



A STAR ALLIANCE MEMBER 

Air China Limited

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



2021

INTERIM REPORT

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 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”. Air China advocates the core spirit of phoenix which is 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 keep passengers 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 excellent 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, Wenzhou, Xinjiang and Guangzhou. As at the end of the Reporting Period, the major subsidiaries of Air China are 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., Air China Shantou Industrial Development Company; and its joint ventures mainly include GA Innovation China Co., Ltd. and Sichuan Services Aero-Engine Maintenance Co., Ltd. Moreover, the associates of Air China are Cathay Pacific Airways Limited, Shandong Airlines Co., Ltd. and Tibet 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 at the end of the Reporting Period, the total number of “Phoenix Miles” members amounted to 70.306 million.

As of the end of the Reporting Period, the Group operated a fleet of 729 aircraft with an average age of 7.97 years, of which the Company operated a fleet of 453 aircraft with an average age of 8.18 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
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WEBSITE:

www.airchina.com.cn

DIRECTORS¹:

Mr. Song Zhiyong
Mr. Ma Chongxian
Mr. Feng Gang
Mr. Patrick Healy
Mr. Xue Yasong
Mr. Duan Hongyi
Mr. Stanley Hui Hon-chung
Mr. Li Dajin

SUPERVISORS:

Mr. Zhao Xiaohang
Mr. He Chaofan
Mr. Wang Jie
Mr. Qin Hao
Ms. Lyu Yanfang

LEGAL REPRESENTATIVE OF THE COMPANY:

Mr. Song Zhiyong

COMPANY SECRETARY:

Mr. Zhou Feng

AUTHORISED REPRESENTATIVES:

Mr. Song Zhiyong
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. Effective from 9 February 2021, Mr. Wang Xiaokang resigned from his position as an independent non-executive Director of the Company due to his age. At the 2021 first extraordinary general meeting of the Company, Mr. Ma Chongxian was appointed as an executive Director of the Company.

SUMMARY OF FINANCIAL INFORMATION

(RMB'000)	Six months ended 30 June 2021	Six months ended 30 June 2020	Change
Revenue	37,663,803	29,645,766	27.05%
Loss from operations	(6,042,612)	(6,682,049)	(9.57%)
Loss before taxation	(9,404,949)	(13,096,926)	(28.19%)
Loss after taxation	(7,670,665)	(10,860,406)	(29.37%)
Loss attributable to non-controlling interests	(889,236)	(1,420,607)	(37.40%)
Loss attributable to equity shareholders of the Company	(6,781,429)	(9,439,799)	(28.16%)
EBITDA ⁽¹⁾	4,289,009	3,282,775	30.65%
EBITDAR ⁽²⁾	4,844,258	3,650,317	32.71%
Loss per share attributable to equity shareholders of the Company (RMB)	(0.4937)	(0.6873)	(28.17%)
Return on equity attributable to equity shareholders (%)	(9.10)	(10.69)	1.59 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 2021	At 31 December 2020	Change
Total assets	287,991,744	284,029,616	1.39%
Total liabilities	210,765,081	200,256,580	5.25%
Non-controlling interests	5,792,148	6,231,709	(7.05%)
Equity attributable to equity shareholders of the Company	71,434,515	77,541,327	(7.88%)
Equity attributable to equity shareholders of the Company per share (RMB)	4.92	5.34	(7.87%)

