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Air China Limited

Stock code: 00753 Hong Kong | 601111 Shanghai | AIRC London



2020

I N T E R I M R E P O R T



中國國際航空股份有限公司 (short name: 中國國航) (English name: Air China Limited, short name: Air China) is the only national flag carrier of China.

As the old saying goes, “Phoenix, a bird symbolizing benevolence” and “The whole world will be at peace once a phoenix reveals itself”. The corporate logo of Air China is composed of an artistic phoenix figure, the Chinese characters of “中國國際航空公司” in calligraphy written by Mr. Deng Xiaoping, by whom the China’s reform and opening-up blueprint was designed, and the characters of “AIR CHINA” in English. Signifying good auspices in the ancient Chinese legends, phoenix is the king of all birds. It “flies from the eastern Happy Land and travels over mountains and seas and bestows luck and happiness upon all parts of the world”. At the core of the “Phoenix Spirit” advocated by Air China is the will to “serve the world, to lead and move forward to higher goals”. 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”, at the same time pursuing outstanding performance through innovative and excelling efforts.

Air China was listed on The Stock Exchange of Hong Kong Limited (stock code: 00753) and the London Stock Exchange (stock code: AIRC) on 15 December 2004, and was listed on the Shanghai Stock Exchange (stock code: 601111) on 18 August 2006.

Headquartered in Beijing, Air China has set up branches in Southwest China, Zhejiang, Chongqing, Tianjin, Shanghai, Hubei, Guizhou, Tibet and Wenzhou, and a base in Southern China. As of the end of the Reporting Period, the major subsidiaries of Air China include Shenzhen Airlines Company Limited (including Kunming Airlines Company Limited), Air Macau Company Limited, Beijing Airlines Company Limited, Dalian Airlines Company Limited, Air China Inner Mongolia Co., Ltd., Aircraft Maintenance and Engineering Corporation, Air China Import and Export Co., Ltd., Chengdu Falcon Aircraft Engineering Service Co., Ltd., and Air China Shantou Industrial Development Company. Its joint ventures mainly include GA Innovation China Co., Ltd. and Sichuan Services Aero-Engine Maintenance Co., Ltd. The associates of Air China include Tibet Airlines Co., Ltd., Cathay Pacific Airways Limited and Shandong Airlines Co., Ltd. Air China is also the largest shareholder of Shandong Aviation Group Co., Ltd.

With the goal of becoming “the world’s leading airline”, Air China is actively implementing the strategic objectives of “globally leading competitive advantages, constantly enhanced development capability, excellent and unique customer experience, and steadily improved interests and benefits”. Air China is dedicated to serving passengers with credibility, convenience, comfort and choice. “Air China Miles” is the oldest frequent flier programme in China, under which all members of the frequent flier programmes under various brands of its subsidiaries and associates have been consolidated into the brand of “Phoenix Miles”. As of the end of the Reporting Period, the total number of “Phoenix Miles” members amounted to 65.56 million.

As of the end of the Reporting Period, the Group operated a fleet of 700 aircraft with an average age of 7.40 years, of which the Company operated a fleet of 428 aircraft with an average age of 7.68 years.



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CORPORATE INFORMATION

REGISTERED CHINESE NAME:

中國國際航空股份有限公司

ENGLISH NAME:

Air China Limited

REGISTERED OFFICE:

Blue Sky Mansion
28 Tianzhu Road
Airport Industrial Zone
Shunyi District
Beijing
China

PRINCIPAL PLACE OF BUSINESS IN HONG KONG:

5th Floor, CNAC House
12 Tung Fai Road
Hong Kong International Airport
Hong Kong

WEBSITE:

www.airchina.com.cn

DIRECTORS¹:

Mr. Cai Jianjiang
Mr. Song Zhiyong
Mr. Feng Gang
Mr. Patrick Healy
Mr. Xue Yasong
Mr. Wang Xiaokang
Mr. Duan Hongyi
Mr. Stanley Hui Hon-chung
Mr. Li Dajin

SUPERVISORS:

Mr. Zhao Xiaohang
Mr. He Chaofan
Ms. Xiao Yanjun
Ms. Li Guixia

LEGAL REPRESENTATIVE OF THE COMPANY:

Mr. Cai Jianjiang

COMPANY SECRETARY:

Mr. Zhou Feng

AUTHORISED REPRESENTATIVES:

Mr. Cai Jianjiang
Mr. Zhou Feng

LEGAL ADVISERS TO THE COMPANY:

DeHeng Law Offices (*as to PRC Law*)
DLA Piper Hong Kong (*as to Hong Kong and English Law*)

INTERNATIONAL AUDITOR:

Deloitte Touche Tohmatsu
Registered Public Interest Entity Auditors

H SHARE REGISTRAR AND TRANSFER OFFICE:

Computershare Hong Kong Investor Services Limited
Rooms 1712-1716, 17th Floor, Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

LISTING VENUES:

Hong Kong, London and Shanghai

1. Mr. Feng Gang was appointed as a non-executive Director of the Company and Mr. Duan Hongyi was appointed as an independent non-executive Director of the Company at the 2019 annual general meeting of the Company.



 **CHAIRMAN'S STATEMENT**

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

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

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

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


 CHAIRMAN'S STATEMENT

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

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

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

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



Chairman

 Beijing, the PRC
 28 August 2020




SUMMARY OF FINANCIAL INFORMATION

(RMB'000)	Six months ended 30 June 2020	Six months ended 30 June 2019	Change
Revenue	29,645,766	65,313,087	(54.61%)
(Loss)/profit from operations	(6,682,049)	6,742,370	(199.11%)
(Loss)/profit before taxation	(13,096,926)	4,505,149	(390.71%)
(Loss)/profit after taxation	(10,860,406)	3,500,354	(410.27%)
(Loss)/profit attributable to non-controlling interests	(1,420,607)	356,135	(498.90%)
(Loss)/profit attributable to equity shareholders of the Company	(9,439,799)	3,144,219	(400.23%)
EBITDA ⁽¹⁾	3,282,775	17,045,104	(80.74%)
EBITDAR ⁽²⁾	3,650,317	17,928,312	(79.64%)
(Loss)/earnings per share attributable to equity shareholders of the Company (RMB)	(0.6873)	0.2289	(400.26%)
Return on equity attributable to equity shareholders of the Company (%)	(10.69)	3.53	(14.22 ppt)

⁽¹⁾ EBITDA represents earnings before finance income and finance costs, net exchange gain/loss, income tax expense, share of results of associates and joint ventures, depreciation and amortisation as computed under IFRSs.

⁽²⁾ EBITDAR represents EBITDA before deducting lease expenses on aircraft and engines as well as other lease expenses.

(RMB'000)	At 30 June 2020	At 31 December 2019	Change
Total assets	293,590,621	294,206,373	(0.21%)
Total liabilities	204,501,623	192,876,910	6.03%
Non-controlling interests	6,322,175	7,870,786	(19.68%)
Equity attributable to equity shareholders of the Company	82,766,823	93,458,677	(11.44%)
Equity attributable to equity shareholders of the Company per share (RMB)	5.70	6.43	(11.35%)



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 2020	January to June 2019	Increase/ (decrease)
Capacity			
ASK (million)	65,565.98	141,728.21	(53.74%)
International	15,533.42	54,504.05	(71.50%)
Mainland China	48,858.88	81,574.22	(40.11%)
Hong Kong SAR, Macau SAR and Taiwan, China	1,173.68	5,649.94	(79.23%)
AFTK (million)	4,035.20	5,534.23	(27.09%)
International	2,895.20	3,300.41	(12.28%)
Mainland China	1,088.57	2,084.05	(47.77%)
Hong Kong SAR, Macau SAR and Taiwan, China	51.43	149.78	(65.66%)
ATK (million)	9,943.04	18,319.41	(45.72%)
Traffic			
RPK (million)	44,222.02	114,784.17	(61.47%)
International	10,299.97	43,132.60	(76.12%)
Mainland China	33,247.90	67,083.22	(50.44%)
Hong Kong SAR, Macau SAR and Taiwan, China	674.16	4,568.34	(85.24%)
RFTK (million)	1,459.02	2,333.48	(37.47%)
International	957.24	1,555.17	(38.45%)
Mainland China	489.26	734.73	(33.41%)
Hong Kong SAR, Macau SAR and Taiwan, China	12.52	43.57	(71.26%)
Passengers carried (thousand)	24,905.77	56,483.19	(55.91%)
International	2,003.89	8,577.62	(76.64%)
Mainland China	22,468.64	45,003.00	(50.07%)
Hong Kong SAR, Macau SAR and Taiwan, China	433.25	2,902.57	(85.07%)
Cargo and mail carried (tonnes)	450,950.73	688,714.87	(34.52%)
Kilometres flown (million)	394.60	716.28	(44.91%)
Block hours (thousand)	617.01	1,129.22	(45.36%)
Number of flights	212,595	364,211	(41.63%)
International	18,691	49,153	(61.97%)
Mainland China	189,047	294,523	(35.81%)
Hong Kong SAR, Macau SAR and Taiwan, China	4,857	20,535	(76.35%)
RTK (million)	5,354.92	12,476.08	(57.08%)



	January to June 2020	January to June 2019	Increase/ (decrease)
Load factor			
Passenger load factor (RPK/ASK)	67.45%	80.99%	(13.54 ppt)
International	66.31%	79.14%	(12.83 ppt)
Mainland China	68.05%	82.24%	(14.19 ppt)
Hong Kong SAR, Macau SAR and Taiwan, China	57.44%	80.86%	(23.42 ppt)
Cargo and mail load factor (RFTK/AFTK)	36.16%	42.16%	(6.00 ppt)
International	33.06%	47.12%	(14.06 ppt)
Mainland China	44.95%	35.26%	9.69 ppt
Hong Kong SAR, Macau SAR and Taiwan, China	24.35%	29.09%	(4.74 ppt)
Overall load factor (RTK/ATK)	53.86%	68.10%	(14.24 ppt)
Utilisation			
Daily utilisation of aircraft (block hours per day per aircraft)	5.08	9.71	(4.63 hours)
Yield			
Yield per RPK (RMB)	0.5189	0.5214	(0.48%)
International	0.6136	0.4086	50.17%
Mainland China	0.4828	0.5830	(17.19%)
Hong Kong SAR, Macau SAR and Taiwan, China	0.8524	0.6821	24.97%
Yield per RFTK (RMB)	2.8721	1.2128	136.82%
International	3.5569	1.2675	180.62%
Mainland China	1.2795	0.9969	28.35%
Hong Kong SAR, Macau SAR and Taiwan, China	12.7560	2.9031	339.39%
Unit cost			
Operating cost per ASK (RMB)	0.5826	0.4269	36.47%
Operating cost per ATK (RMB)	3.8414	3.3026	16.31%



