

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



中國國際航空股份有限公司
AIR CHINA LIMITED

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

INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 JUNE 2022

The Board of the Company has approved, among others, the unaudited interim results of the Group for the six months ended 30 June 2022 at a meeting of the Board held on 30 August 2022.

 **INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2022**

The Board presents the unaudited interim results of the Group for the six months ended 30 June 2022 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE SIX MONTHS ENDED 30 JUNE 2022

		Six months ended 30 June	
	<i>NOTES</i>	2022	2021
		RMB'000	RMB'000
		(Unaudited)	(Unaudited)
Revenue	3A	23,952,653	37,663,803
Other income and gains	4	1,447,385	2,289,141
		<u>25,400,038</u>	<u>39,952,944</u>
Operating expenses			
Jet fuel costs		(10,348,319)	(9,914,804)
Employee compensation costs		(11,444,006)	(11,301,581)
Depreciation and amortisation		(10,458,318)	(10,331,621)
Take-off, landing and depot charges		(3,221,432)	(5,020,224)
Aircraft maintenance, repair and overhaul costs		(2,370,572)	(3,586,761)
Air catering charges		(415,683)	(912,392)
Aircraft and engine lease expenses		(49,377)	(214,147)
Other lease expenses		(187,258)	(341,102)
Other flight operation expenses		(2,477,129)	(2,753,906)
Selling and marketing expenses		(908,624)	(1,140,228)
General and administrative expenses		(507,940)	(469,485)
Net impairment loss reversed/(recognised) under expected credit loss model		15,906	(9,305)
		<u>(42,372,752)</u>	<u>(45,995,556)</u>
Loss from operations	5	(16,972,714)	(6,042,612)
Finance income		92,357	41,215
Finance costs	6	(3,141,435)	(2,658,298)
Share of results of associates		(1,041,350)	(1,418,976)
Share of results of joint ventures		226,892	110,282
Exchange (loss)/gain, net		(2,239,547)	563,440
Loss before taxation		(23,075,797)	(9,404,949)
Income tax credit	7	861,652	1,734,284
Loss for the period		<u>(22,214,145)</u>	<u>(7,670,665)</u>
Attributable to:			
– Equity shareholders of the Company		(19,436,846)	(6,781,429)
– Non-controlling interests		(2,777,299)	(889,236)
		<u>(22,214,145)</u>	<u>(7,670,665)</u>
Loss per share			
– Basic and diluted	9	<u>RMB(141.51) cents</u>	<u>RMB(49.37) cents</u>

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2022

	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Loss for the period	<u>(22,214,145)</u>	<u>(7,670,665)</u>
Other comprehensive income/(expense) for the period		
Items that will not be reclassified to profit or loss:		
– Fair value gain/(loss) on investments in equity instruments at fair value through other comprehensive income	37,808	(18,915)
– Income tax (charge)/credit relating to items that will not be reclassified to profit or loss	(9,452)	4,729
– Remeasurement of net defined benefit liability	(347)	(2,125)
– Share of other comprehensive expense of associates and joint ventures	<u>(10)</u>	<u>(3,858)</u>
Items that may be reclassified subsequently to profit or loss:		
– Fair value loss on investments in debt instruments measured at fair value through other comprehensive income	(5,132)	(5,169)
– Impairment loss recognised on investments in debt instruments measured at fair value through other comprehensive income	(1,573)	(15,277)
– Income tax relating to items that may be reclassified subsequently to profit or loss	1,676	5,111
– Share of other comprehensive income of associates and joint ventures	261,569	878,718
– Exchange differences on translation of foreign operations	<u>699,473</u>	<u>(194,718)</u>
Other comprehensive income for the period (net of tax)	<u>984,012</u>	<u>648,496</u>
Total comprehensive expense for the period	<u><u>(21,230,133)</u></u>	<u><u>(7,022,169)</u></u>
Attributable to:		
– Equity shareholders of the Company	(18,479,509)	(6,106,812)
– Non-controlling interests	<u>(2,750,624)</u>	<u>(915,357)</u>
	<u><u>(21,230,133)</u></u>	<u><u>(7,022,169)</u></u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2022

	At 30 June <i>NOTE</i> 2022 <i>RMB'000</i> (Unaudited)	At 31 December 2021 <i>RMB'000</i> (Audited)
Non-current assets		
Property, plant and equipment	96,657,145	98,804,707
Right-of-use assets	123,882,684	121,610,254
Investment properties	567,567	571,798
Intangible assets	35,399	35,430
Goodwill	1,099,975	1,099,975
Interests in associates	10,219,239	10,390,940
Interests in joint ventures	1,850,074	1,830,070
Advance payments for aircraft and flight equipment	19,511,791	21,510,230
Deposits for aircraft under leases	581,677	566,684
Equity instruments at fair value through other comprehensive income	214,131	176,323
Debt instruments at fair value through other comprehensive income	1,361,198	1,373,634
Deferred tax assets	10,628,965	9,757,097
Other non-current assets	236,384	257,320
	266,846,229	267,984,462
Current assets		
Inventories	2,643,710	2,050,282
Accounts receivable	10 1,638,492	2,991,037
Bills receivable	3,611	3,591
Prepayments, deposits and other receivables	4,404,522	3,631,521
Financial assets at fair value through profit or loss	3,221	4,157
Restricted bank deposits	863,525	774,951
Cash and cash equivalents	18,555,849	15,934,713
Assets held for sale	93,216	333,884
Other current assets	4,243,419	4,672,592
	32,449,565	30,396,728
Total assets	299,295,794	298,381,190

	<i>NOTE</i>	At 30 June 2022 <i>RMB'000</i> (Unaudited)	At 31 December 2021 <i>RMB'000</i> (Audited)
Current liabilities			
Air traffic liabilities		(2,623,925)	(2,116,028)
Accounts payable	<i>11</i>	(13,045,434)	(12,590,775)
Bills payable		(445,858)	(199,276)
Dividends payable		(98,000)	(98,000)
Other payables and accruals		(17,126,046)	(19,593,940)
Current taxation		(12,258)	(4,572)
Lease liabilities		(15,761,289)	(14,534,309)
Interest-bearing borrowings		(36,946,817)	(40,201,875)
Provision for return condition checks		(540,318)	(801,235)
Contract liabilities		(1,433,805)	(1,479,717)
		<u>(88,033,750)</u>	<u>(91,619,727)</u>
Net current liabilities		<u>(55,584,185)</u>	<u>(61,222,999)</u>
Total assets less current liabilities		<u>211,262,044</u>	<u>206,761,463</u>
Non-current liabilities			
Lease liabilities		(77,341,730)	(76,347,051)
Interest-bearing borrowings		(77,735,203)	(53,120,047)
Provision for return condition checks		(8,867,021)	(8,583,611)
Provision for early retirement benefit obligations		(902)	(1,006)
Long-term payables		(43,508)	(15,646)
Contract liabilities		(1,612,068)	(1,772,209)
Defined benefit obligations		(210,008)	(218,336)
Deferred income		(524,577)	(544,383)
Deferred tax liabilities		(326,049)	(328,063)
		<u>(166,661,066)</u>	<u>(140,930,352)</u>
NET ASSETS		<u>44,600,978</u>	<u>65,831,111</u>
CAPITAL AND RESERVES			
Issued capital		14,524,815	14,524,815
Treasury shares		(3,047,564)	(3,047,564)
Reserves		31,411,797	49,891,306
Total equity attributable to equity shareholders of the Company		<u>42,889,048</u>	<u>61,368,557</u>
Non-controlling interests		<u>1,711,930</u>	<u>4,462,554</u>
TOTAL EQUITY		<u>44,600,978</u>	<u>65,831,111</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