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 2021	January to June 2020	Increase/ (decrease)
Capacity			
ASK (million)	82,499.92	65,565.98	25.83%
International	2,115.00	15,533.42	(86.38%)
Mainland China	79,091.22	48,858.88	61.88%
Hong Kong SAR, Macau SAR and Taiwan, China	1,293.70	1,173.68	10.23%
AFTK (million)	5,494.08	4,035.20	36.15%
International	3,251.70	2,895.20	12.31%
Mainland China	2,183.95	1,088.57	100.63%
Hong Kong SAR, Macau SAR and Taiwan, China	58.43	51.43	13.61%
ATK (million)	12,928.38	9,943.04	30.02%
Traffic			
RPK (million)	58,252.60	44,222.02	31.73%
International	894.83	10,299.97	(91.31%)
Mainland China	56,630.89	33,247.90	70.33%
Hong Kong SAR, Macau SAR and Taiwan, China	726.89	674.16	7.82%
RFTK (million)	2,067.48	1,459.02	41.70%
International	1,402.29	957.24	46.49%
Mainland China	646.52	489.26	32.14%
Hong Kong SAR, Macau SAR and Taiwan, China	18.67	12.52	49.10%
Passengers carried (thousand)	38,610.67	24,905.77	55.03%
International	145.81	2,003.89	(92.72%)
Mainland China	38,023.37	22,468.64	69.23%
Hong Kong SAR, Macau SAR and Taiwan, China	441.49	433.25	1.90%
Cargo and mail carried (tonnes)	600,504.45	450,950.73	33.16%
Kilometres flown (million)	532.23	394.60	34.88%
Block hours (thousand)	860.26	617.01	39.43%
Number of flights	310,257	212,595	45.94%
International	9,490	18,691	(49.23%)
Mainland China	295,927	189,047	56.54%
Hong Kong SAR, Macau SAR and Taiwan, China	4,840	4,857	(0.35%)
RTK (million)	7,264.73	5,354.92	35.66%

SUMMARY OF OPERATING DATA

	January to June 2021	January to June 2020	Increase/ (decrease)
Load factor			
Passenger load factor (RPK/ASK)	70.61%	67.45%	3.16ppt
International	42.31%	66.31%	(24.00ppt)
Mainland China	71.60%	68.05%	3.55ppt
Hong Kong SAR, Macau SAR and Taiwan, China	56.19%	57.44%	(1.25ppt)
Cargo and mail load factor (RFTK/AFTK)	37.63%	36.16%	1.47ppt
International	43.12%	33.06%	10.06ppt
Mainland China	29.60%	44.95%	(15.35ppt)
Hong Kong SAR, Macau SAR and Taiwan, China	31.95%	24.35%	7.60ppt
Overall load factor (RTK/ATK)	56.19%	53.86%	2.33ppt
Daily utilisation of aircraft (block hours per day per aircraft)	7.05	5.08	1.97 hours
Yield			
Yield per RPK (RMB)	0.5304	0.5189	2.22%
International	1.6561	0.6136	169.90%
Mainland China	0.5108	0.4828	5.80%
Hong Kong SAR, Macau SAR and Taiwan, China	0.6652	0.8524	(21.96%)
Yield per RFTK (RMB)	2.2130	2.8721	(22.95%)
International	2.5858	3.5569	(27.30%)
Mainland China	1.2510	1.2795	(2.23%)
Hong Kong SAR, Macau SAR and Taiwan, China	7.5265	12.7560	(41.00%)
Unit cost			
Operating cost per ASK (RMB)	0.5575	0.5826	(4.31%)
Operating cost per ATK (RMB)	3.5577	3.8414	(7.39%)

DEVELOPMENT OF FLEET

During the Reporting Period, the Group introduced 23 aircraft including three A350 aircraft, 14 A320NEO aircraft, four A321NEO aircraft and two ARJ21-700 aircraft, and phased out one A321 aircraft. As at the end of the Reporting Period, the Group operated a fleet of 729 aircraft with an average age of 7.97 years, of which the Company operated a total of 453 aircraft with an average age of 8.18 years. During the first half of the year, the Company introduced 22 aircraft, including five aircraft under the wet lease agreement with Air Macau.