BUSINESS OVERVIEW

DEVELOPMENT OF FLEET

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

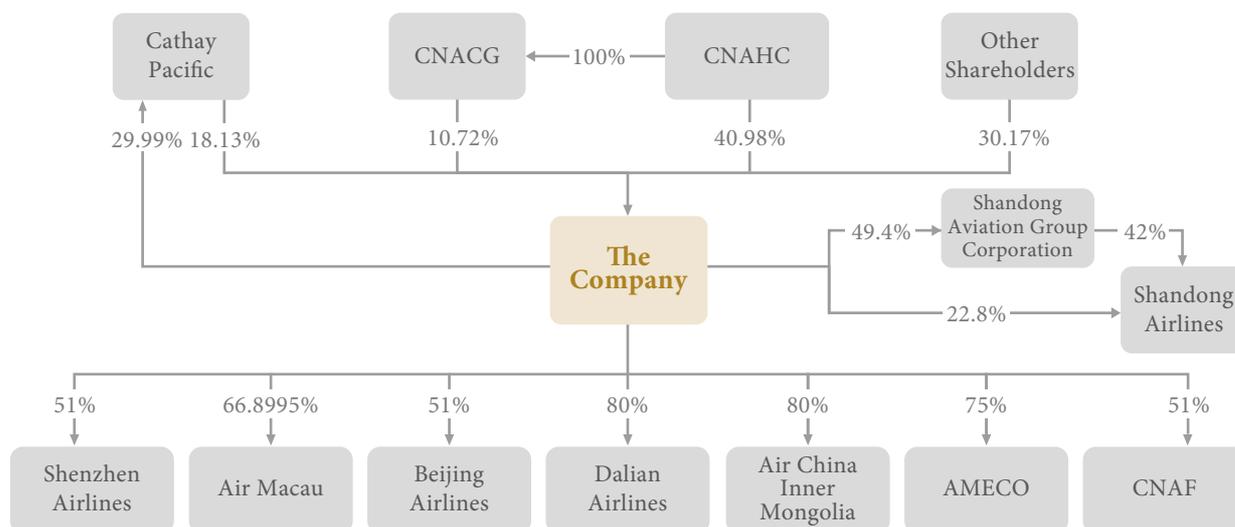
Details of the fleet of the Group are set out in the table below:

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

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

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

MAJOR SUBSIDIARIES AND ASSOCIATES AND THEIR OPERATING RESULTS



- Notes:
1. CNACG is a wholly-owned subsidiary of CNAHC. Accordingly, CNAHC is directly and indirectly interested in 51.70% of the shares of the Company.
 2. Shandong Aviation Group Corporation is owned as to 49.4% by the Company, while Shandong Airlines is owned as to 42% by Shandong Aviation Group Corporation. Accordingly, Shandong Airlines is directly and indirectly owned as to 43.548% by the Company.

During the Reporting Period, the operating results of the major subsidiaries and associates of the Company were as follows:

	Shenzhen Airlines	Air Macau	Beijing Airlines	Dalian Airlines	Air China Inner Mongolia	AMECO	CNAF	Cathay Pacific	Shandong Airlines
Year of establishment	1992	1994	2011	2011	2013	1989	1994	1946	1999
Place of domicile	Shenzhen	Macau	Beijing	Dalian	Inner Mongolia	Beijing	Beijing	Hong Kong	Shandong
Principal business	Air passenger and air cargo services	Air passenger and air cargo services	Business charter and public air passenger and air cargo services	Air passenger and air cargo services	Air passenger and air cargo services	Repair and overhaul of aircraft, engines and components	Provision of financial services to CNAHC Group and the Group	Air passenger and air cargo services	Air passenger and air cargo services
Registered capital	RMB 5,360,000,000	MOP 442,042,000	RMB 1,000,000,000	RMB 3,000,000,000	RMB 1,000,000,000	USD 300,052,800	RMB 1,127,961,864	3,933,844,572 shares in issue	RMB 400,000,000
Percentage of shareholding by the Company	51%	66.8995%	51%	80%	80%	75%	51%	29.99%	22.8%
Revenue (RMB million)	6,641 (on a consolidated basis)	457	132	404	317	3,641	117	25,030 (on a consolidated basis)	4,191 (on a consolidated basis)
Year-on-year changes (%)	(57.46)	(75.34)	(64.03)	(53.24)	(61.06)	(6.93)	(16.43)	(46.76)	(53.38)
Air traffic revenue (RMB million)	6,381	447	131	388	310	N/A	N/A	21,483	3,880
Year-on-year changes (%)	(57.87)	(75.69)	(62.46)	(55.04)	(61.54)	N/A	N/A	(50.01)	(55.04)
(Loss)/profit after taxation (RMB million)	(2,310)	(464)	(35)	(125)	(66)	(210)	39	(8,923)	(1,296)
Profit/(loss) in the corresponding period of last year (RMB million)	450	71	48	68	106	97	53	1,183	(27)
(Loss)/profit attributable to parent company (RMB million)	(2,227)	(464)	(35)	(125)	(66)	(210)	39	(8,924)	(1,296)
Profit/(loss) attributable to parent company in the corresponding period of last year (RMB million)	466	71	48	68	106	97	53	1,183	(27)

 BUSINESS OVERVIEW

The fleet information and operating data of the major subsidiaries and associates of the Company were as follows:

As at the end of the Reporting Period/During the Reporting Period	Shenzhen Airlines	Air Macau	Beijing Airlines*	Dalian Airlines	Air China Inner Mongolia	Cathay Pacific	Shandong Airlines
Fleet size (unit)	218 (on a consolidated basis)	22	3	13	11	235 (on a consolidated basis)	125
Average age (year)	6.90	6.55	10.58	6.73	7.96	10.3	6.70
Aircraft introduced (unit)	0	0	0	0	0	2	1
Aircraft phased out (unit)	0	1	0	0	0	3	0
ASK (million)	19,699	1,053	175	1,222	841	27,732	13,578
Year-on-year changes (%)	(43.76)	(71.39)	(55.54)	(27.00)	(39.12)	(65.7)	(37.92)
RPK (million)	13,485	635	108	765	522	18,668	9,698
Year-on-year changes (%)	(52.54)	(78.83)	(66.99)	(46.17)	(53.27)	(72.6)	(47.22)
Passengers carried (thousand)	9,233.2	372.8	114.2	592.5	482.8	4,389	6,566.3
Year-on-year changes (%)	(49.98)	(79.28)	(68.81)	(51.97)	(52.86)	(76.0)	(47.02)
Average passenger load factor (%)	68.46	60.25	61.96	62.54	62.10	67.3	71.42
Year-on-year changes (ppt)	(12.67)	(21.17)	(21.49)	(22.27)	(18.81)	(16.9)	(12.58)
AFTK (million)	431	16,514	1,826.9	10,480.8	7,302.4	5,958	229
Year-on-year changes (%)	(33.09)	(71.36)	(61.48)	(47.41)	(56.82)	(31.0)	(40.87)
RFTK (million)	226	4,155.7	0,942.0	7,682.7	4.95	5,920	120
Year-on-year changes (%)	(28.49)	(66.18)	(50.06)	(7.11)	(12.42)	(50.5)	(17.73)
Volume of cargo and mail carried (tonnes)	0.1417 million	2,585.01	1,089.94	5,304.92	3,986.68	0.667 million	0.0698 million
Year-on-year changes (%)	(24.59)	(65.27)	(52.33)	(24.10)	(26.13)	(31.9)	(18.62)
Cargo and mail load factor (%)	52.48	25.16	51.56	73.30	67.79	69.3	52.51
Year-on-year changes (ppt)	3.38	3.86	11.79	31.80	34.37	5.9	14.77

*Note: As at the end of the Reporting Period, Beijing Airlines operated a fleet of four entrusted business jets and one self-owned business jet with an average age of 7.90 years. During the Reporting Period, in terms of business charter service, Beijing Airlines completed 155 flights, representing a year-on-year increase of 6.16%; it completed 495 flying hours, representing a year-on-year decrease of 4.62%; it carried a total of 773 passengers, representing a year-on-year decrease of 22.85%.



PARTICULARS OF EMPLOYEES

As at the end of the Reporting Period, the Company had a total of 46,856 employees, and the subsidiaries of the Company had a total of 42,253 employees.

REMUNERATION POLICY

Upholding the concept of “paying salary with reference to the value of job, personal ability as well as performance appraisal” and focusing on enhancing enterprises vitality and improving benefit and efficiency, the Company has continually established and improved a linkage mechanism combining salary distribution with performance, and implemented differentiated management on gross payroll and budget. During the Reporting Period, the Company continued to deepen the reform of its remuneration and welfare system. It optimized the market-oriented remuneration benchmarking, established a sound and scientific mechanism on wage decision and growth that reflects the labour market standards. In addition, the Company promoted the pilot market-oriented remuneration reform of the Information Management Department, implemented the remuneration adjustments for flight, cabin crew and ground personnel, improved the remuneration management mechanism for corporate leaders, and implemented the differentiated salary adjustment for employees with continuous outstanding performance.



MANAGEMENT DISCUSSION AND ANALYSIS

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

OPERATION ANALYSIS

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

REVENUE

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

REVENUE CONTRIBUTED BY GEOGRAPHICAL SEGMENTS

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

AIR PASSENGER REVENUE

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

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

AIR PASSENGER REVENUE CONTRIBUTED BY GEOGRAPHICAL SEGMENTS

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

AIR CARGO AND MAIL REVENUE

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

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

AIR CARGO AND MAIL REVENUE CONTRIBUTED BY GEOGRAPHICAL SEGMENTS

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


MANAGEMENT DISCUSSION AND ANALYSIS
OPERATING EXPENSES

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

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

- Jet fuel costs decreased by RMB10,803 million on a year-year basis, mainly due to the combined effect of the decrease in the consumption and prices of jet fuel.
- Take-off, landing and depot charges decreased by RMB4,161 million on a year-on-year basis, mainly due to a decrease in the number of take-offs and landings.
- Depreciation and amortisation decreased by RMB338 million on a year-on-year basis, mainly due to the change of depreciation method of the Group's overhaul components of engine from straight-line method to the units-of-production method (see Note 3 to the condensed consolidated financial statements for details).
- Employee compensation costs decreased by RMB1,669 million on a year-on-year basis, mainly due to the decrease in the number of flights, the adjustment of compensation standards and the 50% reduction in social insurance.
- Air catering charges decreased by RMB1,303 million on a year-on-year basis, mainly due to the decrease in the number of passengers.
- Selling and marketing expenses decreased by RMB1,283 million on a year-on-year basis, mainly due to the decrease in handling fees and booking fees resulting from the decrease in the sales volumes and the number of passengers.
- General and administrative expenses decreased by RMB132 million on a year-on-year basis, mainly due to the decrease in bank handling fees and other expenses.
- Other operating expenses mainly included civil aviation development fund and non-above-mentioned ordinary expenses arising from the core air traffic business, which decreased by 52.70% on a year-on-year basis, mainly due to the decrease in transport and the exemption of civil aviation development fund.



NET EXCHANGE LOSS AND FINANCE COSTS

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

SHARE OF RESULTS OF ASSOCIATES AND JOINT VENTURES

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

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

ASSETS STRUCTURE ANALYSIS

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

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

Among the non-current assets, the aggregate carrying amount of property, plant and equipment and right-of-use assets as at the end of the Reporting Period was RMB216,370 million, representing a decrease of 2.33% from that as at 31 December 2019.

ASSET MORTGAGE

As at the end of the Reporting Period, the Group, pursuant to certain bank loans and finance leasing agreements, had mortgaged certain aircraft and premises with an aggregated net book value of approximately RMB78,851 million (approximately RMB81,724 million as at 31 December 2019) and land use rights with net book value of approximately RMB27 million (approximately RMB27 million as at 31 December 2019). In addition, the Group had restricted bank deposits of approximately RMB664 million (approximately RMB728 million as at 31 December 2019), which were mainly reserves deposited in the People's Bank of China.

CAPITAL EXPENDITURE

During the Reporting Period, the Group's capital expenditure amounted to a total of RMB3,907 million, of which the total investment in aircraft and engines was RMB2,556 million. Other capital expenditure investment amounted to RMB1,351 million, mainly including investment in rotables, flight simulators, infrastructure construction, IT system construction, ground equipment procurement and cash component of the long-term investments.





