snow” themed aircraft, so as to demonstrate the good brand image of the aviation company representing “both the Summer Olympic Games and the Winter Olympic Games” and building the active brand image of a responsible central enterprise, which marked the achievement we have made along with our development and the aspiration of expanding the brand influence and the brand value constantly.

In 2020, Air China ranked 21st in the list of “Top 500 Most Valuable Chinese Brands 2020 (2020年中國500最具價值品牌)” released by World Brand Lab with a brand value of RMB186.519 billion, which is the highest ranking among civil aviation companies in China. Air China also ranked 282nd among global brands in the “The World’s 500 Most Influential Brands 2020 (2020年世界品牌500強排行榜)” released by World Brand Lab, and was the only Chinese civil aviation company on the list among 43 Chinese enterprises. Meanwhile, Air China received the “China No.1 Brand Award for Year 2020 (Aviation Services Industry) (2020年中國品牌年度大獎NO.1（航空服務行業）)” and a special award named “2020 Cultural Brand Award (2020年文化品牌大獎)”. In addition, Air China was elected “BrandZ™ Top 100 Most Valuable Chinese Brands 2020” (2020年BrandZ™最具價值中國品牌100強排行榜), “Chinese Top 50 Global Brand Builders 2020 (2020年中國品牌出海50強)”, and received an award named the “Best Listed Companies 2020 (2020年最佳上市公司)”.

### **Market leader of the Beijing hub**

The Company’s principal base is located at Beijing Capital International Airport, also known as “the first gateway to China”. Situated at the intersection of Europe, the Americas and Asia, Beijing has a unique and prime location advantage for establishing itself into a large international aviation hub in the Northeast Asia. Beijing is also a place with the best local government support, corporate customer and traveller bases. The advantages of Beijing in terms of both geographical location and customer structure are favourable to the Company for maintaining a higher yield level.

In 2020, under the huge impact of the COVID-19 pandemic, the Group has rapidly recovered its transport capacity in Beijing while taking into account the benefits of route operation and striving to sustain flights in important international aviation markets. Upon the implementation of the “Five-One” policy for international flights by the Civil Aviation Administration, the Company was allowed to operate 40 international flights per week, which ranked first among airlines in China. In January 2021, the Company started to operate domestic flights in both Terminal 2 and Terminal 3 of Beijing Capital International Airport. With the commencement of the operation model of “one airport and two terminals”, the Company will continue to enhance its operation efficiency and optimize the travel experience of passengers with a view to accelerating the development into a world-class hub. Such efforts included proactively promoted the intelligent domestic travel services of facial-recognition-based self-boarding at our principal base in Beijing and realized facial recognition at the near-flight boarding gates in Terminal 3, promoted transit services between airlines in Beijing and provided check-in services for certain outbound routes from Beijing with transit to Shenzhen Airlines and Shandong Airlines, introduced passenger luggage whole process tracking and enquiry services for 10 routes including Beijing-Chengdu and Beijing-Wuhan and enhanced the hubs’ luggage handling efficiency and completed the expansion of lounge on the second floor of T3C in Beijing.

Upon the commencement of operation of Beijing Daxing International Airport in 2019, the operation pattern of “one city, two airports” in Beijing was formed. As the principal base airline that currently operates in both airports and generates the largest business volume, the Company will fully grasp the historic opportunities arising from the development of the Beijing Hub to continuously focus its resources and efforts on accelerating the optimization of hub functions, enhancing the operation efficiency and quality assurance of services, constantly improving its route network, so as to establish Beijing Capital International Airport into a world-class aviation hub, and at the same time facilitating Beijing Daxing International Airport to become a “new source of momentum for national development”.

### **Balanced and complementary route network**

Adhering to the long-established principle for the market layout of “balanced development between domestic and overseas routes and support international routes with domestic routes”, the Company comprehensively reinforced the global network and made consistent efforts in building a world-class hub in Beijing and an international hub in Chengdu. During the course of the Company’s operation over the years, the Company implemented national development strategies and hence formed an extensive and balanced domestic and international route network, covering the most economically-developed and densely-populated regions in the PRC. After years of development, the Company has taken the lead in respect of mainstream international routes from domestic cities to Europe and North America.