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

	30 June 2021					Average age (year)
	Sub-total	Self-owned	Finance leases	Operating leases		
Airbus	393	148	130	115	7.81	
A319	41	32	6	3	13.68	
A320/A321	272	88	101	83	6.94	
A330	65	28	8	29	9.15	
A350	15	0	15	0	1.81	
Boeing	326	143	95	88	8.25	
B737	274	119	75	80	8.42	
B747	10	8	2	0	11.97	
B777	28	4	18	6	7.21	
B787	14	12	0	2	4.36	
COMAC	5	1	4	0	0.55	
ARJ21	5	1	4	0	0.55	
Business jets	5	1	0	4	8.90	
Total	729	293	229	207	7.97	

	Introduction Plan			Phase-out Plan		
	2021	2022	2023	2021	2022	2023
Airbus	49	26	5	5	12	10
A319	-	-	-	-	6	4
A320/A321	44	18	-	2	-	3
A330	-	-	-	3	6	3
A350	5	8	5	-	-	-
Boeing	-	-	-	3	10	7
B737	-	-	-	3	10	7
COMAC	6	8	9	-	-	-
ARJ21	6	8	9	-	-	-
Total	55	34	14	8	22	17

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

BUSINESS OVERVIEW

CONTAINING THE PANDEMIC

The Group insisted to give pandemic control top priority, stayed committed to “preventing the coronavirus from entering the country, stemming its domestic resurgence and implementing joint pandemic containment measures for individuals and goods” and actively responded to coronavirus resurgence in certain areas in China and the overseas imported cases. The Group timely adjusted and optimized the mechanism for leading pandemic prevention and control practices, timely deploying phased prevention and control work, updating the prevention and control operating procedures, following up and implementing prevention and control measures to ensure coordinated operation of such mechanism. With the thorough application of the pandemic data sharing platform, the Group improved the production planning and management efficiency of the flight attendant team. In response to the sudden outbreak in Beijing at the beginning of the year, the Group quickly organized full staff examination and implemented nucleic acid tests for all employees to ensure the responsibilities of joint pandemic prevention and control were in place. Specific inspection was conducted to remove loopholes, optimize management and undertake the responsibility in relation to pandemic prevention and control. The Group upheld that “all people eligible for vaccination have access to it”, and the vaccination rate for key frontline staff reached 100%. The Group swiftly responded to the sudden outbreaks in various areas, coordinated the pandemic prevention and control, production planning and passenger service and prevented the domestic resurgence in an effective and orderly manner. The Group enhanced the identification and control of passengers on transit flights from third countries and implemented remote prevention and information control mechanism of “zero reporting”. The Group also strictly implemented pandemic prevention measures for international flights and ensured effective disinfection management of flights, sites and incoming goods. Besides, the Group set high management standards for international flight attendants by selecting and assigning fully vaccinated personnel and carrying out medical examination as well as quarantine inspections for inbound flights stringently. Meanwhile, the Group expressed in-depth care for its employees by allocating pandemic prevention materials, improving security conditions and offering counseling service, thereby timely solved the employees’ difficulties and maintained a stable workforce.

SAFE OPERATION

The Group is well aware that safety responsibility is a kind of political responsibility and the guarantee for safe flight underlies the foundation of the Group’s original aspiration and mission. The Group has firmly established the concept of safety development, under which the Group recognized and grasped the extreme importance of safety from an overall perspective, continued to implement 30 measures for safety development, completed operational organization for ongoing pandemic management and firmly promoted the construction of four operational safety systems including safety management, flight training, aircraft maintenance and operation management. The Group carried out in-depth safety hazard investigation work and carried out supervision and inspection on 10 key aspects including the specific three-year safety rectification action, safety hazard investigation and centralized rectification, style development and air crew rectification, safety and security and pandemic prevention and control. To ensure smooth and safe operation, the Group actively conducted specific risk assessment and effectively implemented various risk control measures for special operation conditions, such as seasonal changes, flying in extreme weather and the “one city, two airports” pattern in Beijing and Chengdu. The Group constantly pushed forward the style development work and the reform of the flight attendant team by enhancing cautionary education and the building of a better style for the professional team. During the Reporting Period, the Group recorded 0.86 million safe flight hours while transporting 38.61 million passengers safely. The Group maintained stable and safe operation in general and successfully safeguarded the provision of important transportation services for various events, such as the 100th anniversary of the founding of the Communist Party of China.