1. BASIS OF PREPARATION

The condensed consolidated financial statements for the six months ended 30 June 2022 have been prepared in accordance with International Accounting Standard 34 “Interim Financial Reporting” (“IAS 34”) issued by the International Accounting Standards Board (the “IASB”) as well as with the applicable disclosure requirements of Appendix 16 to the Listing Rules. The condensed consolidated financial statements do not include all the information and disclosures required in the annual consolidated financial statements, and should be read in conjunction with the Group’s consolidated financial statements for the year ended 31 December 2021.

As at 30 June 2022, the Group’s current liabilities exceeded its current assets by approximately RMB55,584 million. The liquidity of the Group is primarily dependent on its ability to maintain cash inflows from operations and sufficient financing to meet its financial obligations as and when they fall due. Considering the Company’s sources of liquidity and the unutilised bank facilities of RMB126,290 million as at 30 June 2022, the Directors believe that adequate funding is available to fulfil the Group’s debt obligations and capital expenditure requirements to enable the Group to continue in operational existence for the foreseeable future when preparing these condensed consolidated financial statements for the six months ended 30 June 2022. Accordingly, these condensed consolidated financial statements have been prepared on a basis that the Group will be able to continue as a going concern.

2. PRINCIPAL ACCOUNTING POLICIES

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

Other than application of amendments to International Financial Reporting Standards (“IFRSs”), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2022 are the same as those presented in the Group’s annual consolidated financial statements for the year ended 31 December 2021.

Application of amendments to IFRSs

In the current interim period, the Group has applied the following amendments to IFRSs issued by the IASB, for the first time, which are mandatorily effective for the Group’s annual period beginning on or after 1 January 2022 for the preparation of the Group’s condensed consolidated financial statements.

Amendments to IFRS 3	Reference to the Conceptual Framework
Amendments to IAS 16	Property, Plant and Equipment – Proceeds before Intended Use
Amendments to IAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to IFRSs	Annual Improvements to IFRSs 2018-2020

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

3A. REVENUE

	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Revenue from contracts with customers	23,828,703	37,568,479
Rental income (included in revenue of airline operations segment)	123,950	95,324
Total revenue	<u>23,952,653</u>	<u>37,663,803</u>

Disaggregation of revenue from contracts with customers

Segments	Six months ended 30 June 2022		Six months ended 30 June 2021	
	Airline operations	Other operations	Airline operations	Other operations
	RMB'000	RMB'000	RMB'000	RMB'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Type of goods or services				
Airline operations				
Passenger	15,103,503	–	30,895,166	–
Cargo and mail	6,879,669	–	4,575,303	–
Ground service income	38,434	–	107,195	–
Others	681,013	–	580,640	–
	<u>22,702,619</u>	<u>–</u>	<u>36,158,304</u>	<u>–</u>
Other operations				
Aircraft engineering income	–	1,004,000	–	1,271,234
Others	–	122,084	–	138,941
	<u>–</u>	<u>1,126,084</u>	<u>–</u>	<u>1,410,175</u>
Total	<u>22,702,619</u>	<u>1,126,084</u>	<u>36,158,304</u>	<u>1,410,175</u>
Geographical markets				
Mainland China	15,124,884	1,126,084	30,426,309	1,410,175
Hong Kong Special Administrative Region (“SAR”), Macau SAR and Taiwan, China	530,154	–	624,049	–
International	7,047,581	–	5,107,946	–
Total	<u>22,702,619</u>	<u>1,126,084</u>	<u>36,158,304</u>	<u>1,410,175</u>

3B. SEGMENT INFORMATION

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

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

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 before taxation regarding the Group's operating segments in accordance with the Accounting Standards for Business Enterprises of the PRC ("CASs") for the six months ended 30 June 2022 and 2021 and the reconciliations of reportable segment revenue and loss before taxation to the Group's consolidated amounts under IFRSs:

For the six months ended 30 June 2022

	Airline operations RMB'000	Other operations RMB'000	Elimination RMB'000	Total RMB'000
Revenue				
Sales to external customers	22,826,569	1,126,084	–	23,952,653
Intersegment sales	<u>62,327</u>	<u>2,163,952</u>	<u>(2,226,279)</u>	<u>–</u>
Revenue for reportable segments under CASs and IFRSs	<u><u>22,888,896</u></u>	<u><u>3,290,036</u></u>	<u><u>(2,226,279)</u></u>	<u><u>23,952,653</u></u>
Segment loss before taxation				
Loss before taxation for reportable segments under CASs	<u><u>(22,628,677)</u></u>	<u><u>(491,684)</u></u>	<u><u>47,150</u></u>	<u><u>(23,073,211)</u></u>
Effect of differences between IFRSs and CASs				<u><u>(2,586)</u></u>
Loss before taxation for the period under IFRSs				<u><u>(23,075,797)</u></u>

For the six months ended 30 June 2021

	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	36,253,628	1,410,175	–	37,663,803
Intersegment sales	<u>74,687</u>	<u>2,682,677</u>	<u>(2,757,364)</u>	<u>–</u>
Revenue for reportable segments under CASs and IFRSs	<u><u>36,328,315</u></u>	<u><u>4,092,852</u></u>	<u><u>(2,757,364)</u></u>	<u><u>37,663,803</u></u>
Segment loss before taxation				
Loss before taxation for reportable segments under CASs	<u><u>(9,366,578)</u></u>	<u><u>(33,554)</u></u>	<u><u>(10,666)</u></u>	<u><u>(9,410,798)</u></u>
Effect of differences between IFRSs and CASs				<u>5,849</u>
Loss before taxation for the period under IFRSs				<u><u>(9,404,949)</u></u>