Against the backdrop of anti-pandemic work worldwide, the Company made full use of time slot resources and 35% of international flight slots were transferred for the use of domestic flights at the beginning of the summer flight season in 2020. According to the conditions of the pandemic and market recovery progress, the Company reasonably allocated the transport capacity of each base and deployed wide-body aircraft in Beijing to execute flight plans in markets such as Shanghai, Chengdu, Guangzhou and Chongqing. The Company also provided connected international flights to sustain flights in major international aviation markets.

During the Reporting Period, the Company's Beijing world-class hub newly launched domestic routes such as Beijing-Hengyang, Beijing Daxing-Bazhong and Beijing-Yan'an; the Chengdu international hub newly launched routes such as Chengdu-Shijiazhuang and Chengdu-Bazhong; and the Shanghai international portal newly launched international and domestic routes such as Shanghai Pudong-Singapore, Shanghai Pudong-Zhuhai and Shanghai Pudong-Xining. The Company newly launched international and domestic routes such as Hangzhou-Singapore, Chongqing- Zhanjiang, Chongqing-Shantou, Chongqing-Hefei, Nanchang- Shijiazhuang, Hangzhou-Shantou, Tianjin-Ningbo, Hangzhou-Zhengzhou and Nanchang-Xi'an.

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 674 passenger routes, including 48 international routes, 6 regional routes and 620 domestic routes. In 2020, the Company's passenger routes reached 28 countries and regions and 147 cities, including 26 international cities, three regions and 118 domestic cities. Through cooperation with members of Star Alliance, the Company has further expanded its service coverage to 1,300 destinations in 195 countries and regions.

### **High quality customer base**

In line with the Company's strategy for hub network, the Company targeted the mainstream market of mid-to-high-end government and corporate passengers, which is currently the most valuable passenger group in the PRC. As at the end of the Reporting Period, the number of "Phoenix Miles" members has exceeded 68.1766 million. Air China was the first domestic airline to offer special membership protection during the pandemic, providing frequent flyer members who were subject to relegation or downgrade with automatic membership renewal for a period of 12 months. Extension for mileages of VIP members has also been introduced. Revenue contributed by frequent fliers accounted for 52.3% of the Company's air passenger revenue, representing a year-on-year increase of 6 percentage points to revenue. The number of registered users of Air China APP has exceeded 12.34 million, which maintained stable yet rapid growth. In 2020, the Company newly acquired 296 major customers, which brought the total number of effective major customers to 3,620 and the aggregate number of existing and newly acquired customers under global agreements to 122. The Company actively facilitated the resumption of work and production by providing full-chain quality services for customized flights in relation to the resumption of work and production of the government, enterprises and schools. A total of over 100 customized flights and chartered flights have been operated, which received wide recognition from the customers.

## **Leading cost control advantages**

In 2020, facing the impact of the pandemic, the Group insisted to pursue the approach of “optimized operation for the entire fleet” and the concept of “improving efficiency, optimizing structure and focusing on major items”, under which the Group put emphasis on improving the efficiency in resource utilization, optimizing resource allocation and enhancing cost-effectiveness. Through coordination among various departments and with the synergy effect from various segments, the Group adopted a refined all-process management on the variable costs. By further promoting the awareness of “preparing for going through hard times”, the Group enhanced refined management, limit management and benchmark management on rigid costs and controllable expenses. On the basis of ensuring secured liquidity for centralized allocation, the Group gradually reduced the amount of funds on hand, increased the capital utilization efficiency and reduced finance costs.