BUSINESS OVERVIEW

MAXIMISING OPERATING PERFORMANCE

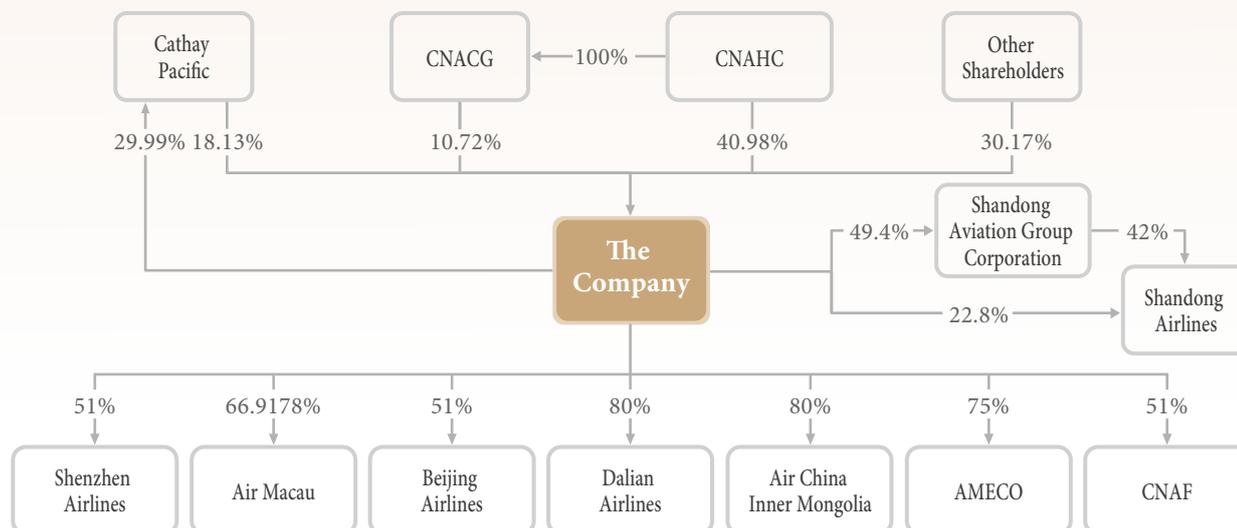
During the Reporting Period, the Company adhered to the general principle of pursuing progress while ensuring stability, for which the Company improved production and operation and strived to reduce costs, improve efficiency, cut losses and control risks. Based on the new development pattern of domestic economic circle playing a leading role, the Company has been optimizing the structure of transport capacity allocation in accordance with the principle of maximizing profit margins and closely monitoring the market trends to adjust the allocation swiftly. The Company took advantage of opportunities arising from market recovery, and maintained the capacity input of wide-body aircraft through operating in popular routes and converting passenger aircraft for cargo operations. As a result, the domestic transport capacity of wide-body aircraft increased by 69% year-on-year. In terms of the international market, the Company continued to promote the conversion of passenger aircraft for cargo operations. During the Reporting Period, the Company operated 7,935 cargo flights by passenger aircraft, which enabled the sharing of fixed costs of passenger aircraft while maintaining its industry-leading position in terms of business scale. The Company strengthened marketing control and continued dynamic monitoring and control, seized the opportunity of domestic market recovery in the second quarter, made full use of the network, built a high-quality and prosperous system and took various measures to maintain the stability and improve yield level of the main base and major routes. Taking the commencement of operation of Chengdu Tianfu International Airport as an opportunity, the Company strived to help develop Chengdu into an international aviation hub, where the Company would develop a core route network covering domestic and major markets such as Southeast Asia, Europe and North America, and established the aviation business presence of Air China at Tianfu base. The Company aimed to build the “Air China Express” brand and focused its strengths and resources to establish 10 boutique routes and express flights with excellent service quality providing “fast ground door-to-door services, frequent flights, outstanding onboard services, punctual flights and smooth ticket change” in order to achieve growth in both the number of flights and passenger load factor. The Company also actively tapped the growth points in the market and supported the integrated innovation and development of civil aviation and red tourism. During the Reporting Period, the Company provided red tourism routes to more than 73,710 travelers. By promoting mileage products, business charter cooperation products, elderly Rights Cards and interline products with targeted positioning, the Company boosted revenue growth and garnered a good reputation among customers. Furthermore, the Company exercised strict cost control and closely monitored major expenses, enhanced the cost management on comprehensive security, and defined the responsibilities for all segments of the aircraft cost management chain for facilitating effective cost control. Apart from that, the Company strengthened capital management and control as well as the internal and external financing mechanism, and rationalized the debt structure so as to offer protection for capital safety.