EQUITY INVESTMENT

As at the end of the Reporting Period, the Group's equity investment in its associates amounted to RMB10,930 million, representing a decrease of 25.38% from that as at 31 December 2019, among which, the balance of the equity investment of the Group in Cathay Pacific, Shandong Aviation Group Corporation and Shandong Airlines amounted to RMB9,371 million, RMB886 million and RMB283 million, respectively. Cathay Pacific, Shandong Aviation Group Corporation and Shandong Airlines recorded a net loss attributable to its shareholders of RMB8,924 million, RMB464 million and RMB1,296 million, respectively, for the Reporting Period.

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

DEBT STRUCTURE ANALYSIS

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

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

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

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

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

COMMITMENTS AND CONTINGENT LIABILITIES

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

Details of the Group's contingent liabilities are set out in note 20 of the condensed consolidated financial statements included in this interim report.



GEARING RATIO

As at the end of the Reporting Period, the Group's gearing ratio (total liabilities divided by total assets) was 69.66%, representing an increase of 4.10 percentage points from the gearing ratio as at 31 December 2019. High gearing ratio is common among aviation enterprises, and the current gearing ratio of the Group is at a reasonable level. Its long-term insolvency risk is within controllable range.

WORKING CAPITAL AND ITS SOURCES

As at the end of the Reporting Period, the Group's net current liabilities (current liabilities minus current assets) were RMB64,920 million, representing an increase of RMB11,765 million from that as at 31 December 2019. The Group's current ratio (current assets divided by current liabilities) was 0.30, representing a decrease as compared to that of 0.32 as at 31 December 2019.

The Group meets its working capital needs mainly through its operating activities and external financing activities. During the Reporting Period, the Group's net cash outflow from operating activities was RMB10,256 million, as compared to the net cash inflow of RMB13,075 million for the corresponding period in 2019, which was mainly because the sales fell and the number of ticket refunds rose on a year-on-year basis as affected by the Covid-19 pandemic. Net cash outflow from investing activities was RMB7,397 million, representing an increase of 114.06% from RMB3,456 million for the corresponding period in 2019, mainly due to the year-on-year increase in the cash payment of advances and remaining balances for the purchase of aircraft during the Reporting Period. Net cash inflow from financing activities amounted to RMB22,148 million, as compared with the net cash outflow from financing activities of RMB8,703 million for the same period of the previous year, mainly due to the increase of its financing scale to cope with the impact of Covid-19 pandemic and ensure the liquidity safety.

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

POTENTIAL RISKS

Risks of External Environment

Market Fluctuation

In the first half of 2020, the Chinese economy basically remained an overall stable situation with the GDP growth rate turned positive in the second quarter. Major economic indicators have shown restoring growth and the economic operations recovered steadily, symbolizing a good momentum of overall steady growth from market expectations. However, as the Covid-19 pandemic is continuing its spread across the world, it brought severe challenges to the global economy. The external risks and challenges have significantly increased, resulting in continuous geopolitical crisis and complicated tensions among great powers. In the domestic context, the environment is complex and changeable which posed great pressure on economic recovery and the risk of fluctuation in the aviation industries has therefore increased.

Oil Price Fluctuation

Considering the Covid-19 pandemic has adversely impacted the global economy, the demand for crude oil has shrunk and it is expected that oil prices will remain within the current relatively stable range in the second half of 2020, showing a restrained room for price increase. Jet fuel constitutes one of the major components of the Group's operating costs, and the Group's financial performance is substantially subject to the fluctuation of jet fuel price. During the Reporting Period, with the other variables remaining unchanged, if the average price of the jet fuel rose or fell by 5%, the Group's jet fuel costs would rise or fall by approximately RMB341 million.



Exchange Rate Fluctuation

In the first half of 2020, affected by the Covid-19 pandemic, the world economy has encountered a downward pressure and its growth rate continued to slow down significantly. Both major developed countries and emerging economies have generally shown a downside tendency while the monetary policies of the world's major economies gave a clear easing trend. During the Reporting Period, the Federal Reserve has again lowered its interest rates, and most major economies have also initiated interest rate cuts and implemented fiscal stimulation policies to maintain economic stability. China is also impacted by the uncertain economic situation. However, with the effective pandemic control, its impact has gradually weakened. As the major economic indicators are generally stable and the economic fundamentals remain sound, the monetary policies on medium- and long-term liquidity investment have shown signs of returning to normal. In addition, sufficient tool and room for policy adjustments established a solid foundation for the RMB exchange rate in the medium to long run which is expected to maintain a two-way elastic fluctuation within a reasonable range with an upward trend in the second half of the year.

Certain lease liabilities and bank and other loans of the Group are primarily denominated in US dollar, Euro and Japanese Yen. Some of the revenue and expenses of the Group's international operations 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 an increase or decrease in the Group's net profit and shareholders' equity as at the end of the Reporting Period by RMB433 million, respectively; the appreciation or depreciation of RMB against Euro by 1% due to the changes in the exchange rate will result in an increase or decrease in the Group's net profit and shareholders' equity as at the end of the Reporting Period by RMB13.967 million; and the appreciation or depreciation of RMB against Japanese Yen by 1% due to the changes in the exchange rate will result in an increase or decrease in the Group's net profit and shareholders' equity as at the end of the Reporting Period by RMB7.998 million, respectively.

Risks of Competition

Industry competition

Bilateral and multilateral non-equity joint venture arrangements among large network carriers are being constantly strengthened as both competition and business models are taking new forms. As China's airlines were accelerating their penetration in the global market in prior periods, it will be harder to acquire the international air traffic rights in the future. While the Company is enjoying the advantages in locations and timeslots in respect of the long-haul routes to Europe and America, it still has much to improve compared with the leading airlines in Europe and America in terms of network, products and services. Regional airlines that spring up during an industry deregulation period promoted the trend of low-cost aviation operations, which will further intensify the competition in the domestic market and may result in reduced yield. The resource supply of China's first-tier airports, particularly the Beijing hub, tends to reach a full capacity. As such, the locations and timeslots have further constrained the development of civil aviation. With the commencement of operation of Beijing Daxing International Airport, customer traffic will be further diverted in the short run, and such diversion may have an impact on the market yield. Affected by the Covid-19 pandemic, global aviation companies have grounded a large number of flights and faced cash flow crisis, and many aviation companies in the United States and Europe went bankrupt. Such integration is expected to alleviate excess capacity and facilitate the integration of civil aviation resources and subsequent development.

Alternative competition

China has built up the world's largest high-speed railway network and is extending its reach towards the central and western China. In terms of short- and medium-haul transportation, high-speed railway transportation features high frequency, low fare, punctuality, high speed, convenience and comfort, and has become the favourite choice of travellers, which put air transportation in an inferior position. In the short term, high-speed rail carriers will continue to snatch market shares from the airlines after they start network operation, increase the overall speed and the frequency and extend the operating schedule. However, in the long term, it will change China's geographic pattern of economy as high-speed railway transportation and civil aviation may actually cooperate and compete, and the air-rail interline operation will become a strong support to the building of international hubs. As for the domestic routes, as the proportion of medium- and short-haul routes of the Company was the lowest in the industry, the Company may suffer from the competition of high-speed railway transportation, but only to a limited extent overall.



Operating Risks

De-hubbing

In recent years, the international reach from the airports of China's second-tier cities has been developing rapidly, with an obvious de-hubbing trend. Taking international long-haul routes above the range of 5,000 kilometres as an example, in 2010, international long-haul routes were only operated in four second-tier cities in China, but as at the end of 2019, the number has increased to 20. In the first half of 2020, affected by the Covid-19 pandemic, many countries around the world imposed traffic bans. China's second-tier cities have basically grounded the international long-haul routes while most international long-haul routes make Beijing, Shanghai and Guangzhou as their origin/destination. Other second-tier cities are only used as diversion points for entry under the "Five-One" policy. Therefore, the long-haul routes of China's second-tier cities may in turn face structural adjustments in the future.

Description on the changes in annual results

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



CHANGES IN THE INFORMATION OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT OF THE COMPANY

Update on Directors, Supervisors and chief executive's information according to Rule 13.51B(1) of the Listing Rules are as follows:

1. On 21 January 2020, due to his age, Mr. Liu Deheng resigned from his positions as an independent non-executive Director of the Company, the chairman and a member of the Audit and Risk Control Committee of the Board and a member of the Strategy and Investment Committee of the Board.
2. On 21 January 2020, due to adjustment of work arrangement, Mr. Feng Gang ceased to act as a vice president of the Company. After being reviewed by the Nomination and Remuneration Committee under the Board, Mr. Feng Gang was nominated as a non-executive Director of the Company at the 18th meeting of the fifth session of the Board. On 26 May 2020, after being considered and approved at the 2019 annual general meeting of the Company, Mr. Feng Gang was elected as a non-executive Director of the Company.
3. Since 9 March 2020, Mr. Zhao Xiaohang ceased to act as the Chairman of Dalian Airlines.
4. Since 30 March 2020, Mr. Zhao Xiaohang ceased to act as director of Shandong Aviation Group Corporation.
5. Since 1 April 2020, Mr. Song Zhiyong ceased to act as the Chairman of Shenzhen Airlines.
6. Since 17 April 2020, Mr. Song Zhiyong ceased to act as the Chairman of AMECO.
7. Since 27 April 2020, Mr. Zhao Xiaohang has been serving as the Chairman of CNACG.
8. On 29 April 2020, after being reviewed by the Nomination and Remuneration Committee under the Board, Mr. Duan Hongyi was nominated as an independent non-executive Director of the Company at the 20th meeting of the fifth session of the Board. On 26 May 2020, after being considered and approved at the 2019 annual general meeting of the Company, Mr. Duan Hongyi was elected as independent non-executive Director of the Company. On 9 June 2020, after being considered and approved at the 21st meeting of the fifth session of the Board of the Company, Mr. Duan Hongyi was appointed as a member of the Audit and Risk Control Committee of the Board and a member of the Strategy and Investment Committee of the Board.
9. Since 19 May 2020, Mr. Feng Gang ceased to act as the Chairman of both China National Aviation Construction and Development Company and China Air Express Co., Ltd..
10. Since 30 June 2020, Mr. Feng Gang ceased to act as the Vice Chairman of Tibet Airlines Co., Ltd.

During the Reporting Period and up to the date of this report, the changes in senior management of the Company are as follows:

1. On 21 January 2020, the resolution of the appointment of Mr. Ni Jiliang as the chief engineer was considered and approved at the 18th meeting of the fifth session of the Board of the Company, and Mr. Ni Jiliang was appointed as the chief engineer of the Company.
2. On 29 April 2020, due to adjustment of work arrangement, Mr. Liu Tiexiang ceased to act as a vice president of the Company.
3. On 29 April 2020, due to personal reasons, Ms. Tam Shuit Mui resigned from her position as a joint company secretary of the Company. On 29 April 2020, the resolution of change of joint company secretary was considered and approved at the 20th meeting of the fifth session of the Board of the Company, and Mr. Huen Ho Yin replaced Ms. Tam Shuit Mui to act as the joint company secretary.
4. On 9 June 2020, the resolution of the appointment of Mr. Zhang Sheng as a vice president of the Company was considered and approved at the 21st meeting of the fifth session of the Board of the Company, and Mr. Zhang Sheng was appointed as a vice president of the Company.
5. On 31 August 2020, as confirmed by the Hong Kong Stock Exchange, Mr. Zhou Feng was qualified to act as the company secretary of the Company under Rule 3.28 of the Listing Rules after the expiry of the waiver period on 30 August 2020. As a result, Mr. Huen Ho Yin resigned as a joint company secretary of the Company.

SHAREHOLDINGS OF DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVE AND SUBSTANTIAL SHAREHOLDERS OF THE COMPANY

DISCLOSURE OF INTERESTS OF DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVE

As at the end of the Reporting Period, none of the Directors, Supervisors or chief executive of the Company had interests or short positions in shares, underlying shares and/or debentures (as the case may be) of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required to be recorded in the register kept by the Company pursuant to section 352 of the SFO, or otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code.