## **Continuous management innovation mechanism**

With a great emphasis on innovative management, the Company has established a set of relatively all-round and well-developed innovation mechanism through practices, thereby formulating a comprehensive technological innovation system. The system mainly consists of the corporate culture encouraging innovation, and the talent management regime motivating and supporting innovation. During 2020, the Company continued to enhance the innovative management system, formulated and issued the Implementation Rules on Managing Special Funds for Scientific Research and Innovation (《科研創新專項經費管理實施細則》) to ensure capital investment for technological innovation and standardize the use and statistics of funds for scientific research and innovation. With a view to accelerating the establishment and operation of the innovation laboratories, the Company has set up three company-level innovation laboratories and eight innovation laboratories for special fields. The Company promulgated the Supporting Mechanisms and Work Guidelines for Innovation Laboratories/Engineering Technology Centers (Trial) (《創新實驗室/工程技術中心配套機制及工作指引(試行)》), specifying the mechanism for updating the supporting innovation management system. With a focus on the actual needs of technological innovation, the Company continued to optimize the supporting management procedures. The Company organized the CNAHC Group youth innovation talent seminar and sharing and exchange activities with some leading innovation enterprises, aiming to promote the exchange of views on the work of technological innovation, foster internal and external innovation wisdom and explore insights for innovative work approaches. In order to improve synergistic innovation, the Company actively participated in strategic alliances for industrial technological innovation to facilitate the effective coordination between the innovation laboratories and external business partners based on the guidance of the needs for innovation resources and the intent of collaboration. As of the end of the Reporting Period, the Company’s project named the “Management Platform for Aircraft Condition Prediction and Maintenance Operation” (《飛機狀態預測和維修作業管理平台》) won the second prize of 2020 Science and Technology Award granted by China Communications and Transportation Association.

## 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 understand the financial conditions and results of operations of the Group as a whole.

### Revenue

During the Reporting Period, the Group's revenue was RMB69,504 million, representing a decrease of RMB66,677 million or 48.96% as compared with last year. Among which, air traffic revenue was RMB64,280 million, representing a decrease of RMB65,977 million or 50.65% as compared with last year; other operating revenue was RMB5,224 million, representing a year-on-year decrease of RMB700 million or 11.82%.

### Revenue Contributed by Geographical Segments

<i>(in RMB'000)</i>	2020		2019		Change
	Amount	Percentage	Amount	Percentage	
Mainland China	<b>51,953,674</b>	<b>74.74%</b>	89,000,172	65.35%	(41.63%)
Hong Kong SAR, Macau SAR and Taiwan, China	<b>1,032,767</b>	<b>1.49%</b>	5,911,532	4.34%	(82.53%)
Europe	<b>6,176,092</b>	<b>8.89%</b>	13,374,965	9.82%	(53.82%)
North America	<b>3,397,082</b>	<b>4.89%</b>	8,821,998	6.48%	(61.49%)
Japan and Korea	<b>2,123,022</b>	<b>3.05%</b>	8,592,855	6.31%	(75.29%)
Asia Pacific and others	<b>4,821,112</b>	<b>6.94%</b>	10,479,168	7.70%	(53.99%)
Total	<b><u>69,503,749</u></b>	<b><u>100.00%</u></b>	<u>136,180,690</u>	<u>100.00%</u>	<u>(48.96%)</u>

## Air Passenger Revenue

During the Reporting Period, the Group recorded an air passenger revenue of RMB55,727 million, representing a decrease of RMB68,798 million over the previous year. Among the air passenger revenue, the decrease of capacity contributed a decrease of RMB56,998 million to the revenue, and the decrease of passenger load factor led to a decrease of RMB8,874 million to the revenue, while the decrease of passenger yield resulted in a decrease in revenue of RMB2,926 million. The Group's capacity, passenger load factor and yield per RPK in 2020 are as follows:

	2020	2019	Change
ASK ( <i>million</i> )	<b>156,060.66</b>	287,787.61	(45.77%)
Passenger load factor (%)	<b>70.38</b>	81.02	(10.64 ppt)
Yield per RPK ( <i>RMB</i> )	<b>0.5074</b>	0.5340	(4.98%)