ENHANCING SERVICES

The Company was dedicated to the provision of “people-oriented” services as its core philosophy, focusing on all areas in the whole service process, continuing to enhance service quality, improving service and product quality, and giving play to the leading role of digitalization and intelligence development on an ongoing basis. During the Reporting Period, the overall traveler satisfaction of the Company increased steadily, as the service quality and traveler experience further improved. Pursuing the “user-oriented” design approach, the Company renovated and built nine self-operated lounges to create “oriental culture and arts” rest area of Air China. In order to create an exclusive cabin environment, the Company developed new aircraft seat products and launched the new interior design products under the “Dancing Phoenix” (鳳舞雲端) series. The Group has installed in-cabin WiFi system on a total of 359 aircraft, and such system commenced full operation. The Company also improved the overall quality of services, hardware and products, which highlighted the core competitiveness of its services and brand. For the purpose of further strengthening the soft power of services and products, the Company stood on the passengers’ shoes and updated the service standards, passenger rules, ticketing rules and luggage transportation rules. The Company optimized the regular pandemic prevention and control mechanism by formulating and implementing 26 special ticketing measures. Based on the analysis of passenger travel behavior and operating data, the Company formulated a development plan to improve inflight entertainment and adjust the allocation of media resources. In order to provide more inflight meal options, the Company introduced new menus of “Henishuo” (盒你說) food box for different seasons and festivals, thereby offering diversified, targeted and customized services for passengers who wanted to choose and tailor-made their own meals in advance. In addition, the Company empowered “intelligent civil aviation” service and drove digitalization with innovation. The Company developed paperless and contactless service applications and optimized the functions and service experience of self-service channels. During the Reporting Period, the self-service check-in rate of passengers reached 79.27% and the online check-in rate of passengers reached 65.27%. The Company fully adopted RFID luggage tags with China-developed chips and promoted the luggage tracking service for the whole process. Nine routes had provided the whole-journey baggage tracking and passenger baggage status query service. Besides, the Company developed and upgraded several system platforms including the service quality management system and the passenger services payment system, which as a result, improved the service digitalization and innovation capability.

BUSINESS OVERVIEW

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.

BUSINESS OVERVIEW

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	RMB5,360,000,000	MOP2,242,042,000	RMB1,000,000,000	RMB3,000,000,000	RMB1,000,000,000	USD300,052,800	RMB1,127,961,864	6,437,200,203 shares in issue	RMB400,000,000
Percentage of shareholding by the Company	51%	66.9178%	51%	80%	80%	75%	51%	29.99%	22.8%
Revenue (RMB million)	9,681 (on a consolidated basis)	513	204	611	631	3,616	97	13,268 (on a consolidated basis)	6,636 (on a consolidated basis)
Year-on-year changes (%)	45.77	12.25	55.24	51.08	98.94	(0.69)	(17.09)	(46.99)	58.34
Air traffic revenue (RMB million)	9,390	448	204	588	624	N/A	N/A	11,256	6,281
Year-on-year changes (%)	47.16	0.22	55.39	51.48	101.02	N/A	N/A	(47.61)	61.88
(Loss)/profit after taxation (RMB million)	(1,433)	(336)	(39)	(54)	(37)	(75)	22	(6,330)	(795)
(Loss)/profit after taxation in the corresponding period of last year (RMB million)	(2,310)	(464)	(35)	(125)	(66)	(210)	39	(8,923)	(1,296)
(Loss)/profit attributable to parent company (RMB million)	(1,365)	(336)	(39)	(54)	(37)	(75)	22	(6,331)	(795)
(Loss)/profit attributable to parent company in the corresponding period of last year (RMB million)	(2,227)	(464)	(35)	(125)	(66)	(210)	39	(8,924)	(1,296)