The following table presents the segment assets of the Group's operating segments under CASs as at 30 June 2022 and 31 December 2021 and the reconciliations of reportable segment assets to the Group's consolidated amounts under IFRSs:

	Airline operations <i>RMB'000</i>	Other operations <i>RMB'000</i>	Elimination <i>RMB'000</i>	Total <i>RMB'000</i>
Segment assets				
Total assets for reportable segments as at 30 June 2022 under CASs (unaudited)	<u><u>285,049,507</u></u>	<u><u>31,624,999</u></u>	<u><u>(17,342,810)</u></u>	<u><u>299,331,696</u></u>
Effect of differences between IFRSs and CASs				<u><u>(35,902)</u></u>
Total assets as at 30 June 2022 under IFRSs (unaudited)				<u><u>299,295,794</u></u>
Total assets for reportable segments as at 31 December 2021 under CASs (audited)	<u><u>283,966,030</u></u>	<u><u>30,399,066</u></u>	<u><u>(15,949,944)</u></u>	298,415,152
Effect of differences between IFRSs and CASs				<u><u>(33,962)</u></u>
Total assets as at 31 December 2021 under IFRSs (audited)				<u><u>298,381,190</u></u>

Geographical information

The following tables present the Group's consolidated revenue under IFRSs by geographical location for the six months ended 30 June 2022 and 2021, respectively:

For the six months ended 30 June 2022

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

For the six months ended 30 June 2021

	Mainland China RMB'000	Hong Kong SAR, Macau SAR and Taiwan, China RMB'000	International RMB'000	Total RMB'000
Sales to external customers and total revenue	<u>31,931,808</u>	<u>624,049</u>	<u>5,107,946</u>	<u>37,663,803</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.

Revenue from transactions with CNAHC and its subsidiaries (other than the Group) amounted to 30% of the Group's revenue during the six months ended 30 June 2022 (six months ended 30 June 2021: 12%), which is the only single customer with revenue from transactions that amounted to 10% or more of the Group's revenue.

4. OTHER INCOME AND GAINS

	Six months ended 30 June	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Continuing operations		
Co-operation routes income and subsidy income	1,388,679	2,192,115
Dividend income	3,190	2,631
Gain on disposal of property, plant and equipment	2,039	5,598
Loss on disposal of assets held for sale	(13,141)	–
Others	66,618	88,797
	<u>1,447,385</u>	<u>2,289,141</u>

5. LOSS FROM OPERATIONS

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

	Six months ended 30 June	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Depreciation of property, plant and equipment	4,333,124	4,596,415
Depreciation of right-of-use assets	6,112,491	5,722,680
Depreciation of investment properties	12,672	12,505
Amortisation of intangible assets	31	21
Research and development costs recognised as an expense	73,821	60,826

6. FINANCE COSTS

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

	Six months ended 30 June	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Interest on interest-bearing borrowings	1,690,580	1,205,093
Interest on lease liabilities	1,578,905	1,596,943
Imputed interest expenses on defined benefit obligations	3,373	3,976
	<u>3,272,858</u>	<u>2,806,012</u>
Less: Interest capitalised	(131,423)	(147,714)
	<u>3,141,435</u>	<u>2,658,298</u>

The interest capitalisation rates during the period ranged from 1.92% to 4.41% per annum (six months ended 30 June 2021: 1.75% to 4.41% per annum).

7. INCOME TAX CREDIT

	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Current income tax:		
– Mainland China	18,301	15,048
– Hong Kong SAR and Macau SAR, China	819	827
Over-provision in respect of prior years	(197)	(1,575)
Deferred tax	<u>(880,575)</u>	<u>(1,748,584)</u>
	<u>(861,652)</u>	<u>(1,734,284)</u>

Under the relevant Corporate Income Tax Law and regulations in the PRC, except for two branches and three subsidiaries of the Company, and some branches of a subsidiary of the Company which are taxed at a preferential rate of 15% (six months ended 30 June 2021: 15%), all group companies located in Mainland China are subject to a corporate income tax rate of 25% (six months ended 30 June 2021: 25%). Subsidiaries in Hong Kong SAR, China are taxed at corporate income tax rates of 16.5% (six months ended 30 June 2021: 16.5%), and subsidiaries in Macau SAR, China are taxed at corporate income tax rate of 12% (six months ended 30 June 2021: 12%).

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

8. DIVIDENDS

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

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

No interim dividend has been declared by the Directors for the six months ended 30 June 2022 (six months ended 30 June 2021: Nil).

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

No dividend has been declared by the Directors for the financial year 2021 during the current interim period. (six months ended 30 June 2021: Nil)

9. LOSS PER SHARE

The calculation of basic loss per share was based on the loss attributable to ordinary equity shareholders of the Company of RMB19,437 million (six months ended 30 June 2021: loss of RMB6,781 million) and the number of 13,734,960,921 (six months ended 30 June 2021: 13,734,960,921) ordinary shares in issue during the period, as adjusted to reflect the number of treasury shares held by Cathay Pacific Airways Limited (“Cathay Pacific”) through reciprocal shareholding.

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

10. ACCOUNTS RECEIVABLE

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

	At 30 June 2022 <i>RMB'000</i> (Unaudited)	At 31 December 2021 <i>RMB'000</i> (Audited)
Within 30 days	1,162,976	1,841,788
31 to 60 days	158,345	912,729
61 to 90 days	20,816	68,098
Over 90 days	<u>296,355</u>	<u>168,422</u>
	<u><u>1,638,492</u></u>	<u><u>2,991,037</u></u>

11. ACCOUNTS PAYABLE

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

	At 30 June 2022 <i>RMB'000</i> (Unaudited)	At 31 December 2021 <i>RMB'000</i> (Audited)
Within 30 days	5,758,460	4,440,586
31 to 60 days	1,736,642	1,070,102
61 to 90 days	790,699	1,053,190
Over 90 days	<u>4,759,633</u>	<u>6,026,897</u>
	<u><u>13,045,434</u></u>	<u><u>12,590,775</u></u>

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.