## Air Passenger Revenue Contributed by Geographical Segments

<i>(in RMB'000)</i>	2020		2019		Change
	Amount	Percentage	Amount	Percentage	
Mainland China	<b>45,307,186</b>	<b>81.30%</b>	81,555,227	65.49%	(44.45%)
Hong Kong SAR, Macau SAR and Taiwan, China	<b>777,411</b>	<b>1.40%</b>	5,698,251	4.58%	(86.36%)
Europe	<b>3,567,703</b>	<b>6.40%</b>	12,007,281	9.64%	(70.29%)
North America	<b>1,955,890</b>	<b>3.51%</b>	7,917,567	6.36%	(75.30%)
Japan and Korea	<b>1,345,339</b>	<b>2.41%</b>	7,817,141	6.28%	(82.79%)
Asia Pacific and others	<b>2,773,333</b>	<b>4.98%</b>	9,529,116	7.65%	(70.90%)
Total	<b><u>55,726,862</u></b>	<b><u>100.00%</u></b>	<u>124,524,583</u>	<u>100.00%</u>	<u>(55.25%)</u>

## Air Cargo and Mail Revenue

During the Reporting Period, the Group's air cargo and mail revenue was RMB8,553 million, representing an increase of RMB2,821 million as compared with last year. Among which, the decrease of capacity contributed a decrease of RMB689 million to the revenue, while the decrease of cargo and mail load factor resulted in a decrease in revenue of RMB775 million, and the increase of yield of cargo and mail resulted in an increase of RMB4,285 million to the revenue. The capacity, cargo and mail load factor and yield per RFTK in 2020 are as follows:

	2020	2019	Change
Available freight tonne kilometres ( <i>million</i> )	<b>9,634.66</b>	10,951.75	(12.03%)
Cargo and mail load factor (%)	<b>36.93</b>	43.63	(6.70 ppt)
Yield per RFTK ( <i>RMB</i> )	<b>2.4040</b>	1.1995	100.42%

## Air Cargo and Mail Revenue Contributed by Geographical Segments

<i>(in RMB'000)</i>	2020		2019		Change
	Amount	Percentage	Amount	Percentage	
Mainland China	<b>1,423,008</b>	<b>16.64%</b>	1,520,998	26.53%	(6.44%)
Hong Kong SAR, Macau SAR and Taiwan, China	<b>255,356</b>	<b>2.98%</b>	213,281	3.72%	19.73%
Europe	<b>2,608,389</b>	<b>30.50%</b>	1,367,684	23.86%	90.72%
North America	<b>1,441,192</b>	<b>16.85%</b>	904,431	15.78%	59.35%
Japan and Korea	<b>777,683</b>	<b>9.09%</b>	775,714	13.53%	0.25%
Asia Pacific and others	<b>2,047,779</b>	<b>23.94%</b>	950,052	16.58%	115.54%
Total	<b><u>8,553,407</u></b>	<b><u>100.00%</u></b>	<u>5,732,160</u>	<u>100.00%</u>	<u>49.22%</u>



## Operating Expenses

During the Reporting Period, the Group's operating expenses were RMB85,030 million, representing a decrease of 32.30% from RMB125,598 million in the same period last year. The breakdown of the operating expenses is set out below:

<i>(in RMB'000)</i>	2020		2019		Change
	Amount	Percentage	Amount	Percentage	
Jet fuel costs	<b>14,817,474</b>	<b>17.43%</b>	35,965,239	28.64%	(58.80%)
Take-off, landing and depot charges	<b>9,239,943</b>	<b>10.87%</b>	16,440,081	13.09%	(43.80%)
Depreciation and amortisation	<b>20,408,317</b>	<b>24.00%</b>	21,279,084	16.94%	(4.09%)
Aircraft maintenance, repair and overhaul costs	<b>6,423,313</b>	<b>7.55%</b>	6,119,539	4.87%	4.96%
Employee compensation costs	<b>22,012,834</b>	<b>25.89%</b>	25,473,898	20.28%	(13.59%)
Air catering charges	<b>1,605,027</b>	<b>1.89%</b>	4,026,090	3.21%	(60.13%)
Selling and marketing expenses	<b>2,568,362</b>	<b>3.02%</b>	4,684,722	3.73%	(45.18%)
General and administrative expenses	<b>1,051,495</b>	<b>1.24%</b>	1,844,232	1.47%	(42.98%)
Others	<b>6,902,750</b>	<b>8.12%</b>	9,765,077	7.77%	(29.31%)
<b>Total</b>	<b><u>85,029,515</u></b>	<b><u>100.00%</u></b>	<u>125,597,962</u>	<u>100.00%</u>	<u>(32.30%)</u>

Jet fuel costs decreased by RMB21,148 million on a year-on-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 RMB7,200 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 RMB871 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 (please refer to note 3 to the consolidated financial statements contained in this announcement).