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)	226 (on a consolidated basis)	17	3	13	12	238 (on a consolidated basis)	131
Average age (year)	7.64	5.90	11.58	7.73	9.11	10.3	7.34
Aircraft introduced (unit)	4	2	0	0	0	7	0
Aircraft phased out (unit)	0	1	0	0	0	8	0
ASK (100 million)	270.88	11.42	3.00	15.37	15.94	41.67	188.47
Year-on-year changes (%)	37.51	8.39	71.45	25.75	89.55	(85.0)	38.92
RPK (100 million)	192.75	7.03	2.11	10.71	11.20	7.88	149.49
Year-on-year changes (%)	42.94	10.78	95.21	40.13	114.43	(95.8)	54.15
Passengers carried (thousand)	13,189.8	423.5	237.6	915	996	157	10,480.8
Year-on-year changes (%)	42.85	13.59	108.05	54.44	106.31	(96.4)	59.61
Average passenger load factor (%)	71.16	61.58	70.55	69.70	70.25	18.9	79.32
Year-on-year changes (ppt)	2.70	1.33	8.59	7.15	8.15	(48.4)	7.84
AFTK (million)	603	18.1469	4.2514	14.3317	17.1164	4,058	303
Year-on-year changes (%)	39.85	9.89	132.71	36.74	134.40	(31.9)	31.77
RFTK (million)	254	0.5004	1.3179	6.7156	5.6260	3,301	132
Year-on-year changes (%)	12.29	(87.96)	39.91	(12.59)	13.66	(20.1)	9.58
Volume of cargo and mail carried (tonnes)	161,100	358.07	1,505.06	5,257.27	4,469.17	549,000	79,200
Year-on-year changes (%)	13.69	(86.15)	38.09	(0.90)	12.10	(17.7)	13.44
Cargo and mail load factor (%)	42.14	2.76	31.00	46.86	32.87	81.4	43.49
Year-on-year changes (ppt)	(10.34)	(22.41)	(20.56)	(26.44)	(34.92)	12.1	(8.80)

*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 8.9 years. During the Reporting Period, in terms of business charter service, Beijing Airlines completed 154 flights, representing a year-on-year decrease of 0.65%; it completed 471.4 flying hours, representing a year-on-year decrease of 4.77%; it carried a total of 1,090 passengers, representing a year-on-year increase of 41.01%.

PARTICULARS OF EMPLOYEES

As at the end of the Reporting Period, the Company had a total of 46,457 employees, and the subsidiaries of the Company had a total of 42,024 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 the enhancement of 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 pushed forward the market-oriented remuneration benchmarking and optimised the sound and scientific mechanism on wage decision and growth that reflects the labour market standards. In addition, it implemented differentiated salary adjustment to offer more incentives to 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 which were prepared in accordance with the International Accounting Standard 34 "Interim Financial Reporting" as well as the applicable disclosure requirements under Appendix 16 to the Listing Rules and are designed to assist the readers in further understanding the information provided in this 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 2021, the Group's available seat kilometres for air passenger amounted to 82,500 million, representing a year-on-year increase of 25.83%; the total air passenger traffic amounted to 58,253 million, representing a year-on-year increase of 31.73%; passenger load factor was 70.61%, representing a year-on-year increase of 3.16 percentage points. The available freight tonne kilometres for freight amounted to 5,494 million, representing a year-on-year increase of 36.15%; the total cargo and mail traffic amounted to 2,067 million tonne kilometres, representing a year-on-year increase of 41.70%; cargo and mail load factor was 37.63%, representing a year-on-year increase of 1.47 percentage points. During the Reporting Period, the Group recorded a loss attributable to equity shareholders of the Company of RMB6,781 million, representing a year-on-year decrease in loss of RMB2,658 million.