Mr. Patrick Healy is a non-executive Director of the Company and is concurrently the chairman and executive director of Cathay Pacific. Cathay Pacific is a substantial shareholder of the Company, holding 2,633,725,455 H Shares of the Company as at the end of the Reporting Period, which shall be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, and it wholly owns Cathay Dragon. Mr. Cai Jianjiang, the chairman and a non-executive Director of the Company, and Mr. Song Zhiyong, the executive Director of the Company, are concurrently non-executive directors of Cathay Pacific. Cathay Pacific and Cathay Dragon compete or are likely to compete either directly or indirectly with some aspects of the business of the Company as they operate airline services to certain destinations which are also served by the Company. In addition, Mr. Song Zhiyong (an executive Director of the Company) also served as a director of Air China Cargo. Air China Cargo competes or is likely to compete either directly or indirectly with some aspects of the business of the Company as it operates cargo airline services by cargo aircraft to certain destinations, which are also served by the bellyhold cargo of the Company.

Save as disclosed above, none of the Directors or Supervisors of the Company and their respective associates (as defined in the Listing Rules) has any competing interests which shall be disclosed under Rule 8.10 of the Listing Rules.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN THE COMPANY

As at the end of the Reporting Period, to the knowledge of the Directors, Supervisors and chief executive of the Company, the following persons (other than the Directors, Supervisors or chief executive of the Company) had interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO:

Name	Type of interests	Type and number of shares held by the Company	Percentage of the total issued shares of the Company	Percentage of the total issued A Shares of the Company	Percentage of the total issued H Shares of the Company	Short position
CNAHC	Beneficial owner	5,952,236,697 A Shares	40.98%	59.75%	-	-
CNAHC ⁽¹⁾	Equity attributable	1,332,482,920 A Shares	9.17%	13.38%	-	-
CNAHC ⁽¹⁾	Equity attributable	223,852,000 H Shares	1.54%	-	4.91%	-
CNACG	Beneficial owner	1,332,482,920 A Shares	9.17%	13.38%	-	-
CNACG	Beneficial owner	223,852,000 H Shares	1.54%	-	4.91%	-
Cathay Pacific	Beneficial owner	2,633,725,455 H Shares	18.13%	-	57.72%	-
Swire Pacific Limited ⁽²⁾	Equity attributable	2,633,725,455 H Shares	18.13%	-	57.72%	-
John Swire & Sons (H.K.) Limited ⁽²⁾	Equity attributable	2,633,725,455 H Shares	18.13%	-	57.72%	-
John Swire & Sons Limited ⁽²⁾	Equity attributable	2,633,725,455 H Shares	18.13%	-	57.72%	-

SHAREHOLDINGS OF DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVE AND SUBSTANTIAL SHAREHOLDERS OF THE COMPANY

Notes:

Based on the information available to the Directors, Supervisors and chief executive (including such information available on the website of the Hong Kong Stock Exchange) and so far as the Directors, Supervisors and chief executive are aware, as at the end of the Reporting Period:

- By virtue of CNAHC's 100% interest in CNACG, CNAHC was deemed to be interested in the 1,332,482,920 A Shares and 223,852,000 H Shares directly held by CNACG.
- By virtue of John Swire & Sons Limited's 100% interest in John Swire & Sons (H.K.) Limited and their approximately 55.20% equity interest and 64.28% voting rights in Swire Pacific Limited, and Swire Pacific Limited's approximately 45.00% equity interest in Cathay Pacific as at the end of the Reporting Period, John Swire & Sons Limited, John Swire & Sons (H.K.) Limited and Swire Pacific Limited were deemed to be interested in the 2,633,725,455 H Shares of the Company directly held by Cathay Pacific.

Save as disclosed above, as of the end of the Reporting Period, to the knowledge of the Directors, Supervisors and chief executive of the Company, no other person had any interest or short position in the shares or underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO.

TOTAL NUMBER OF SHAREHOLDERS

Total number of holders of ordinary shares as at the end of the Reporting Period (account)	210,821 accounts, of which 3,193 accounts are registered holders of H Shares
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INFORMATION OF SHAREHOLDERS

Unit: Share

Name of shareholder (full name)	Change(s) during the Reporting Period	Shareholdings of the top 10 shareholders			Shares pledged or frozen		Nature of shareholder
		Number of shares held as at the end of the Reporting Period	Shareholding percentage (%)	Number of shares held subject to selling restrictions	Status	Number	
China National Aviation Holding Corporation Limited	0	5,952,236,697	40.98	0	Frozen	127,445,536	State-owned legal person
Cathay Pacific Airways Limited	0	2,633,725,455	18.13	0	Nil	0	Foreign legal person
HKSCC NOMINEES LIMITED	-346,040	1,687,472,388	11.62	0	Nil	0	Foreign legal person
China National Aviation Corporation (Group) Limited	0	1,556,334,920	10.72	0	Frozen	36,454,464	Foreign legal person
China National Aviation Fuel Group Corporation	0	466,583,102	3.21	0	Nil	0	State-owned legal person
China Securities Finance Corporation Limited	0	311,302,365	2.14	0	Nil	0	State-owned legal person
Hong Kong Securities Clearing Company Limited	8,197,744	68,317,443	0.47	0	Nil	0	Foreign legal person
Zhongyuan Equity Investment Management Co., Ltd.	-54,474,884	63,981,101	0.44	0	Nil	0	State-owned legal person
National Social Security Fund 101 Portfolio	26,721,310	30,221,310	0.21	0	Nil	0	State-owned legal person
Jiang Hongye	1,000,000	28,000,000	0.19	0	Nil	0	Domestic natural person

Unit: Share

Shareholdings of the top 10 shareholders not subject to selling restrictions			
Name of shareholder	Number of tradable shares held not subject to selling restrictions	Class and number of shares	
		Class	Number
China National Aviation Holding Corporation Limited	5,952,236,697	RMB ordinary shares	5,952,236,697
Cathay Pacific Airways Limited	2,633,725,455	Overseas listed foreign shares	2,633,725,455
HKSCC NOMINEES LIMITED	1,687,472,388	Overseas listed foreign shares	1,687,472,388
China National Aviation Corporation (Group) Limited	1,556,334,920	RMB ordinary shares	1,332,482,920
		Overseas listed foreign shares	223,852,000
China National Aviation Fuel Group Corporation	466,583,102	RMB ordinary shares	466,583,102
China Securities Finance Corporation Limited	311,302,365	RMB ordinary shares	311,302,365
Hong Kong Securities Clearing Company Ltd.	68,317,443	RMB ordinary shares	68,317,443
Zhongyuan Equity Investment Management Co., Ltd.	63,981,101	RMB ordinary shares	63,981,101
National Social Security Fund 101 Portfolio	30,221,310	RMB ordinary shares	30,221,310
Jiang Hongye	28,000,000	RMB ordinary shares	28,000,000
Explanation on the related parties or concerted parties' relations of the Shareholders above	CNACG is a wholly-owned subsidiary of CNAHC. Accordingly, CNAHC is directly and indirectly interested in 51.70% of the shares of the Company.		

1. HKSCC NOMINEES LIMITED is a subsidiary of The Stock Exchange of Hong Kong Limited and its principal business is acting as nominee for and on behalf of other corporate shareholders or individual shareholders. The 1,687,472,388 H Shares held by it in the Company do not include the 166,852,000 H Shares held by it as nominee of CNACG.
2. According to the "Implementation Measures on Partial Transfer of State-owned Shares to the National Social Security Fund in the Domestic Securities Market" (Cai Qi [2009] No. 94) (《境內證券市場轉持部分國有股充實全國社會保障基金實施辦法》(財企[2009]94號)) and the Notice ([2009] No. 63) jointly issued by the Ministry of Finance, the State-owned Assets Supervision and Administration Commission of the State Council, China Securities Regulatory Commission and the National Council for Social Security Fund, 127,445,536 shares and 36,454,464 shares held by CNAHC, the controlling shareholder of the Company, and CNACG respectively are frozen at present.

USE OF THE PROCEEDS RAISED IN THE NON-PUBLIC ISSUANCE OF A SHARES

On 10 March 2017, the Company completed the non-public issuance of 1,440,064,181 A Shares to CNAHC, China Structural Reform Fund Co., Ltd., Zhongyuan Equity Investment Management Co., Ltd., China National Aviation Fuel Group Corporation, Caitong Fund Management Co., Ltd., CIB Asset Management Co., Ltd., Horizon Asset Management Co., Ltd. and E Fund Management Co., Ltd., at an issue price of RMB7.79 per share (the “Non-public Issuance of A Shares”). The net proceeds raised is RMB11,200.4185 million. The table below shows the use of the net proceeds raised by the Non-public Issuance of A Shares:

Unit: RMB (million)

Committed investment project target	Total committed investment amount of proceeds	Amount invested during the Reporting Period	The cumulative amount invested as at the end of the Reporting Period	Outstanding amount to be invested as at the end of the Reporting Period
Purchase of 15 Boeing B787 aircraft	7,450	-	7,450	-
Upgrade of e-commerce direct sale project	100	10.9976	90.8315	9.1685
On-board WIFI (first phase) project	50.4185	-	50.4185	-
Replenish the working capital	3,600	-	3,600	-
Total:	11,200.4185	10.9976	11,191.2500	9.1685

Note: According to the plan on the non-public issuance of A Shares, if the actual proceeds raised by the non-public issuance of A Shares are less than the total amount of proceeds proposed to be invested in the projects, the Company will adjust and determine the specific amount invested in each project based on the net proceeds actually raised and priorities of projects. As the proceeds actually raised are less than the total proposed investment amount of RMB12 billion, the Company has adjusted the specific investment amount in “upgrade of e-commerce direct sale project” and “on-board WIFI (first phase) project” according to the above authorization (that was, RMB800 million and RMB150 million respectively before adjustment). Please refer to the above table for the total investment amount after adjustment. As at the end of the Reporting Period, there is no change in the use of proceeds.

As of the end of the Reporting Period, the balance of the specific raised fund account was RMB58.0357 million, where the outstanding amount of net proceeds to be invested in the projects was RMB9.1685 million, and the interest income of the net proceeds was RMB48.8672 million.



CORPORATE BONDS

The situation of the Group's corporate bonds is as the followings:

Unit: million Currency: RMB

Name of Corporate Bond	Abbreviation	Code	Issue Date	Expiry Date	Balance of the Bond	Interest Rate (%)	Payment of principal and interest	Transaction Venue
Air China Limited 2012 Corporate Bond (First Tranche)	12AC01	122218	18 January 2013	18 January 2023	5,115	5.10	On annual basis	Shanghai Stock Exchange
Air China Limited 2012 Corporate Bond (Second Tranche)	12AC03	122269	16 August 2013	16 August 2023	1,570	5.30	On annual basis	Shanghai Stock Exchange
Air China Limited 2016 Corporate Bond (Second Tranche)	16AC02	136776	20 October 2016	20 October 2021	4,086	3.08	On annual basis	Shanghai Stock Exchange
Air China Limited 2020 Corporate Bond (First Tranche)	20AC01	163459	17 April 2020	17 April 2022	1,505	1.95	On annual basis	Shanghai Stock Exchange
Shenzhen Airlines Company Limited 2018 Corporate Bond (First Tranche)	18SA02	143499	13 March 2018	14 March 2021	508	5.27	On annual basis	Shanghai Stock Exchange
Shenzhen Airlines Company Limited 2018 Corporate Bond (Second Tranche)	18SA04	143601	23 April 2018	24 April 2021	807	4.55	On annual basis	Shanghai Stock Exchange
Shenzhen Airlines Company Limited 2018 Corporate Bond (Third Tranche)	18SA06	143793	6 September 2018	7 September 2021	621	4.35	On annual basis	Shanghai Stock Exchange
Shenzhen Airlines Company Limited 2019 Corporate Bond (First Tranche)	19SA01	155388	25 April 2019	26 April 2022	1,007	4.00	On annual basis	Shanghai Stock Exchange

INTEREST PAYMENTS FOR CORPORATE BONDS

On 18 January 2020, the Company paid the interests on 2012 Corporate Bond (First Tranche) for the current period.