	January to June 2022	January to June 2021	Increase/ (decrease)
Capacity			
ASK (million)	44,282.01	82,499.92	(46.32%)
International	1,595.40	2,115.00	(24.57%)
Mainland China	41,869.76	79,091.22	(47.06%)
Hong Kong SAR, Macau SAR and Taiwan, China	816.84	1,293.70	(36.86%)
AFTK (million)	5,172.28	5,494.08	(5.86%)
International	3,916.08	3,251.70	20.43%
Mainland China	1,195.86	2,183.95	(45.24%)
Hong Kong SAR, Macau SAR and Taiwan, China	60.34	58.43	3.27%
ATK (million)	9,162.00	12,928.38	(29.13%)
Traffic			
RPK (million)	26,756.90	58,252.60	(54.07%)
International	572.59	894.83	(36.01%)
Mainland China	25,796.55	56,630.89	(54.45%)
Hong Kong SAR, Macau SAR and Taiwan, China	387.77	726.89	(46.65%)
RFTK (million)	2,104.47	2,067.48	1.79%
International	1,625.14	1,402.29	15.89%
Mainland China	458.32	646.52	(29.11%)
Hong Kong SAR, Macau SAR and Taiwan, China	21.00	18.67	12.48%
Passengers carried (thousand)	17,373.04	38,610.67	(55.00%)
International	94.59	145.81	(35.13%)
Mainland China	17,051.59	38,023.37	(55.15%)
Hong Kong SAR, Macau SAR and Taiwan, China	226.87	441.49	(48.61%)
Cargo and mail carried (tonnes)	486,513.58	600,504.45	(18.98%)
Kilometres flown (million)	329.34	532.23	(38.12%)
Block hours (thousand)	508.13	860.26	(40.93%)
Number of flights	172,708	310,257	(44.33%)
International	9,602	9,490	1.18%
Mainland China	160,037	295,927	(45.92%)
Hong Kong SAR, Macau SAR and Taiwan, China	3,069	4,840	(36.59%)
RTK (million)	4,481.37	7,264.73	(38.31%)

	January to June 2022	January to June 2021	Increase/ (decrease)
Load factor			
Passenger load factor (RPK/ASK)	60.42%	70.61%	(10.19 ppt)
International	35.89%	42.31%	(6.42 ppt)
Mainland China	61.61%	71.60%	(9.99 ppt)
Hong Kong SAR, Macau SAR and Taiwan, China	47.47%	56.19%	(8.71 ppt)
Cargo and mail load factor (RFTK/AFTK)	40.69%	37.63%	3.06 ppt
International	41.50%	43.12%	(1.63 ppt)
Mainland China	38.33%	29.60%	8.72 ppt
Hong Kong SAR, Macau SAR and Taiwan, China	34.80%	31.95%	2.85 ppt
Overall load factor (RTK/ATK)	48.91%	56.19%	(7.28 ppt)
Utilisation			
Daily utilisation of aircraft (block hours per day per aircraft)	3.95	7.05	(3.10 hours)
Yield			
Yield per RPK (RMB)	0.5645	0.5304	6.43%
International	2.0472	1.6561	23.62%
Mainland China	0.5268	0.5108	3.13%
Hong Kong SAR, Macau SAR and Taiwan, China	0.8789	0.6652	32.13%
Yield per RFTK (RMB)	3.2691	2.2130	47.72%
International	3.6153	2.5858	39.81%
Mainland China	1.7782	1.2510	42.14%
Hong Kong SAR, Macau SAR and Taiwan, China	9.0151	7.5265	19.78%
Unit cost			
Operating cost per ASK (RMB)	0.9569	0.5575	71.64%
Operating cost per ATK (RMB)	4.6248	3.5577	29.99%

DEVELOPMENT OF FLEET

During the Reporting Period, the Group introduced a total of 16 aircraft, including one A350 aircraft, seven A320NEO aircraft and eight A321NEO aircraft, and phased out 14 aircraft, including three A330-200 aircraft, five B737-800 aircraft, three B737-900 aircraft and three A319 aircraft. As at the end of the Reporting Period, the Group had a total of 748 aircraft with an average age of 8.39 years, of which the Company operated a fleet of 472 aircraft in total, with an average age of 8.54 years. During the first half of the year, the Company introduced 13 aircraft and phased out eight aircraft.

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

	30 June 2022					Average age (year)
	Sub-total	Self-owned	Finance leases	Operating leases		
Airbus	418	159	140	119		8.01
A319	38	32	6	–		14.56
A320/A321	302	103	109	90		7.14
A330	61	24	8	29		9.79
A350	17	–	17	–		2.53
Boeing	318	143	93	82		9.03
B737	266	119	73	74		9.16
B747	10	8	2	–		12.97
B777	28	4	18	6		8.21
B787	14	12	–	2		5.36
COMAC	7	1	6	–		1.31
ARJ21	7	1	6	–		1.31
Business jets	5	1	–	4		9.01
Total	748	304	239	205		8.39
	Introduction Plan			Phase-out Plan		
	2022	2023	2024	2022	2023	2024
Airbus	36	10	31	10	10	15
A319	–	–	–	4	2	8
A320/A321	27	5	31	–	3	7
A330	–	–	–	6	5	–
A350	9	5	–	–	–	–
Boeing	–	–	–	12	8	1
B737	–	–	–	12	8	1
COMAC	10	9	9	–	–	–
ARJ21	10	9	9	–	–	–
Total	46	19	40	22	18	16

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

Safe Operation

The Group enhanced its safety management capabilities and continued to maintain a stable and safe operation. During the Reporting Period, the Group thoroughly studied and implemented the value of the overall national security, and applied the concept of safe development to all levels of the Company comprehensively. The Group strictly implemented the various work requirements of higher-level units in the face of a complex and challenging safety environment of the industry. By consolidating and upgrading the specific three-year safety rectification action, it continued to improve the operation safety system, strengthen the development of the “four systems”, namely safety management, flight training, operation management and aircraft maintenance. The Group seriously ensured the proper implementation of 8 safety areas such as aviation safety, flight safety and pandemic containment to prevent and eliminate major safety risks, enhanced the specific annual actions and implemented the “15 measures of operation safety” in detail. Continuing to further conduct major inspection for safety purpose and investigation and rectification of hidden safety hazards, the Group proactively responded to the changes in operation, implemented risk prevention and control measures, and promoted the style development of the safety personnel effectively. The Group released the revised overall contingency plan of the Company to continuously enhance the Company’s contingency response capability.

During the Reporting Period, the Group recorded 0.508 million safe flight hours. It also successfully accomplished important air transportation safeguard missions for Spring Festival travel rush, the Two Sessions, the Beijing Winter Olympics/Paralympics and other major events. Upholding the concept that the safety responsibility is a kind of political responsibility, the Group strictly implemented its own responsibility in safety management so as to welcome the successful commencement of the 20th National Congress of the Party with concrete actions.