Employee compensation costs decreased by RMB3,461 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 RMB2,421 million on a year-on-year basis, mainly due to the decrease in the number of passengers.

Selling and marketing expenses decreased by RMB2,116 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 volume and the number of passengers.

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 29.31% on a year-on-year basis. The decrease was mainly due to the decrease in transport and the exemption of civil aviation development fund.

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

During the Reporting Period, the Group recorded a finance income of RMB192 million, representing a year-on-year increase of RMB28 million or 17.41%; and incurred finance costs (excluding the capitalised portion) of RMB5,100 million, representing a year-on-year increase of RMB151 million. During the Reporting Period, the Group recorded a net exchange gain of RMB3,604 million, as compared to the net exchange loss of RMB1,211 million for the same period of 2019, which was mainly attributable to the depreciation of USD against RMB during the Reporting Period.

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

During the Reporting Period, the net loss of the Group's share of results of its associates and joint ventures was RMB5,993 million, as compared to the net gain of RMB475 million for the same period of 2019. Among which, during the Reporting Period, the Group recognized a loss on investment of Cathay Pacific of RMB5,109 million, as compared to the gain on investment of Cathay Pacific of RMB67 million recognized for the same period last year; and recognized a loss on investment of Shandong Aviation Group Corporation and Shandong Airlines of RMB968 million, as compared to the gain on investment of RMB197 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 at the end of the Reporting Period, the total assets of the Group was RMB284,030 million, representing a decrease of 3.46% from that as at 31 December 2019, among which current assets accounted for RMB19,736 million or 6.95% of the total assets, while non-current assets accounted for RMB264,294 million or 93.05% of the total assets.

Among the current assets, cash and cash equivalents were RMB5,838 million, accounting for 29.58% of the current assets and representing a decrease of 34.66% from that as at 31 December 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 RMB215,886 million, accounting for 81.68% of the non-current assets and representing a decrease of 2.55% 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 RMB79,981 million (RMB81,724 million as at 31 December 2019) and land use rights with net book value of approximately RMB27 million (RMB27 million as at 31 December 2019). In addition, as at the end of the Reporting Period, the Group had restricted bank deposits of approximately RMB737 million (approximately RMB728 million as at 31 December 2019), which were mainly reserves deposited in the People's Bank of China.

## **Capital Expenditure**

In 2020, the Group's capital expenditure totalled RMB13,319 million, of which the total investment in aircraft was RMB9,847 million, mainly including procurement of aircraft and engines, aircraft modifications, flight simulators, etc. Other capital expenditure investment amounted to RMB3,472 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 RMB10,938 million, representing a decrease of 25.33% from that as at 31 December 2019. Among this, the balance of the equity investment of the Group in Cathay Pacific, Shandong Aviation Group Corporation and Shandong Airlines amounted to RMB9,761 million, RMB673 million and RMB55 million, respectively, with such companies recording net loss attributable to shareholders of RMB18,806 million, RMB927 million and RMB2,382 million, respectively during the Reporting Period.

As at the end of the Reporting Period, the Group's equity investment in its joint ventures was RMB1,581 million, representing an increase of 2.44% from that as at 31 December 2019.

## Debt Structure Analysis

As at the end of the Reporting Period, the Group's total liabilities were RMB200,257 million, representing an increase of 3.83% from that as at 31 December 2019. Among them, current liabilities amounted to RMB80,598 million, accounting for 40.25% of the total liabilities; and non-current liabilities amounted to RMB119,659 million, accounting for 59.75% of the total liabilities.

Among the current liabilities, interest-bearing debts (including bank loans and other borrowings, bills payable and lease liabilities) amounted to RMB53,254 million, representing an increase of 45.54% from that as at 31 December 2019, which is mainly due to the increase of financing scale to cope with the impact of Covid-19 pandemic so as to ensure the liquidity safety.