REVENUE

During the Reporting Period, the Group's revenue was RMB37,664 million, representing a year-on-year increase of RMB8,018 million or 27.05%. Among the revenues, air traffic revenue was RMB35,470 million, representing a year-on-year increase of RMB8,331 million or 30.70%. Other operating revenue was RMB2,194 million, representing a year-on-year decrease of RMB313 million or 12.49%.

REVENUE CONTRIBUTED BY GEOGRAPHICAL SEGMENTS

(in RMB'000)	For the six months ended 30 June				
	2021		2020		Change
	Amount	Percentage	Amount	Percentage	
International	5,107,946	13.56%	9,725,366	32.81%	(47.48%)
Mainland China	31,931,808	84.78%	19,186,009	64.72%	66.43%
Hong Kong SAR, Macau SAR and Taiwan, China	624,049	1.66%	734,391	2.47%	(15.02%)
Total	37,663,803	100.00%	29,645,766	100.00%	27.05%

AIR PASSENGER REVENUE

During the Reporting Period, the Group recorded an air passenger revenue of RMB30,895 million, representing an increase of RMB7,947 million or 34.63% from that of the same period in 2020. Among the air passenger revenue, the increase of capacity resulted in an increase in revenue of RMB5,927 million, the increase of passenger load factor resulted in an increase in revenue of RMB1,353 million, while the increase of passenger yield resulted in an increase in revenue of RMB667 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		
	2021	2020	Change
Available seat kilometres (million)	82,499.92	65,565.98	25.83%
Passenger load factor (%)	70.61	67.45	3.16 ppt
Yield per RPK (RMB)	0.5304	0.5189	2.22%

MANAGEMENT DISCUSSION AND ANALYSIS

AIR PASSENGER REVENUE CONTRIBUTED BY GEOGRAPHICAL SEGMENTS

(in RMB'000)	For the six months ended 30 June		2020		Change
	2021		2020		
	Amount	Percentage	Amount	Percentage	
International	1,481,942	4.80%	6,320,556	27.54%	(76.55%)
Mainland China	28,929,694	93.64%	16,053,091	69.95%	80.21%
Hong Kong SAR, Macau SAR and Taiwan, China	483,530	1.56%	574,667	2.51%	(15.86%)
Total	30,895,166	100.00%	22,948,314	100.00%	34.63%

AIR CARGO AND MAIL REVENUE

During the Reporting Period, the Group's air cargo and mail revenue was RMB4,575 million, representing an increase of RMB384 million as compared with that of the same period in 2020. Among the air cargo and mail revenue, the increase of capacity resulted in an increase in revenue of RMB1,515 million, while the increase of cargo and mail load factor resulted in an increase in revenue of RMB232 million, and the decrease of yield of cargo and mail contributed to a decrease in revenue of RMB1,363 million. The capacity, cargo and mail load factor and yield per RFTK of air cargo and mail business during the Reporting Period are as follows:

	For the six months ended 30 June		Change
	2021	2020	
Available freight tonne kilometres (million)	5,494.08	4,035.20	36.15%
Cargo and mail load factor (%)	37.63	36.16	1.47 ppt
Yield per RFTK (RMB)	2.2130	2.8721	(22.95%)

AIR CARGO AND MAIL REVENUE CONTRIBUTED BY GEOGRAPHICAL SEGMENTS

(in RMB'000)	For the six months ended 30 June		2020		Change
	2021		2020		
	Amount	Percentage	Amount	Percentage	
International	3,626,004	79.25%	3,404,810	81.25%	6.50%
Mainland China	808,780	17.68%	625,984	14.94%	29.20%
Hong Kong SAR, Macau SAR and Taiwan, China	140,519	3.07%	159,724	3.81%	(12.02%)
Total	4,575,303	100.00%	4,190,518	100.00%	9.18%