Containing the Pandemic

The Group strictly implemented the pandemic prevention and control measures in a detailed manner and consolidated the containment results continuously. During the Reporting Period, the Group seriously implemented the approaches and policies of containing the pandemic confirmed by the Central Committee of the Party. Adhering to the master strategy of “guarding against the importation of cases and the resurgence of domestic infections” and the master approach of “dynamic clearing”, the Group carefully and consistently carried out the pandemic containment measures. It pushed forward the implementation of the main responsibility level by level and launch of prevention and control measures step by step, including closely tracking the pandemic developments and containment policy changes, targeted deployment of key containment tasks and carrying out supervision and inspection. With the proper responses to the unexpected local pandemic outbreaks by our branches in Shanghai, Tianjin, Zhejiang and Guangdong, life, health and safety of employees and the orderly and stable operation were safeguarded effectively. Air China Inner Mongolia successfully and repeatedly accomplished the charter flight assignment for pandemic control and relief-aid in the autonomous region, and ensured the safe operation of inbound flight diversion. By formulating the high-standard prevention and control measures and contingency plans of air transportation safeguard for major events such as the Beijing

Winter Olympics and Paralympics and the Two Sessions, the key mission of “zero-infection” was accomplished. The Group carried out specific emergency drills to fight the pandemic, and established the system of the three-tier emergency plan in order to continuously enhance the capability in regular prevention and control. Besides, it enhanced education and training of employees to promote the vaccine booster program as far as possible for those who are eligible. The campaign of caring for the mental health of the flight attendant team was further implemented to increase efforts in employee care. In addition, the Group strengthened the pandemic containment management of overseas pilot trainees and expatriates to safeguard personal safety and normal operation of training.

Maximising Operating Performance

The Company adhered to the general principle of pursuing progress while ensuring stability, and strived to maintain the momentum of stable operation. During the Reporting Period, the Group closely followed the market and pandemic situation to adjust its transport capacity, explored the maximum operating performance and enhanced its potential, exercised stringent cost control and managed capital risks.

The Group proactively responded to the market changes and dynamically adjusted its operation arrangement. Having seized the market opportunities presented by Spring Festival travel rush, it operated 33,000 domestic flights, representing a year-on-year increase of 12% in transport capacity. In May and June, aligning with the pace of market recovery, the Group resumed the scale of transport capacity allocation in an orderly manner, which resulted in month-on-month increases of 34.9% and 53.2% in transport capacity, respectively. It continued to push ahead the development of the domestic express routes and optimized the flight schedules while enhanced the allocation of wide-body aircraft to 47% and 38% for six express routes and 10 boutique routes, respectively. Adhering to the price-driven strategy, the Group strictly controlled cargo spaces and maintained its advantage in the overall freight price level. It refined the marketing strategy and promoted precise marketing in order to increase the stickiness of frequent flier members. With the enhanced support of interline products to the passenger load of flights, the sales volume and revenue from interline products for the first half of the year amounted to 0.65 million passengers and RMB0.31 billion, respectively. Under the strengthened integration of passenger aircraft for cargo operations, the Group operated 9,851 cargo flights by passenger aircraft, representing an increase of 24.1% year-on-year.

Striving to curb expenses under strict cost control, the Group strengthened the value management throughout the life cycle of aircraft and made focused efforts to boost the cost efficiency of aircraft use. It optimized the aircraft cost and put greater efforts into implementing the fuel-saving measures and APU replacement. By making full use of the alleviation policies properly, the Group obtained the supporting funds. By adjusting and optimizing the debt structure, the Group has increased the proportion of medium- and long-term debts, thereby ensuring its capital security.

Enhancing Services

The Group continued to promote the implementation of service initiatives to constantly improve the customer service experience. During the Reporting Period, the Group continued to optimize the travel experience of passengers under the pandemic containment measures, upgrade the quality of services and products and develop the service brand with more special features and influences so as to contribute to the Company's high-quality development.

Promptly responding to the pandemic prevention and control policies, the Group devoted strenuous efforts in timely and effectively making announcements of any change in flights and rendering full-process passenger services such as ticket refund and change. Focusing on the passenger demands, the Group accelerated the development of its convenient passenger service. With the expanded contactless online service, all the domestic terminals have realized the full coverage of "paperless" travel services. Remote self check-in service has been launched at 137 operating domestic airports. The Group enhanced the online self-service experience by launching charged services designed for unaccompanied children aged 12-18 in domestic routes and upgrading smart transit guidance functions in the APP. It commenced health information inquiry and auto-examination services for arriving international passengers at 14 operating overseas airports in Europe, America, Asia and Africa. To align with the international standard, the Group improved the quality of baggage transportation and successfully passed the full-network baggage tracking and certification under the Resolution 753 of the International Air Transport Association, thus continuing to expand the network of route coverage for baggage tracking.

Highlighting the brand features, the Group created Air China's exclusive ground-air experience for passengers. To develop featured ground rest spaces of Air China, the Group pushed forward the implementation of the design standard of innovative self-operated lounges and the construction of four new lounges (approximately 2,500 square meters) in Hangzhou and Guiyang in an orderly manner. To create Air China's featured enjoyable and comfy flying experience for passengers, the Group adopted the customized design for the innovative business class seats of A350, and upgraded the graphic user interface of the in-flight entertainment system so as to refresh the flight experience of passengers. The Group updated the Wi-Fi platform with five major selected sections featuring "Xuexi Qiangguo (學習強國)" to allow more fun for passengers' flights with richer entertainment content. Launching the innovative "Henishuo (盒你說)" and "Dainifei (袋你飛)" series meal box services, the Group continued to create new products through research and development, serve and optimize the new modes of our in-flight meals, thereby offering higher quality meal options to passengers.

MANAGEMENT DISCUSSION AND ANALYSIS ON FINANCIAL CONDITIONS AND RESULTS OF OPERATIONS

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

Revenue

During the Reporting Period, the Group's revenue was RMB23,953 million, representing a year-on-year decrease of RMB13,711 million or 36.40%. Among the revenues, air traffic revenue was RMB21,983 million, representing a year-on-year decrease of RMB13,487 million or 38.02%. Other operating revenue was RMB1,970 million, representing a year-on-year decrease of RMB224 million or 10.21%.

Revenue Contributed by Geographical Segments

<i>(in RMB'000)</i>	For the six months ended 30 June				
	2022		2021		Change
	Amount	Percentage	Amount	Percentage	
International	7,047,581	29.43%	5,107,946	13.56%	37.97%
Mainland China	16,374,918	68.36%	31,931,808	84.78%	(48.72%)
Hong Kong SAR, Macau SAR and Taiwan, China	530,154	2.21%	624,049	1.66%	(15.05%)
Total	<u>23,952,653</u>	<u>100.00%</u>	<u>37,663,803</u>	<u>100.00%</u>	<u>(36.40%)</u>

Air Passenger Revenue

During the Reporting Period, the Group recorded an air passenger revenue of RMB15,104 million, representing a year-on-year decrease of RMB15,792 million. Among the air passenger revenue, the decrease of capacity resulted in a decrease in revenue of RMB14,312 million, and the decrease of passenger load factor resulted in a decrease in revenue of RMB2,392 million, while the increase of passenger yield resulted in an increase in revenue of RMB912 million. The capacity, passenger load factor and yield per RPK of air passenger business during the Reporting Period are as follows:

	For the six months ended 30 June		
	2022	2021	Change
Available seat kilometres (<i>million</i>)	44,282.01	82,499.92	(46.32%)
Passenger load factor (%)	60.42	70.61	(10.19 ppt)
Yield per RPK (<i>RMB</i>)	0.5645	0.5304	6.43%

Air Passenger Revenue Contributed by Geographical Segments

<i>(in RMB'000)</i>	For the six months ended 30 June				
	2022		2021		Change
	Amount	Percentage	Amount	Percentage	
International	1,172,233	7.76%	1,481,942	4.80%	(20.90%)
Mainland China	13,590,439	89.98%	28,929,694	93.64%	(53.02%)
Hong Kong SAR, Macau SAR and Taiwan, China	340,831	2.26%	483,530	1.56%	(29.51%)
Total	<u>15,103,503</u>	<u>100.00%</u>	<u>30,895,166</u>	<u>100.00%</u>	<u>(51.11%)</u>

Air Cargo and Mail Revenue

During the Reporting Period, the Group's air cargo and mail revenue was RMB6,880 million, representing a year-on-year increase of RMB2,304 million. Among the air cargo and mail revenue, the increase of yield of cargo and mail business contributed to an increase in revenue of RMB2,222 million, and the increase of cargo and mail load factor resulted in an increase in revenue of RMB350 million, while the decrease of capacity resulted in a decrease in revenue of RMB268 million. The capacity, cargo and mail load factor and yield per RFTK of air cargo and mail business during the Reporting Period are as follows:

	For the six months ended 30 June		
	2022	2021	Change
Available freight tonne kilometres (<i>million</i>)	5,172.28	5,494.08	(5.86%)
Cargo and mail load factor (%)	40.69	37.63	3.06 ppt
Yield per RFTK (<i>RMB</i>)	3.2691	2.2130	47.72%

Air Cargo and Mail Revenue Contributed by Geographical Segments

<i>(in RMB'000)</i>	For the six months ended 30 June				
	2022		2021		Change
	Amount	Percentage	Amount	Percentage	
International	5,875,348	85.40%	3,626,004	79.25%	62.03%
Mainland China	814,998	11.85%	808,780	17.68%	0.77%
Hong Kong SAR, Macau SAR and Taiwan, China	<u>189,323</u>	<u>2.75%</u>	<u>140,519</u>	<u>3.07%</u>	<u>34.73%</u>
Total	<u>6,879,669</u>	<u>100.00%</u>	<u>4,575,303</u>	<u>100.00%</u>	<u>50.37%</u>

Operating Expenses

During the Reporting Period, the Group's operating expenses were RMB42,373 million, representing a decrease of 7.88% from RMB45,996 million for the same period of the previous year. The breakdown of the operating expenses is set out below:

<i>(in RMB'000)</i>	For the six months ended 30 June				
	2022		2021		Change
	Amount	Percentage	Amount	Percentage	
Jet fuel costs	10,348,319	24.42%	9,914,804	21.56%	4.37%
Take-off, landing and depot charges	3,221,432	7.60%	5,020,224	10.91%	(35.83%)
Depreciation and amortisation	10,458,318	24.68%	10,331,621	22.46%	1.23%
Aircraft maintenance, repair and overhaul costs	2,370,572	5.59%	3,586,761	7.80%	(33.91%)
Employee compensation costs	11,444,006	27.01%	11,301,581	24.57%	1.26%
Air catering charges	415,683	0.98%	912,392	1.98%	(54.44%)
Selling and marketing expenses	908,624	2.14%	1,140,228	2.48%	(20.31%)
General and administrative expenses	507,940	1.20%	469,485	1.02%	8.19%
Others	<u>2,697,858</u>	<u>6.38%</u>	<u>3,318,460</u>	<u>7.22%</u>	<u>(18.70%)</u>
Total	<u>42,372,752</u>	<u>100.00%</u>	<u>45,995,556</u>	<u>100.00%</u>	<u>(7.88%)</u>

- Jet fuel costs increased by RMB434 million on a year-on-year basis, mainly due to the combined effect of the increase in the prices of jet fuel and the decrease in the consumption of jet fuel.
- Take-off, landing and depot charges decreased by RMB1,799 million on a year-on-year basis, mainly due to the year-on-year decrease in the number of take-offs and landings.
- Aircraft maintenance, repair and overhaul costs decreased by RMB1,216 million on a year-on-year basis, mainly due to the year-on-year decrease in the investment in production and operation.
- Employee compensation costs increased by RMB142 million on a year-on-year basis, mainly due to the combined effect of the resumption of contribution to the corporate annuity plan and the decrease in investment in production and operation.
- Air catering charges decreased by RMB497 million on a year-on-year basis, mainly due to the decrease in the number of passengers.
- Other operating expenses mainly included civil aviation development fund and ordinary expenses arising from the core air traffic business other than those mentioned above, which decreased by 18.70% on a year-on-year basis, mainly due to the decrease in the investment in production and operation.

Net Exchange (Loss) Gain and Finance Costs

During the Reporting Period, the Group recorded a net exchange loss of RMB2,240 million, as compared to a net exchange gain of RMB563 million for the same period of the previous year. The Group incurred finance costs of RMB3,141 million (excluding those capitalised) during the Reporting Period, representing a year-on-year increase of RMB483 million.

Share of Results of Associates and Joint Ventures

During the Reporting Period, the Group's share of losses of its associates was RMB1,041 million, representing a year-on-year decrease of RMB378 million. The Group recorded a loss on investment of Cathay Pacific of RMB423 million during the Reporting Period, representing a year-on-year decrease of RMB941 million; and recorded a loss on investment of Shandong Aviation Group Corporation and Shandong Airlines of RMB475 million, representing a year-on-year increase of RMB384 million.

During the Reporting Period, the Group's share of profits of its joint ventures was RMB227 million, representing a year-on-year increase of RMB117 million.

Assets Structure Analysis

As at the end of the Reporting Period, the total assets of the Group were RMB299,296 million, representing an increase of 0.31% from that as at 31 December 2021. Among them, the current assets accounted for RMB32,450 million or 10.84% of the total assets, while the non-current assets accounted for RMB266,846 million or 89.16% of the total assets.

Among the current assets, cash and cash equivalents were RMB18,556 million, representing an increase of 16.45% from that as at 31 December 2021.

Among the non-current assets, the aggregate carrying amount of property, plant and equipment and right-of-use assets as at the end of the Reporting Period was RMB220,540 million, representing an increase of 0.06% from that as at 31 December 2021.