Among the non-current liabilities, interest-bearing debts (including bank loans and other borrowings and lease liabilities) amounted to RMB107,738 million, representing an increase of 4.41% from that as at 31 December 2019.

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

<i>(in RMB'000)</i>	31 December 2020		31 December 2019		Change
	Amount	Percentage	Amount	Percentage	
RMB	109,420,080	67.97%	77,029,395	55.11%	42.05%
US dollars	49,669,410	30.85%	60,356,994	43.18%	(17.71%)
Others	<u>1,902,082</u>	<u>1.18%</u>	<u>2,390,421</u>	<u>1.71%</u>	<u>(20.43%)</u>
Total	<u>160,991,572</u>	<u>100.00%</u>	<u>139,776,810</u>	<u>100.00%</u>	<u>15.18%</u>

## 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 17.97% from RMB50,007 million as at 31 December 2019 to RMB41,020 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 RMB23 million as at the end of the Reporting Period, as compared to RMB24 million as at 31 December 2019.

## **Gearing Ratio**

As at the end of the Reporting Period, the Group's gearing ratio (total liabilities divided by total assets) was 70.51%, representing an increase of 4.95 percentage points from that as at 31 December 2019. Given that high gearing ratio is common among aviation enterprises, the current gearing ratio of the Group is at a relatively reasonable level and 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 RMB60,862 million, representing an increase of RMB7,706 million from that as at 31 December 2019. Based on the structure of current assets and current liabilities, the Group's current ratio (current assets divided by current liabilities) was 0.24, 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 RMB4,017 million, as compared to the net cash inflow of RMB33,599 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 RMB15,865 million, representing an increase of 33.58% from RMB11,967 million for the corresponding period in 2019, mainly due to the subscription of the shares of Cathay Pacific amounting to HK\$3,514 million in August 2020. Net cash inflow from financing activities amounted to RMB16,888 million, as compared with the net cash outflow from financing activities of RMB19,510 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 RMB174,669 million in aggregate granted by several banks in the PRC, among which approximately RMB52,427 million has been utilised. The remaining amount is sufficient to meet our demands on working capital and future capital commitments.

## OPERATIONAL PLAN

The Company has established its operational focuses for 2021, including (1) containing the pandemic in a solid and meticulous manner; (2) strengthening operation safety; (3) effectively maximizing operating performance; (4) continuously improving product and service quality; (5) firmly deepening the reform; and (6) relentlessly pushing forward the quality development of the Party building.

## OUTLOOK FOR FUTURE

### *In-depth implementation of national strategies for the civil aviation industry in China*

China's civil aviation industry will further implement national initiatives and regional 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 Plan, 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 Development Plan, and will strengthen regional aviation links and coordination as well as 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 Development Plan 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 Development Plan 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 "one city, two airports" in Beijing, Shanghai, Chengdu and other major cities has taken or is taking shape.

### ***Gradual resumption of passenger and freight volume in the civil aviation industry in China***

In 2020, the COVID-19 pandemic has brought great challenges to the civil aviation industry. In 2021, as vaccines are gradually becoming available, the global pandemic may be alleviated. There will be no change in the fundamentals of the Chinese economy or in the basic trend of economic stability and long-term improvement thereby the economy will achieve stability. Although the world economy is undergoing profound adjustment, the overall trend of economic globalization will remain unchanged, with China's development still sees strategic opportunities. Leveraging the super large-scale domestic demand market formed with a population of 1.4 billion, including a middle-class group of more than 400 million, China is striving to build a new development pattern which is based on domestic macro-circulation, along with international and domestic dual-circulation and mutual promotion. Civil aviation demand in China will continue to rise and market potential will remain immense. The aviation market in China will continue to resume. In the long run, the demand for air travel will remain strong with huge market potential. As the pandemic is under control, business travel and holiday tours continue to be drivers of the development of the aviation industry, and air travel will become increasingly customized and popular. During the "14th Five-Year Plan" period, airport renovations and expansions are underway in various regions and the industry will embrace immense opportunities with increasing time slots and other key resources.