On 14 March 2020, Shenzhen Airlines paid the interests on 2018 Corporate Bond (First Tranche) for the current period.

On 24 April 2020, Shenzhen Airlines paid the interests on 2018 Corporate Bond (Second Tranche) for the current period.

On 26 April 2020, Shenzhen Airlines paid the interests on 2019 Corporate Bond (First Tranche) for the current period.

The proceeds from the issuance of “12AC01”, “12AC03”, “16AC02” and “20AC01” Corporate Bonds were used toward the replenishment of liquidity and repayment of bank loans so as to satisfy the needs of the Company's daily production and operation. The abovementioned proceeds have been fully utilized in accordance with the use of proceeds as set out in the prospectus and the balance of proceeds as at the end of the Reporting Period is zero.

The proceeds from the issuance of “18SA02”, “18SA04”, “18SA06” and “19SA01” Corporate Bonds were used toward the replenishment of liquidity and repayment of bank loans so as to satisfy the needs of the Company's daily production and operation. The abovementioned proceeds have been fully utilized in accordance with the use of proceeds as set out in the prospectus and the balance of proceeds as at the end of the Reporting Period is zero.



REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Deloitte.

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TO THE BOARD OF DIRECTORS OF AIR CHINA LIMITED
(中國國際航空股份有限公司)
(Incorporated in the People's Republic of China with limited liability)

INTRODUCTION

We have reviewed the condensed consolidated financial statements of Air China Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) set out on pages 30 to 64, which comprise the condensed consolidated statement of financial position as of 30 June 2020 and the related condensed consolidated statement of profit or loss, statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 “Interim Financial Reporting” (“IAS 34”) issued by the International Accounting Standards Board. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with IAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants. A review of these condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34.

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong
28 August 2020





CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2020

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



CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2020

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



CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2020

	NOTES	At 30 June 2020 RMB'000 (Unaudited)	At 31 December 2019 RMB'000 (Audited)
Non-current assets			
Property, plant and equipment	11	101,135,048	102,158,432
Right-of-use assets	11	115,234,582	119,376,500
Investment properties		621,774	637,986
Intangible assets		36,610	36,610
Goodwill		1,099,975	1,099,975
Interests in associates	12	10,930,216	14,647,561
Interests in joint ventures		1,650,349	1,543,509
Advance payments for aircraft and flight equipment		24,925,332	22,413,867
Deposits for aircraft under leases		650,207	636,671
Equity instruments at fair value through other comprehensive income		183,475	253,113
Debt instruments at fair value through other comprehensive income		1,817,539	1,688,451
Deferred tax assets		6,355,240	4,352,452
Other non-current assets		480,642	544,390
		265,120,989	269,389,517
Current assets			
Inventories		2,633,232	2,098,673
Accounts receivable	13	3,756,995	5,997,690
Bills receivable		23	362
Prepayments, deposits and other receivables	14	4,177,362	3,724,468
Restricted bank deposits		664,471	728,385
Cash and cash equivalents		13,442,617	8,935,282
Other current assets		3,794,932	3,331,996
		28,469,632	24,816,856
Total assets		293,590,621	294,206,373

	NOTES	At 30 June 2020 RMB'000 (Unaudited)	At 31 December 2019 RMB'000 (Audited)
Current liabilities			
Air traffic liabilities		(2,097,737)	(9,980,300)
Accounts payable	15	(14,320,211)	(16,578,153)
Dividends payable		(743,192)	-
Other payables and accruals	16	(9,928,622)	(11,977,447)
Current taxation		(66,885)	(938,732)
Lease liabilities	17	(14,365,800)	(13,861,503)
Interest-bearing bank loans and other borrowings	18	(50,200,763)	(22,729,991)
Provision for return condition checks		(552,415)	(869,651)
Contract liabilities		(1,114,476)	(1,037,031)
		(93,390,101)	(77,972,808)
Net current liabilities		(64,920,469)	(53,155,952)
Total assets less current liabilities		200,200,520	216,233,565
Non-current liabilities			
Lease liabilities	17	(81,687,194)	(86,586,353)
Interest-bearing bank loans and other borrowings	18	(17,649,899)	(16,598,965)
Provision for return condition checks		(8,135,891)	(7,538,095)
Provision for early retirement benefit obligations		(1,615)	(1,989)
Long-term payables		(59,112)	(115,190)
Contract liabilities		(2,469,386)	(2,670,910)
Defined benefit obligations		(245,643)	(249,933)
Deferred income		(525,690)	(521,227)
Deferred tax liabilities		(337,092)	(621,440)
		(111,111,522)	(114,904,102)
NET ASSETS		89,088,998	101,329,463
CAPITAL AND RESERVES			
Issued capital	19	14,524,815	14,524,815
Treasury shares		(3,047,564)	(3,047,564)
Reserves		71,289,572	81,981,426
Total equity attributable to equity shareholders of the Company		82,766,823	93,458,677
Non-controlling interests		6,322,175	7,870,786
TOTAL EQUITY		89,088,998	101,329,463



CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2020

	Attributable to equity shareholders of the Company										
	Note	Issued	Treasury	Capital	Reserve	General	Foreign	Retained	Total	Non-	Total
		capital	shares	reserve	funds	reserve	exchange	earnings		controlling	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at 1 January 2020 (Audited)		14,524,815	(3,047,564)	29,916,386	11,026,605	110,628	(1,223,899)	42,151,706	93,458,677	7,870,786	101,329,463
Changes in equity for the six months ended 30 June 2020											
Loss for the period		-	-	-	-	-	-	(9,439,799)	(9,439,799)	(1,420,607)	(10,860,406)
Other comprehensive (expense)/income		-	-	(1,034,270)	-	-	427,407	-	(606,863)	(15,217)	(622,080)
Total comprehensive (expense)/income		-	-	(1,034,270)	-	-	427,407	(9,439,799)	(10,046,662)	(1,435,824)	(11,482,486)
Appropriation of discretionary reserve funds		-	-	-	537,682	-	-	(537,682)	-	-	-
Dividends paid/payable to non-controlling shareholders		-	-	-	-	-	-	-	-	(112,787)	(112,787)
Dividends declared in respect of the previous year	9	-	-	-	-	-	-	(645,192)	(645,192)	-	(645,192)
As at 30 June 2020 (Unaudited)		14,524,815	(3,047,564)	28,882,116	11,564,287	110,628	(796,492)	31,529,033	82,766,823	6,322,175	89,088,998
As at 1 January 2019 (Audited)		14,524,815	(3,047,564)	29,449,636	9,953,163	93,188	(1,705,555)	38,328,805	87,596,488	6,811,867	94,408,355
Changes in equity for the six months ended 30 June 2019											
Profit for the period		-	-	-	-	-	-	3,144,219	3,144,219	356,135	3,500,354
Other comprehensive income/(expense)		-	-	299,062	-	-	77,475	-	376,537	(14,880)	361,657
Total comprehensive income		-	-	299,062	-	-	77,475	3,144,219	3,520,756	341,255	3,862,011
Capital contribution from a non-controlling shareholder of a subsidiary		-	-	-	-	-	-	-	-	400,000	400,000
Appropriation of discretionary reserve funds and others		-	-	-	535,760	-	-	(543,661)	(7,901)	(2,631)	(10,532)
Dividends paid/payable to non-controlling shareholders		-	-	-	-	-	-	-	-	(191,838)	(191,838)
Dividends declared in respect of the previous year	9	-	-	-	-	-	-	(1,500,123)	(1,500,123)	-	(1,500,123)
Disposal of an equity instrument at fair value through other comprehensive income		-	-	(1,839)	-	-	-	1,839	-	-	-
As at 30 June 2019 (Unaudited)		14,524,815	(3,047,564)	29,746,859	10,488,923	93,188	(1,628,080)	39,431,079	89,609,220	7,358,653	96,967,873



CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2020

	Six months ended 30 June	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Operating activities		
Cash (used in) generated from operations	(6,727,707)	17,611,611
Income tax paid	(906,008)	(1,808,130)
Interest paid	(2,622,740)	(2,728,153)
Net cash (used in) generated from operating activities	(10,256,455)	13,075,328
Investing activities		
Payments for the purchase of property, plant and equipment	(4,892,688)	(1,929,276)
Increase in advance payments for aircraft and flight equipment	(2,498,324)	(2,657,158)
Proceeds from disposal of property, plant and equipment	61,742	608,842
Purchases of debt instruments at fair value through other comprehensive income	(607,678)	(396,843)
Proceeds from disposal of		
– equity instruments at fair value through other comprehensive income	–	18,799
– debt instruments at fair value through other comprehensive income	467,167	227,650
Dividends received from joint ventures and associates	11,559	369,369
Cash flows arising from other investing activities	61,263	303,005
Net cash used in investing activities	(7,396,959)	(3,455,612)
Financing activities		
Capital contribution from a non-controlling shareholder of a subsidiary	–	400,000
New bank loans and other loans	25,639,476	1,155,425
Proceeds from issuance of corporate bonds	24,500,000	11,000,000
Repayment of bank loans and other loans	(12,453,290)	(10,723,608)
Repayment of corporate bonds	(9,100,000)	(3,400,000)
Repayment of leases liabilities	(6,423,623)	(7,059,481)
Dividends paid	(14,787)	(75,470)
Net cash generated from (used in) financing activities	22,147,776	(8,703,134)
Net increase in cash and cash equivalents	4,494,362	916,582
Cash and cash equivalents at 1 January	8,935,282	6,763,183
Effect of foreign exchanges rates changes	12,973	(55,264)
Cash and cash equivalents at 30 June	13,442,617	7,624,501

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

1. CORPORATE INFORMATION

Air China Limited (the “Company”) was established as a joint stock limited company in Beijing, the People’s Republic of China (the “PRC”), on 30 September 2004. The Company’s H shares are listed on The Stock Exchange of Hong Kong Limited (the “HKSE”) and the London Stock Exchange (the “LSE”) while the Company’s A shares are listed on the Shanghai Stock Exchange. In the opinion of the directors of the Company (the “Directors”), the Company’s parent and ultimate holding company is China National Aviation Holding Corporation Limited (“CNAHC”), a PRC state-owned enterprise under the supervision of the State Council.

The principal activities of the Company and its subsidiaries (together referred to as the “Group”) are provision of airline and airline-related services, including aircraft engineering services and airport ground handling services.

The registered office of the Company is located at Blue Sky Mansion, 28 Tianzhu Road, Airport Industrial Zone, Shunyi District, Beijing 101312, the PRC.

The condensed consolidated financial statements are presented in Renminbi (“RMB”), the currency of the primary economic environment in which most of the group entities operate (the functional currency of the Company and most of the entities comprising the Group), and all values are rounded to the nearest thousand (‘000) unless otherwise indicated.