Asset Mortgage/Pledge

As at the end of the Reporting Period, the Group, pursuant to certain bank loans and finance leasing agreements, had mortgaged certain aircraft, engines and flight equipment, other equipment and buildings with an aggregated book value of approximately RMB92,192 million (31 December 2021: RMB89,565 million) and land use rights with book value of approximately RMB25 million (31 December 2021: RMB26 million). In addition, the Group had restricted bank deposits of approximately RMB864 million (31 December 2021: approximately RMB775 million), which were mainly statutory reserves deposited in the People's Bank of China.

Capital Expenditure

During the Reporting Period, the Group's capital expenditure amounted to a total of RMB4,919 million, of which the total investment in aircraft and engines was RMB3,856 million. Other capital expenditure investment amounted to RMB1,063 million, mainly including investment in rotables, flight simulators, infrastructure construction, IT system construction, ground equipment procurement and cash component of the long-term investments.

Equity Investment

As at the end of the Reporting Period, the Group's equity investment in its associates amounted to RMB10,219 million, representing a decrease of 1.65% from that as at 31 December 2021, among which, the balance of the equity investment of the Group in Cathay Pacific amounted to RMB9,894 million.

As at the end of the Reporting Period, the Group's equity investment in its joint ventures was RMB1,850 million, representing an increase of 1.09% from that as at 31 December 2021.

Debt Structure Analysis

As at the end of the Reporting Period, the total liabilities of the Group amounted to RMB254,695 million, representing an increase of 9.52% from those as at 31 December 2021, among which current liabilities were RMB88,034 million and non-current liabilities were RMB166,661 million, accounting for 34.56% and 65.44% of the total liabilities, respectively.

Among the current liabilities, interest-bearing debts (including interest-bearing borrowings and lease liabilities) amounted to RMB53,154 million, representing a decrease of 3.24% as compared with that as at 31 December 2021.

Among the non-current liabilities, interest-bearing debts (including interest-bearing borrowings and lease liabilities) amounted to RMB155,077 million, representing an increase of 19.78% from that as at 31 December 2021.

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

<i>(in RMB'000)</i>	30 June 2022		31 December 2021		Change
	Amount	Percentage	Amount	Percentage	
RMB	163,169,761	78.36%	139,158,663	75.46%	17.25%
US dollars	43,755,771	21.01%	43,949,421	23.84%	(0.44%)
Others	<u>1,305,365</u>	<u>0.63%</u>	<u>1,294,474</u>	<u>0.70%</u>	<u>0.84%</u>
Total	<u>208,230,897</u>	<u>100.00%</u>	<u>184,402,558</u>	<u>100.00%</u>	<u>12.92%</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 5.28% from RMB30,522 million as at 31 December 2021 to RMB28,909 million as at the end of the Reporting Period. The Group's investment commitments, which were mainly used for the investment agreements that have been signed and come into effect, amounted to RMB23 million as at the end of the Reporting Period, as compared with RMB22 million as at 31 December 2021, which was mainly attributable to the investment in GA Innovation China Co., Ltd.

Gearing Ratio

As at the end of the Reporting Period, the Group's gearing ratio (total liabilities divided by total assets) was 85.10%, representing an increase of 7.16 percentage points from that as at 31 December 2021.

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 RMB55,584 million, representing a decrease of RMB5,639 million from that as at 31 December 2021. The Group's current ratio (current assets divided by current liabilities) was 0.37, representing an increase of 0.04 as compared to that as at 31 December 2021.

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 RMB9,960 million, as compared to the net cash inflow of RMB4,432 million for the corresponding period in 2021, which was mainly due to the decline in revenue on a year-on-year basis as a result of the sporadic outbreak of the pandemic. Net cash outflow from investing activities was RMB1,261 million, as compared with the net cash inflow of RMB846 million for the corresponding period in 2021, mainly due to the year-on-year decrease in cash received from sale and redemption of investments and the year-on-year increase in cash paid for investments during the period. Net cash inflow from financing activities amounted to RMB13,758 million, as compared with the net cash outflow of RMB2,638 million for the same period of 2021, mainly due to the increase of its financing scale to ensure the liquidity safety.

The Company has obtained certain bank facilities of up to RMB193,689 million granted by several banks in the PRC, among which approximately RMB67,399 million has been utilised. The remaining amount is sufficient to meet our demands on working capital and future capital commitments.

POTENTIAL RISKS

1. Risks of External Environment

Market Fluctuation

The Chinese economy has strong resilience and its long-term positive fundamentals will remain unchanged. Nonetheless, in view of the lingering impact of the COVID-19 pandemic, it is confronted with triple pressure of shrinking demand, supply shocks and weakening expectations. There exist some uncertainties in the momentum of the general demand recovery accordingly. Based on the characteristics of the new development phase, the Group will fully implement the new development philosophy and establish new development paradigm with a primary focus on the supply-side structural reform, at the same time responding to the risks of market fluctuation actively.

Oil Price Fluctuation

Jet fuel is one of the main operating costs of the Group. The results of the Group is relatively more affected by the changes in jet fuel price. During the Reporting Period, with other variables remaining unchanged, if the average price of the jet fuel rises or falls by 5%, the Group's jet fuel costs will rise or fall by approximately RMB517 million.

Exchange Rate Fluctuation

The Group's certain assets and liabilities are denominated in US dollar. Certain international income and expenses of the Group are denominated in currencies other than RMB. Assuming that the risk variables other than the exchange rate stay unchanged, the appreciation or depreciation of RMB against US dollar by 1% due to the changes in the exchange rate will result in the increase or decrease in the Group's net profit and shareholders' equity as at 30 June 2022 by approximately RMB319 million.

2. *Risks of Competition*

Industry competition

The COVID-19 pandemic created the opportunity for mergers, acquisitions and consolidation in the industry, so that the sector became more concentrated. During the early period of the “14th Five-Year” development of China’s civil aviation, active adjustment and control on the growth rate of capacity based on the assessment of the industry during the period of market recovery will help alleviate the pressure of peer competition arising from short-term excess capacity in the domestic market.

Alternative competition

China has built up the world’s largest high-speed railway network. It is extending its reach towards central and western China and accelerating the development through long-term planning. In the long run, the high-speed railway will change China’s geographic pattern of the economy and, as a result of its cooperation and competition with civil aviation, the air-rail interlink operation will provide strong support to the development of aviation hubs. At the same time, the civil aviation sector will give full play to its competitive edges in the comprehensive transportation system and promote international exchange. It will “link main routes and branch routes and connect the whole network” to offer easily accessible transportation services to the general public.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

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

INTERIM DIVIDEND

No interim dividend will be paid by the Company for the six months ended 30 June 2022.