### ***More intense competition among global and domestic aviation markets***

As affected by the COVID-19 pandemic, as of the end of the Reporting Period, over 40 airlines worldwide have either ceased or suspended operation and more airlines are experiencing operation difficulties due to cash consumption. Based on the current structure, the global aviation industry may undergo a new round of restructuring.

From the perspective of the international market, as the pandemic prevails in overseas countries and regions, the demand for travelling abroad will recover slowly in the future and hence the Company will slow down the introduction of wide-body aircraft. From the perspective of the domestic market, as the domestic airline market has basically bottomed out, various airlines will shift certain international market capacities to the domestic market, which will intensify the fierce competition in the domestic market.

## 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, except for code provision A.4.2.

Code provision A.4.2 stipulates that, among others, every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years. As disclosed in the announcement of the Company dated 23 October 2020, the terms of the fifth session of the Board and the Supervisory Committee expired on 26 October 2020. As the nomination process of candidates for Directors and Supervisors of the new session of the Board and the Supervisory Committee has not been completed, the re-election and appointment of members of the Board and the Supervisory Committee will be postponed. The terms of the special committees of the fifth session of the Board of the Company will also be extended accordingly. The Company will endeavour to complete the re-election and appointment of members of the Board and the Supervisory Committee as soon as possible and fulfill respective information disclosure obligations in a timely manner. All members of the fifth session of the Board and the Supervisory Committee will continue to fulfill their respective duties and responsibilities of Directors and Supervisors in accordance with the requirements of the laws, administrative rules and the Articles of Association until the re-election work is completed. The postponed re-election of the members of the Board and the Supervisory Committee will not affect the normal operation of the Company.



## **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 18 March 2021, the Company and Air China Import and Export Co., Ltd. (國航進出口有限公司) entered into the Aircraft Purchase Agreement with AFS Investments I, Inc. Pursuant to which, the Company shall purchase five Airbus A320-200N aircraft and 13 Airbus A321-200NX aircraft from AFS Investments I, Inc. For details, please refer to the announcement of the Company dated 18 March 2021.

On 18 March 2021, the Board resolved to propose to amend the terms relating to the Company's address and the business name of the promotor of the Company in the Articles of Association. The proposed amendments to the Articles of Association are subject to shareholders' approval at the general meeting of the Company by way of a special resolution. For details, please refer to the announcement of the Company dated 18 March 2021.

## **DIVIDENDS**

According to the audit under the Chinese accounting standards and the international accounting standards, the Company recorded a net loss attributable to the owner of the parent company in 2020. As considered and approved by the 27th meeting of the fifth session of the Board of the Company, the Company proposed not to make profit distribution for the year of 2020.

## **ANNUAL GENERAL MEETING AND CLOSURE OF REGISTER OF MEMBERS**

The Company proposed to convene the AGM on 25 May 2021. The register of members of H Shares will be closed from Sunday, 25 April 2021 to Tuesday, 25 May 2021 (both days inclusive), during which period no transfer of H Shares will be effected. In order to qualify for attendance and voting 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 by 4:30 p.m. on Friday, 23 April 2021. The holders of H Shares whose names appear on the register of members of the Company on Sunday, 25 April 2021 are entitled to attend and vote at the AGM.

## ANNUAL REPORT

The annual report for the year ended 31 December 2020 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](http://www.hkexnews.hk)) as well as the website of the Company ([www.airchina.com.cn](http://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 2020 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 2020 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 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
“CASs”	China Accounting Standards for Business Enterprises
“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 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 2020 to 31 December 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
“Shareholders”	the shareholders of the Company
“Shenzhen Airlines”	Shenzhen Airlines Company Limited, a non-wholly owned subsidiary of the Company
“Supervisor(s)”	supervisor(s) of the Company
“Supervisory Committee”	the supervisory committee of the Company
“US dollars”	United States dollars, the lawful currency of the United States

By Order of the Board  
**Air China Limited**  
**Zhou Feng**  
*Company Secretary*

Beijing, the PRC, 30 March 2021

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

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