2. BASIS OF PREPARATION

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

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

2A. SIGNIFICANT EVENTS AND TRANSACTIONS IN THE CURRENT INTERIM PERIOD

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

3. PRINCIPAL ACCOUNTING POLICIES

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

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

Application of amendments to IFRSs

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

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

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

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

Changes in accounting estimates

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

4A. REVENUE

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

Disaggregation of revenue from contracts with customers

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

4B. SEGMENT INFORMATION

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

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

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

Operating segments

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

For the six months ended 30 June 2020

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

4B. SEGMENT INFORMATION (Continued)

Operating segments (Continued)

For the six months ended 30 June 2019

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

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

	Airline operations RMB'000	Other operations RMB'000	Elimination RMB'000	Total RMB'000
Segment assets				
Total assets for reportable segments as at 30 June 2020 under CASs (unaudited)	284,339,086	20,047,141	(10,749,755)	293,636,472
Effect of differences between IFRSs and CASs				(45,851)
Total assets as at 30 June 2020 under IFRSs (unaudited)				293,590,621
Total assets for reportable segments as at 31 December 2019 under CASs (audited)	286,516,534	25,238,859	(17,501,840)	294,253,553
Effect of differences between IFRSs and CASs				(47,180)
Total assets as at 31 December 2019 under IFRSs (audited)				294,206,373

4B. SEGMENT INFORMATION (Continued)

Geographical information

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

For the six months ended 30 June 2020

	Mainland China 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	19,186,009	734,391	9,725,366	29,645,766

For the six months ended 30 June 2019

	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	42,475,188	3,242,639	19,595,260	65,313,087

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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

5. OTHER INCOME AND GAINS

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

6. (LOSS)/PROFIT FROM OPERATIONS

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

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

7. FINANCE COSTS

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

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

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

8. INCOME TAX (CREDIT)/EXPENSE

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

Under the relevant Corporate Income Tax Law and regulations in the PRC, except for two branches and two subsidiaries which are taxed at a preferential rate of 15% (six months ended 30 June 2019: 15%) during the current period, all group companies located in Mainland China are subject to a corporate income tax rate of 25% (six months ended 30 June 2019: 25%) during the current period. Subsidiaries in Hong Kong SAR, China are taxed at corporate income tax rates of 8.25% and 16.5% (six months ended 30 June 2019: 8.25% and 16.5%), and subsidiaries in Macau SAR, China are taxed at corporate income tax rate of 12% (six months ended 30 June 2019: 12%).

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



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

9. DIVIDENDS

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

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

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

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

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

10. (LOSS)/EARNINGS PER SHARE

The calculation of basic (loss)/earnings per share was based on the loss attributable to ordinary equity shareholders of the Company of RMB9,440 million (six months ended 30 June 2019 (unaudited): profit of RMB3,144 million) and the number of 13,734,960,921 ordinary shares (six months ended 30 June 2019: 13,734,960,921 shares) in issue during the period, as adjusted to reflect the number of treasury shares held by Cathay Pacific Airways Limited ("Cathay Pacific") through reciprocal shareholding (Note 12).

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



11. PROPERTY, PLANT AND EQUIPMENT AND RIGHT-OF-USE ASSETS

During the six months ended 30 June 2020, additions to property, plant and equipment were RMB3,791 million (six months ended 30 June 2019: RMB2,928 million). Property, plant and equipment with carrying amount of RMB70 million were disposed of during the six months ended 30 June 2020 (six months ended 30 June 2019: RMB612 million), resulting in a gain on disposal of RMB23 million (six months ended 30 June 2019: RMB0.4 million).

As at 30 June 2020, the Group's aircraft and flight equipment, buildings and machinery with an aggregate net book value of approximately RMB2,308 million (31 December 2019: RMB2,779 million) were pledged to secure certain bank loans of the Group (Note 18).

As at 30 June 2020, the Group was in the process of applying for the title certificates of certain buildings with an aggregate net book value of approximately RMB3,346 million (31 December 2019: RMB3,445 million). The Directors are of the opinion that the Group is entitled to lawfully and validly occupy and use the above-mentioned buildings, and therefore the aforesaid matter did not have any significant impact on the Group's financial position as at 30 June 2020.

During the current interim period, the Group entered into several new lease agreements for the use of aircraft and engines, land, buildings and others. At the commencement date, the Group recognised right-of-use assets of RMB1,014 million (six months ended 30 June 2019: RMB11,508 million).

As at 30 June 2020, the Group had future undiscounted lease payments under non-cancellable leases of RMB1,122 million (31 December 2019: RMB1,092 million), which was not recognised as lease liabilities since leases have yet to be commenced.

As at 30 June 2020, the Group's land use rights, which are recorded as part of right-of-use assets and all located in Mainland China, with an aggregate net book value of approximately RMB27 million (31 December 2019: RMB27 million) were pledged to secure certain bank loans of the Group (Note 18).

During the current interim period, lessors of certain aircraft and buildings provided rent concessions to the Group through deferred lease payments when they were due.

These rent concessions occurred as a direct consequence of Covid-19 pandemic and met of all of the conditions in IFRS 16.46B, and the Group applied the practical expedient not to assess whether the changes constitute lease modifications.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

12. INTERESTS IN ASSOCIATES

	At 30 June 2020 RMB'000 (Unaudited)	At 31 December 2019 RMB'000 (Audited)
Share of net assets		
– Listed shares in the PRC	215,486	552,008
– Listed shares in Hong Kong SAR, China	6,778,810	9,794,836
– Unlisted investments	1,130,820	1,545,736
Goodwill	2,805,100	2,754,981
	10,930,216	14,647,561
Market value of listed shares	7,618,430	13,008,238

Summarised financial information in respect of Cathay Pacific, the only individually material associate of the Group, and a reconciliation to the carrying amount in the condensed consolidated financial statements, are set out below. The summarised financial information below represents amounts shown in the associate's condensed consolidated financial statements.

Cathay Pacific

	At 30 June 2020 RMB'000	At 31 December 2019 RMB'000
Gross amounts of the associate's		
Current assets	14,792,247	24,441,007
Non-current assets	163,266,439	167,722,426
Current liabilities	(47,021,151)	(50,936,980)
Non-current liabilities	(85,936,435)	(84,991,712)
Equity	45,101,100	56,234,741
– Equity attributable to equity shareholders of the associate	45,097,446	56,232,054
– Equity attributable to non-controlling interests of the associate	3,654	2,687

12. INTERESTS IN ASSOCIATES (Continued)

Cathay Pacific (Continued)

	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
Revenue	25,029,654	47,010,518
(Loss)/profit for the period	(8,923,073)	1,182,572
Other comprehensive (expense)/income	(3,199,606)	365,219
Total comprehensive (expense)/income	(12,122,679)	1,547,791
Dividend received from the associate	-	207,148

	At	At
	30 June	31 December
	2020	2019
	RMB'000	RMB'000
Reconciled to the Group's interests in the associate		
Gross amounts of net assets attributable to equity shareholders of the associate	45,097,446	56,232,054
Group's effective interest	29.99%	29.99%
Group's share of net assets of the associate	13,524,724	16,863,993
Elimination of reciprocal shareholding	(6,745,914)	(7,069,157)
Goodwill	2,592,315	2,542,196
Carrying amount	9,371,125	12,337,032

Based on the unaudited results of Cathay Pacific for the six months ended 30 June 2020, it incurred a substantial loss for the first half of 2020 due to the impact of the Covid-19 pandemic.

The Group performed impairment testing on investments in Cathay Pacific due to the impact of the Covid-19 pandemic on Cathay Pacific's market value and cash flow projections. No significant impairment loss was considered necessary.

Aggregate information of associates that are not individually material:

	At	At
	30 June	31 December
	2020	2019
	RMB'000	RMB'000
Aggregate carrying amounts of individually immaterial associates in the condensed consolidated financial statements	1,559,091	2,310,529

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

12. INTERESTS IN ASSOCIATES (Continued)

	Six months ended 30 June	
	2020 RMB'000	2019 RMB'000
Aggregate amounts of the Group's share of those associates'		
– Loss for the period	(637,447)	(53,400)
– Other comprehensive (expense)/income for the period	(102,432)	139,582
Total comprehensive (expense)/income for the period	(739,879)	86,182

13. ACCOUNTS RECEIVABLE

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

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

14. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

An analysis of prepayments, deposits and other receivables as at the end of the reporting period, net of allowance for expected credit losses, was as follows:

	At 30 June 2020 RMB'000 (Unaudited)	At 31 December 2019 RMB'000 (Audited)
Manufacturers' credits	1,396,687	1,341,074
Prepayments of jet fuel	52,908	105,580
Other prepayments	359,948	373,449
Others	5,959	39,520
	1,815,502	1,859,623
Deposits and other receivables	2,361,860	1,864,845
	4,177,362	3,724,468

As at 30 June 2020, the allowance for expected credit losses mainly consisted of the full provision for the amount due from Shenzhen Airlines Property Development Co., Ltd. of RMB468,796,000 (31 December 2019: RMB468,796,000).

15. ACCOUNTS PAYABLE

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

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

16. OTHER PAYABLES AND ACCRUALS

An analysis of other payables and accruals as at the end of the reporting period was as follows:

	At 30 June 2020 RMB'000 (Unaudited)	At 31 December 2019 RMB'000 (Audited)
Accrued salaries, wages and benefits	2,296,087	3,307,210
Accrued operating expenses	493,249	498,742
Other tax payable	64,581	316,324
Deposits received from sales agents	548,903	907,911
Current portion of long-term payables	35,280	32,038
Deposits received by China National Aviation Finance Co., Ltd. ("CNAF"), a subsidiary of the Company, from related parties	3,497,500	3,372,495
Others	2,993,022	3,542,727
	9,928,622	11,977,447

17. LEASE LIABILITIES

The Group has obligations under lease agreements expiring from the second half of 2020 to 2033 (31 December 2019: 2020 to 2033). An analysis of the lease payments as at the end of the reporting period, together with the present values of the lease payments which are principally denominated in foreign currencies, is as follows:

	At 30 June 2020		At 31 December 2019	
	Lease payments RMB'000 (Unaudited)	Present values of lease payments RMB'000 (Unaudited)	Lease payments RMB'000 (Audited)	Present values of lease payments RMB'000 (Audited)
Amounts repayable				
- Within 1 year	17,733,582	14,365,800	17,453,162	13,861,503
- After 1 year but within 2 years	16,462,031	13,603,504	16,599,398	13,485,697
- After 2 years but within 5 years	43,542,452	37,866,645	44,314,764	37,984,614
- After 5 years	32,452,525	30,217,045	37,941,936	35,116,042
Total	110,190,590	96,052,994	116,309,260	100,447,856
Less: Amounts representing future finance costs	(14,137,596)		(15,861,404)	
Present values of lease payments	96,052,994		100,447,856	
Less: Portion classified as current liabilities	(14,365,800)		(13,861,503)	
Non-current portion	81,687,194		86,586,353	

18. INTEREST-BEARING BANK LOANS AND OTHER BORROWINGS

	At 30 June 2020 RMB'000 (Unaudited)	At 31 December 2019 RMB'000 (Audited)
Bank and other loans:		
– Secured	1,971,508	1,634,858
– Unsecured	27,373,947	14,482,144
	29,345,455	16,117,002
Corporate bonds:		
– Secured	6,684,467	6,773,099
– Unsecured	31,820,740	16,438,855
	38,505,207	23,211,954
	67,850,662	39,328,956
Bank and other loans repayable:		
– Within 1 year	26,793,469	14,916,572
– After 1 year but within 2 years	1,119,208	525,214
– After 2 years but within 5 years	1,263,346	491,075
– After 5 years	169,432	184,141
	29,345,455	16,117,002
Corporate bonds repayable:		
– Within 1 year	23,407,294	7,813,419
– After 1 year but within 2 years	7,598,842	5,900,000
– After 2 years but within 5 years	7,499,071	9,498,535
	38,505,207	23,211,954
Total interest-bearing bank loans and other borrowings	67,850,662	39,328,956
Less: Portion classified as current liabilities	(50,200,763)	(22,729,991)
Non-current portion	17,649,899	16,598,965

As at 30 June 2020, the interest rates of the Group's bank and other loans ranged from 1.40% to 4.90% (31 December 2019: 1.40% to 4.90%) per annum.