EXPLANATION OF OTHER SIGNIFICANT EVENTS

On 30 May 2022, the Company published an inside information announcement, which disclosed that the Company was planning to acquire the control of Shandong Aviation Group Corporation and thereby acquiring the control of Shandong Airlines. On 14 June 2022, the Company issued an update announcement of the inside information announcement, which disclosed that the Company intended to acquire the equity interest of Shandong Aviation Group Corporation held by Shansteel Financial Holdings Asset Management (Shenzhen) Company Limited (“Shansteel Financial Holdings”) and to subscribe for the increased register capital of Shandong Aviation Group Corporation. The Company also intended to further communicate with other shareholders of Shandong Aviation Group Corporation and finalize the investment arrangement in Shandong Aviation Group Corporation. For details, please refer to the announcements of the Company dated 30 May 2022 and 14 June 2022.

SUBSEQUENT EVENTS

On 1 July 2022, as approved at the fifth meeting of the sixth session of the Board of the Company, the Company and Air China Import and Export Co., Ltd. (a wholly-owned subsidiary of the Company) entered into an agreement with Airbus S.A.S. for the purchase of 64 Airbus A320NEO series aircraft from Airbus S.A.S.. On the same day, Shenzhen Airlines, a subsidiary of the Company, entered into an agreement with Airbus S.A.S. for the purchase of 32 Airbus A320NEO series aircraft from Airbus S.A.S.. The basic price of these 96 Airbus A320NEO series aircraft (including the prices for airframes, engines and optional features) totalled approximately US\$12,213 million (price quoted as of January 2020). For details, please refer to the announcement of the Company dated 1 July 2022.

On 2 August 2022, the sixth meeting of the sixth session of the Board of the Company considered and approved the resolutions in relation to the non-public issuance of A Shares of the Company in 2022 (the “Non-public Issuance”), which included the “Resolution on the Proposal for the Non-public Issuance of A Shares of the Company in 2022”. The target subscribers of the Non-public Issuance of A Shares included not more than 35 (inclusive) specific investors (including CNAHC). In particular, CNAHC shall subscribe for shares under the Non-public Issuance in the amount of not less than RMB5,500 million in cash, and upon the completion of the Non-public Issuance, the total number of shares of the Company directly held by CNAHC and indirectly held through its wholly-owned subsidiaries shall not be less than 50.01% (inclusive). For details, please refer to the announcement of the Company dated 2 August 2022. On 18 August 2022, the Company published an announcement in relation to the receipt of approval documents regarding the non-public issuance of A Shares of the Company in 2022 issued by CNAHC (Zhong Hang Ji Tuan Fa [2022] No. 136), pursuant to which CNAHC has in principle approved the proposal for the non-public issuance of A Shares of the Company in 2022. For details, please refer to the overseas regulatory announcement of the Company dated 18 August 2022.

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 B.2.2.

Code provision B.2.2 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 fully completed, the re-election and appointment of members of the Board and the Supervisory Committee of the Company have been appropriately postponed. The terms of the special committees of the fifth session of the Board of the Company have also been extended accordingly. The Company completed the re-election and appointment of members of the Board and the Supervisory Committee on 25 February 2022, and fulfilled respective information disclosure obligations in a timely manner. All members of the fifth session of the Board and the Supervisory Committee of the Company have continued 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 completion of the re-election work. The postponed re-election of the members of the Board and the Supervisory Committee of the Company did 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 as set out in Appendix 10 to the Listing Rules. After making specific enquiries, the Company confirmed that each Director and each Supervisor have complied with the required standards of the Model Code and the Company's code of conduct throughout the Reporting Period.

DISCLOSURE REQUIREMENTS UNDER THE LISTING RULES

In order to comply with the requirements under paragraph 46 of Appendix 16 to the Listing Rules, the Company confirmed that save as disclosed in this announcement, there are no material changes in the current information of the Company in relation to matters as set out in paragraph 46(3) of Appendix 16 to the Listing Rules as compared with relevant disclosures in 2021 annual report of the Company.

REVIEW BY THE AUDIT AND RISK CONTROL COMMITTEE

The audit and risk control committee of the Company has reviewed the Company's interim results for the six months ended 30 June 2022, the Company's unaudited interim condensed consolidated financial statements and the accounting policies and practices adopted by the Group.

GLOSSARY OF TECHNICAL TERMS

Capacity Measurements

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

Traffic Measurements

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

Efficiency Measurements

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

Yield Measurements

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

DEFINITIONS

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

“Airbus”	Airbus S.A.S., a company established in Toulouse, France
“Air China Inner Mongolia”	Air China Inner Mongolia Co., Ltd., a non-wholly owned subsidiary of the Company
“Air Macau”	Air Macau Company Limited, a non-wholly owned subsidiary of the Company
“Ameco”	Aircraft Maintenance and Engineering Corporation, a non-wholly owned subsidiary of the Company
“Articles of Association”	the articles of association of the Company, as amended from time to time
“A Share(s)”	ordinary share(s) in the share capital of the Company, with a nominal value of RMB1.00 each, which is/are subscribed for and traded in Renminbi and listed on the Shanghai Stock Exchange
“Beijing Airlines”	Beijing Airlines Company Limited, a non-wholly owned subsidiary of the Company
“Board”	the board of directors of the Company
“CASs”	China Accounting Standards for Business Enterprises
“Cathay Pacific”	Cathay Pacific Airways Limited, an associate of the Company
“CNACG”	China National Aviation Corporation (Group) Limited
“COMAC”	Commercial Aircraft Corporation of China, Ltd.
“Company” or “Air China”	Air China Limited, a company incorporated in the PRC, whose H Shares are listed on the Hong Kong Stock Exchange as its primary listing venue and on the Official List of the UK Listing Authority as its secondary listing venue, and whose A Shares are listed on the Shanghai Stock Exchange
“Dalian Airlines”	Dalian Airlines Company Limited, a non-wholly owned subsidiary of the Company

“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“H Share(s)”	overseas-listed foreign invested share(s) in the share capital of the Company, with a nominal value of RMB1.00 each, which is/are listed on the Hong Kong Stock Exchange (as primary listing venue) and has/have been admitted into the Official List of the UK Listing Authority (as secondary listing venue)
“International Financial Reporting Standards” or “IFRSs”	International Financial Reporting Standards
“Kunming Airlines”	Kunming Airlines Company Limited, a subsidiary of Shenzhen Airlines
“Listing Rules”	The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules
“Reporting Period”	the period from 1 January 2022 to 30 June 2022
“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
“Shenzhen Airlines”	Shenzhen Airlines Company Limited, a non-wholly owned subsidiary of the Company
“Supervisor(s)”	the supervisor(s) of the Company

“Supervisory Committee” the supervisory committee of the Company

“US dollars” United States dollars, the lawful currency of the United States

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

Beijing, the PRC, 30 August 2022

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

* *Independent non-executive director of the Company*