As at 30 June 2020, the interest rates of the Group's corporate bonds ranged from 1.13% to 5.30% (31 December 2019: 2.20% to 5.30%) per annum.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

18. INTEREST-BEARING BANK LOANS AND OTHER BORROWINGS (Continued)

The nominal amount of the Group's bank loans and corporate bonds of approximately RMB8,656 million as at 30 June 2020 (31 December 2019: RMB8,408 million) were secured by:

- (a) Mortgages over certain of the Group's aircraft and flight equipment, buildings and machinery with an aggregate net book value of approximately RMB2,308 million as at 30 June 2020 (31 December 2019: RMB2,779 million) (Note 11); and land use rights with an aggregate net book value of approximately RMB27 million as at 30 June 2020 (31 December 2019: RMB27 million) (Note 11);
- (b) The Group pledged its rights to collect cash flows in relation to Billing and Settlement Plan ("BSP") to secure bank loans of RMB150 million (31 December 2019: RMB150 million);
- (c) As at 30 June 2020, corporate bonds issued by the Group with a face value of RMB6,500 million (31 December 2019: RMB6,500 million) were guaranteed by CNAHC.

As at 30 June 2020, corporate bonds with carrying amount of RMB13,204 million (31 December 2019: RMB12,414 million) were issued by Shenzhen Airlines Company Limited ("Shenzhen Airlines"), a subsidiary of the Company.

19. ISSUED CAPITAL

The numbers of shares of the Company and their nominal values as at 30 June 2020 and 31 December 2019 are as follows:

	30 June 2020		31 December 2019	
	Number of shares	Nominal value RMB'000 (Unaudited)	Number of shares	Nominal value RMB'000 (Audited)
Registered, issued and fully paid:				
– H shares of RMB1.00 each:				
Tradable	4,562,683,364	4,562,683	4,562,683,364	4,562,683
– A shares of RMB1.00 each:				
Tradable	9,962,131,821	9,962,132	9,448,653,003	9,448,653
Trade-restricted	–	–	513,478,818	513,479
	14,524,815,185	14,524,815	14,524,815,185	14,524,815

20. CONTINGENT LIABILITIES

As at 30 June 2020, the Group had the following contingent liabilities:

- (a) Pursuant to the restructuring of CNAHC in preparation for the listing of the Company's H shares on the HKSE and the LSE, the Company entered into a restructuring agreement (the "Restructuring Agreement") with CNAHC and China National Aviation Corporation (Group) Limited ("CNACG", a wholly-owned subsidiary of CNAHC) on 20 November 2004. According to the Restructuring Agreement, except for liabilities constituting or arising out of or relating to business undertaken by the Company after the restructuring, no liabilities would be assumed by the Company and the Company would not be liable, whether severally, or jointly and severally, for debts and obligations incurred prior to the restructuring by CNAHC and CNACG. The Company has also undertaken to indemnify CNAHC and CNACG against any damage suffered or incurred by CNAHC and CNACG as a result of any breach by the Company of any provision of the Restructuring Agreement.
- (b) In May 2011, Shenzhen Airlines received a summons issued by the Higher People's Court of Guangdong Province in respect of a guarantee provided by Shenzhen Airlines on loans borrowed by Shenzhen Huirun Investment Co., Ltd. ("Huirun") from a third party amounting to RMB390,000,000. It was alleged that Shenzhen Airlines had entered into several guarantee agreements with Huirun and the third party, pursuant to which Shenzhen Airlines acted as a guarantor in favour of the third party for the loans borrowed by Huirun.

As of the issuance date of these condensed consolidated financial statements, the Directors consider that given the judicial process was not completed, the provision of RMB130,000,000 which was provided in prior years in respect of this legal claim is adequate.

- (c) Shenzhen Airlines provided guarantees to banks for certain employees in respect of their residential loans. As at 30 June 2020, Shenzhen Airlines had outstanding guarantees for employees' residential loans amounting to RMB1,303,000 (31 December 2019: RMB1,328,000). The Directors consider that the fair value of these guarantees are insignificant.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

21. FINANCIAL INSTRUMENTS

(a) Financial assets measured at fair value

(i) Fair value hierarchy

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in IFRS 13 *Fair value measurement*. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.
- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.
- Level 3 valuations: Fair value measured using significant unobservable inputs.

	Fair value at 30 June 2020 RMB'000 (Unaudited)	Fair value measurements as at 30 June 2020 categorised into		
		Level 1 RMB'000 (Unaudited)	Level 2 RMB'000 (Unaudited)	Level 3 RMB'000 (Unaudited)
Equity instruments at fair value through other comprehensive income ("FVTOCI")	183,475	-	-	183,475
Debt instruments at FVTOCI	1,817,539	-	1,817,539	-
Total financial assets at fair value	2,001,014	-	1,817,539	183,475

	Fair value at 31 December 2019 RMB'000 (Audited)	Fair value measurements as at 31 December 2019 categorised into		
		Level 1 RMB'000 (Audited)	Level 2 RMB'000 (Audited)	Level 3 RMB'000 (Audited)
Equity instruments at FVTOCI	253,113	-	-	253,113
Debt instruments at FVTOCI	1,688,451	-	1,688,451	-
Total financial assets at fair value	1,941,564	-	1,688,451	253,113

During the six months ended 30 June 2020, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. During the six months ended 30 June 2019, due to changes in market conditions for certain debt securities, the quoted prices in the market were no longer active and these securities were transferred from Level 1 to Level 2, and there were no transfers into or out of Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

21. FINANCIAL INSTRUMENTS (Continued)

(a) Financial assets measured at fair value (Continued)

(ii) Valuation techniques and inputs used in Level 2 fair value measurements

All financial instruments classified within Level 2 of the fair value hierarchy are debt investments, the fair value of which were determined based upon the valuation conducted by the China Central Depository & Clearing Co., Ltd..

(iii) Valuation techniques and inputs used in Level 3 fair value measurements

The fair value of equity instruments at FVTOCI was mainly estimated by reference to the quoted prices in an active market with an adjustment of discount for lack of marketability.

(b) Fair values of financial assets and liabilities carried at other than fair value

Except as detailed in the following table, the Directors consider that the carrying amounts of financial assets and financial liabilities recognised in these condensed consolidated financial statements approximate their fair values.

	Carrying amounts		Fair values	
	As at 30 June 2020 RMB'000 (Unaudited)	As at 31 December 2019 RMB'000 (Audited)	As at 30 June 2020 RMB'000	As at 31 December 2019 RMB'000
Financial liabilities				
– Corporate bonds (fixed rate)	18,241,173	15,830,021	18,263,520	15,695,850

Fair value hierarchy as at 30 June 2020

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Financial liabilities				
– Corporate bonds (fixed rate)	–	18,263,520	–	18,263,520

Fair value hierarchy as at 31 December 2019

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Financial liabilities				
– Corporate bonds (fixed rate)	–	15,695,850	–	15,695,850

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

22. COMMITMENTS

(a) Capital commitments

The Group had the following amounts of contractual commitments for the acquisition and construction of property, plant and equipment as at the end of the reporting period:

	At 30 June 2020 RMB'000 (Unaudited)	At 31 December 2019 RMB'000 (Audited)
Contracted, but not provided for:		
– Aircraft and flight equipment	45,644,607	47,297,426
– Buildings and others	3,003,334	2,709,622
Total capital commitments	48,647,941	50,007,048

(b) Investment commitments

The Group had the following amounts of investment commitments as at the end of the reporting period:

	At 30 June 2020 RMB'000 (Unaudited)	At 31 December 2019 RMB'000 (Audited)
Contracted, but not provided for:		
– investment commitment to a joint venture	24,778	24,417
– investment commitment to an associate (note)	3,209,267	–
Total investment commitments	3,234,045	24,417

Note: The Company issued an irrevocable undertaking to Cathay Pacific on 9 June 2020, pursuant to which the Group has irrevocably undertaken to take up in full at the subscription price of HK\$4.68 per Cathay Pacific Rights Share (see definition in the public announcement made by the Company dated 9 June 2020). If Cathay Pacific Rights Issue (see definition in the public announcement made by the Company dated 9 June 2020) is materialized, the Group is expected to take up a total of 750,756,347 Cathay Pacific Rights Shares at a total consideration of approximately HK\$3.514 billion. All conditions set out in the Cathay Pacific Rights Issue have been fulfilled on 6 August 2020 and the Group had subscribed for all the shares committed.

23. RELATED PARTY TRANSACTIONS

(a) During the period, the Group had the following significant transactions with (i) CNAHC, its subsidiaries (other than the Group), joint ventures and associates (collectively, the “CNAHC Group”); (ii) its joint ventures and its associates:

(i) Transactions with related parties

	Six months ended 30 June	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Service provided to the CNAHC Group		
Sales commission income	7,392	14
Sale of cargo space	3,839,744	2,442,058
Government charter flights	28,087	220,483
Air catering income	24,812	9,527
Ground services income	47,392	31,145
Income from advertising media business	6,553	6,518
Aircraft maintenance income	147,612	148,697
Aviation communication income	1,185	9,302
Aircraft and flight equipment rental income	12,622	17,334
Land and buildings rental income	76,959	69,459
Others	40,176	82,631
	4,232,534	3,037,168
Service provided by the CNAHC Group		
Sales commission expenses	161,877	180,377
Air catering charges	231,850	592,002
Airport ground services, take-off, landing and depot expenses	482,319	835,536
Management fees	62,216	63,659
Repair and maintenance costs	8,534	14,153
Short-term leases and leases of low-value assets	57,279	14,086
Other procurement and maintenance	64,068	72,207
Aviation communication expenses	155,473	325,854
Interest expenses	14,206	33,441
Media advertisement expenses	48,338	97,560
Others	26,662	9,563
	1,312,822	2,238,438
Loans to the CNAHC Group by CNAF		
Net repayment of loans	530,000	415,000
Interest income	3,232	16,888

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

23. RELATED PARTY TRANSACTIONS (Continued)

(a) During the period, the Group had the following significant transactions with (i) CNAHC, its subsidiaries (other than the Group), joint ventures and associates (collectively, the “CNAHC Group”); (ii) its joint ventures and its associates: (Continued)

(i) Transactions with related parties (Continued)

	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Deposits from the CNAHC Group received by CNAF		
(Decrease)/increase in deposits received	(109,543)	92,840
Interest expenses	18,130	16,423
	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
As a lessee with CNAHC Group		
Addition in right-of-use assets on new leases	34,262	3,408,192
Addition in lease liabilities on new leases	34,262	3,408,192
Lease payments paid	772,818	514,643
Interest on lease liabilities	179,093	122,291
	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Service provided to joint ventures and associates		
Sales commission income	575	9,124
Aircraft maintenance income	66,402	77,533
Air catering income	396	2,651
Ground services income	47,822	76,224
Frequent-flyer programme income	9,449	20,078
Others	2,805	1,610
	127,449	187,220

23. RELATED PARTY TRANSACTIONS (Continued)

(a) During the period, the Group had the following significant transactions with (i) CNAHC, its subsidiaries (other than the Group), joint ventures and associates (collectively, the “CNAHC Group”); (ii) its joint ventures and its associates: (Continued)

(i) Transactions with related parties (Continued)

	Six months ended 30 June	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Service provided by joint ventures and associates		
Sales commission expenses	404	783
Air catering charges	1,432	27,430
Airport ground services, take-off, landing and depot expenses	95,074	184,705
Repair and maintenance costs	938,132	625,887
Short-term leases and leases of low-value assets	443	2,933
Other procurement and maintenance	9,994	8,973
Aviation communication expenses	2,704	3,036
Airline joint operation expenses	10,630	32,022
Frequent-flyer programme expenses	488	2,001
	1,059,301	887,770
Loans to joint ventures and associates by CNAF		
Net repayment of loans	14,800	14,800
Interest income	3,672	4,215
Deposits from joint ventures and associates received by CNAF		
Increase/(decrease) in deposits received	183,840	(46,563)
Interest expenses	1,403	334

The Directors are of the opinion that the above transactions were conducted in the ordinary course of business of the Group.

Part of the related transactions above also constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

23. RELATED PARTY TRANSACTIONS (Continued)

(a) During the period, the Group had the following significant transactions with (i) CNAHC, its subsidiaries (other than the Group), joint ventures and associates (collectively, the “CNAHC Group”); (ii) its joint ventures and its associates: (Continued)

(ii) Capital commitments with related parties

	At 30 June 2020 RMB'000 (Unaudited)	At 31 December 2019 RMB'000 (Audited)
Contracted, but not provided for: Capital commitments with CNAHC Group	717,511	445,380

(iii) Balances with related parties

	At 30 June 2020 RMB'000 (Unaudited)	At 31 December 2019 RMB'000 (Audited)
Outstanding balances with related parties*		
Amount due from the ultimate holding company	220,907	192,820
Amounts due from associates	173,352	179,927
Amounts due from joint ventures	53	86,210
Amounts due from other related companies	2,694,448	3,396,452
Amount due to the ultimate holding company	306,817	44,188
Amounts due to associates	87,048	144,975
Amounts due to joint ventures	265,176	306,176
Amounts due to other related companies	14,233,876	14,582,574

* Outstanding balances with related parties exclude borrowing balances with related parties and outstanding balances between CNAF and related parties.

Except for lease liabilities, the above outstanding balances with related parties are unsecured, interest-free and repayable within one year or have no fixed terms of repayment.

23. RELATED PARTY TRANSACTIONS (Continued)

(a) During the period, the Group had the following significant transactions with (i) CNAHC, its subsidiaries (other than the Group), joint ventures and associates (collectively, the “CNAHC Group”); (ii) its joint ventures and its associates: (Continued)

(iii) Balances with related parties (Continued)

	At 30 June 2020 RMB'000 (Unaudited)	At 31 December 2019 RMB'000 (Audited)
Outstanding borrowing balances with related parties		
Interest-bearing bank loans and other borrowings		
– Due to the ultimate holding company	–	200,000
– Due to other related companies	787,835	775,856
	At 30 June 2020 RMB'000 (Unaudited)	At 31 December 2019 RMB'000 (Audited)
Outstanding balances between CNAF and related parties		
(1) Outstanding balances between CNAF and CNAHC Group		
Loans granted	–	530,000
Deposits received	3,159,662	3,269,205
Interest payable to related parties	12,441	6,721
Interest receivable from related parties	–	313
(2) Outstanding balances between CNAF and joint ventures and associates of the Group		
Loans granted	177,600	192,400
Deposits received	345,335	161,495
Interest payable to related parties	62	74
Interest receivable from related parties	198	240

The outstanding balances between CNAF and related parties represent loans to related parties or deposits received by CNAF from related parties. The applicable interest rates are determined in accordance with the prevailing borrowing rates/deposit saving rates published by the People's Bank of China.



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

23. RELATED PARTY TRANSACTIONS (Continued)

(b) An analysis of the compensation of key management personnel of the Group is as follows:

	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Short term employee benefits	6,089	7,171
Retirement scheme contributions	398	705
	6,487	7,876

The breakdown of emoluments for key management personal are as follows:

	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Directors and supervisors	422	720
Senior management	6,065	7,156
	6,487	7,876

23. RELATED PARTY TRANSACTIONS (Continued)

(c) Guarantee with related parties

Amount of guaranty at 30 June 2020:

Name of guarantor	Name of guaranteee	Amount of guaranty at 30 June 2020 RMB'000 (Unaudited)	Inception date of guaranty	Maturity date of guaranty
Corporate bonds:				
CNAHC	Air China Limited	5,000,000	18/01/2013	18/07/2023
CNAHC	Air China Limited	1,500,000	16/08/2013	16/02/2024

Amount of guaranty at 31 December 2019:

Name of guarantor	Name of guaranteee	Amount of guaranty at 31 December 2019 RMB'000 (Audited)	Inception date of guaranty	Maturity date of guaranty
Corporate bonds:				
CNAHC	Air China Limited	5,000,000	18/01/2013	18/07/2023
CNAHC	Air China Limited	1,500,000	16/08/2013	16/02/2024



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

23. RELATED PARTY TRANSACTIONS (Continued)

(d) Transactions with other government-related entities in the PRC

The Company is ultimately controlled by the PRC government and the Group operates in an economic environment currently predominated by entities controlled, jointly controlled or significantly influenced by the PRC government (“government-related entities”).

Apart from above transactions with CNAHC Group, the Group has collectively, but not individually significant transactions with other government-related entities, which include but are not limited to the following:

- Rendering and receiving services
- Sales and purchases of goods, properties and other assets
- Lease of assets
- Depositing and borrowing money
- Use of public utilities

The transactions between the Group and other government-related entities are conducted in the ordinary course of the Group’s business within normal business operations. The Group has established its approval process for providing of services, purchase of products, properties and services, purchase of lease service and its financing policy for borrowing. Such approval processes and financing policy do not depend on whether the counterparties are government-related entities or not.





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

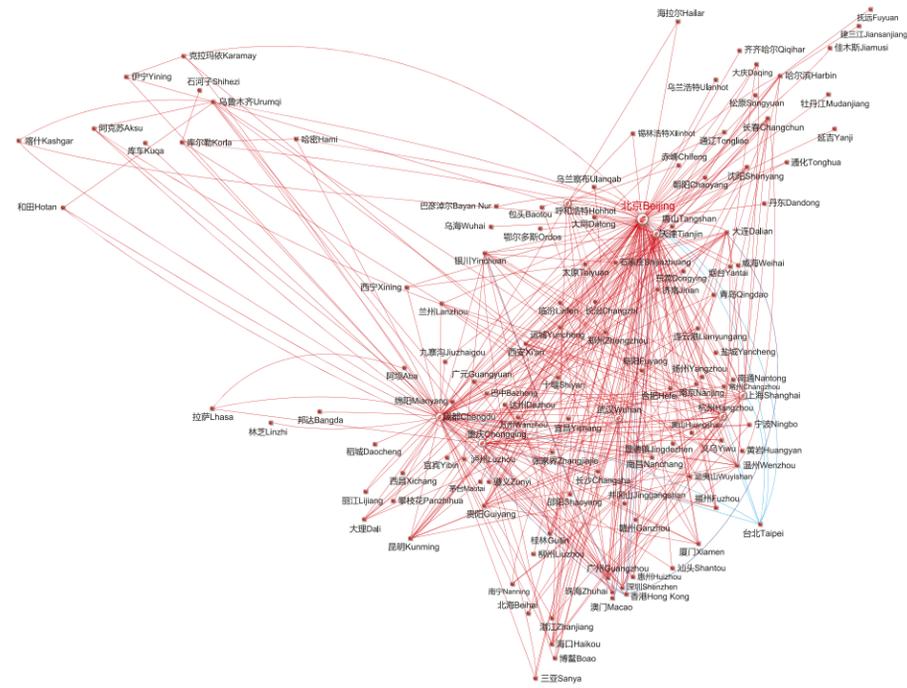
“passenger yield”/“yield per RPK”	revenues from passenger operations divided by RPKs
“cargo yield”/“yield per RFTK”	revenues from cargo operations divided by RFTKs



“CSRC”	China Securities Regulatory Commission
“Dalian Airlines”	Dalian Airlines Company Limited, a 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 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 Transactions by Directors of Listed Issuers
“Reporting Period”	the period from 1 January 2020 to 30 June 2020
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Shandong Airlines”	Shandong Airlines Co., Ltd., a subsidiary of Shandong Aviation Group Corporation
“Shandong Aviation Group Corporation”	Shandong Aviation Group Company Limited, an associate of the Company
“Shenzhen Airlines”	Shenzhen Airlines Company Limited, a 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



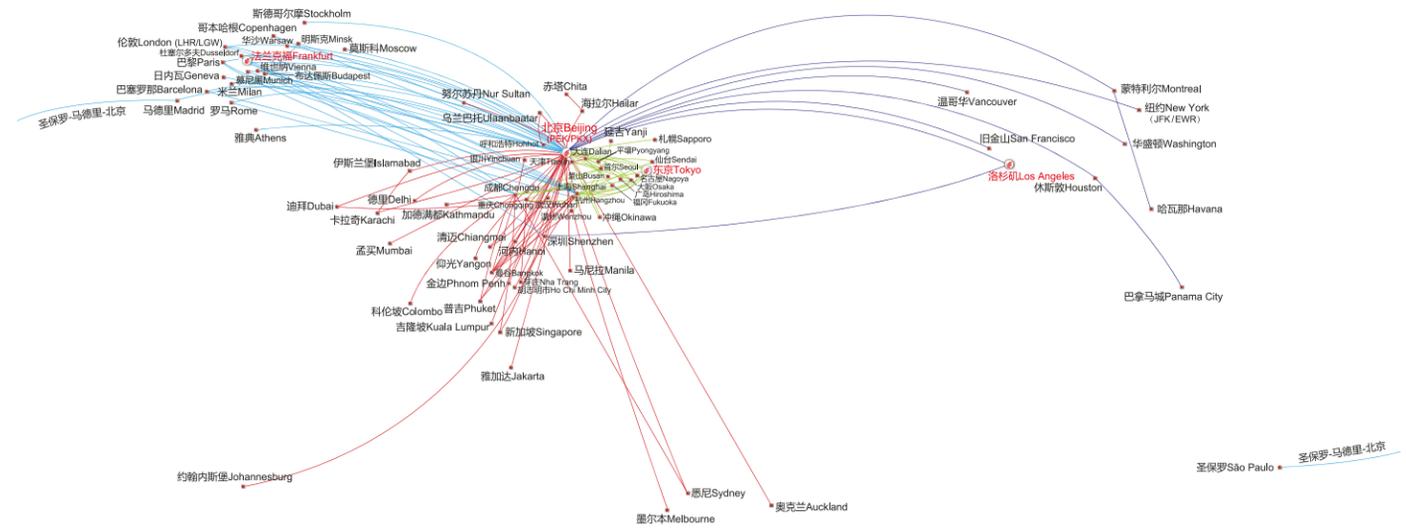
中国国际航空股份有限公司国内及地区航线
AIR CHINA'S DOMESTIC & REGIONAL ROUTES



国内航线 Domestic Routes
地区航线 Regional Routes

注：1. 部分航线由其他航空公司运营
2. 烟台蓬莱机场和日照机场暂未通航
Note: 1. The cities of Yangzhou and Taishou share one airport
2. Routes commenced service as of 31 December 2019

中国国际航空股份有限公司国际航线
AIR CHINA'S INTERNATIONAL ROUTES



欧洲航线 Routes to Europe
亚洲、大洋洲、非洲地区航线 Routes to Asia, Oceania & Africa
北美航线 Routes to North America
日韩航线 Routes to Japan & South Korea

注：截至2019年12月31日开航航线
Note: Routes commenced service as of 31 December 2019