MANAGEMENT DISCUSSION AND ANALYSIS

OPERATING EXPENSES

During the Reporting Period, the Group's operating expenses were RMB45,996 million, representing an increase of 20.42% from RMB38,196 million for 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				
	2021		2020		Change
	Amount	Percentage	Amount	Percentage	
Jet fuel costs	9,914,804	21.56%	6,811,760	17.83%	45.55%
Take-off, landing and depot charges	5,020,224	10.91%	3,893,701	10.19%	28.93%
Depreciation and amortisation	10,331,621	22.46%	9,964,824	26.09%	3.68%
Aircraft maintenance, repair and overhaul costs	3,586,761	7.80%	2,874,176	7.52%	24.79%
Employee compensation costs	11,301,581	24.57%	10,091,701	26.42%	11.99%
Air catering charges	912,392	1.98%	625,766	1.64%	45.80%
Selling and marketing expenses	1,140,228	2.48%	1,082,586	2.83%	5.32%
General and administrative expenses	469,485	1.02%	511,959	1.34%	(8.30%)
Others	3,318,460	7.22%	2,339,027	6.14%	41.87%
Total	45,995,556	100.00%	38,195,500	100.00%	20.42%

- Jet fuel costs increased by RMB3,103 million on a year-on-year basis, mainly due to the combined effect of the increase in the consumption and prices of jet fuel.
- Take-off, landing and depot charges increased by RMB1,127 million on a year-on-year basis, mainly due to an increase in the number of take-offs and landings.
- Depreciation and amortisation increased by RMB367 million on a year-on-year basis, mainly due to the increase in the fleet size.
- Aircraft maintenance, repair and overhaul costs increased by RMB713 million on a year-on-year basis, mainly due to the increase in the fleet size and the increase in the investment in production and operation.
- Employee compensation costs increased by RMB1,210 million on a year-on-year basis, mainly due to the increase in investment in production and operation and the effect of 50% reduction in social insurance contribution in the same period of the previous year.
- Air catering charges increased by RMB287 million on a year-on-year basis, mainly due to the increase in the number of passengers.
- Other operating expenses mainly included operating lease expenses on aircraft and engines, civil aviation development fund and non-above-mentioned ordinary expenses arising from the core air traffic business, which increased by 41.87% on a year-on-year basis, mainly due to the increase in transport and the resumption on the levy of civil aviation development fund during the Reporting Period.

MANAGEMENT DISCUSSION AND ANALYSIS

NET EXCHANGE GAIN (LOSS) AND FINANCE COSTS

During the Reporting Period, the Group recorded a net exchange gain of RMB563 million, as compared to a net exchange loss of RMB1,019 million for the same period of the previous year. The Group incurred finance costs of RMB2,658 million (excluding those capitalised) during the Reporting Period, representing a year-on-year increase of RMB110 million.

SHARE OF RESULTS OF ASSOCIATES AND JOINT VENTURES

During the Reporting Period, the Group's share of losses of its associates was RMB1,419 million, representing a year-on-year decrease of RMB1,592 million. The Group recorded a loss on investment of Cathay Pacific of RMB1,364 million during the Reporting Period, representing a year-on-year decrease of RMB1,009 million; and recorded a loss on investment of Shandong Aviation Group Corporation and Shandong Airlines of RMB91 million, representing a year-on-year decrease of RMB410 million.

During the Reporting Period, the Group's share of profits of its joint ventures was RMB110 million, representing a year-on-year increase of RMB3 million.

ASSETS STRUCTURE ANALYSIS

As at the end of the Reporting Period, the total assets of the Group were RMB287,992 million, representing an increase of 1.39% from that as at 31 December 2020. Among them, the current assets accounted for RMB23,498 million or 8.16% of the total assets, while the non-current assets accounted for RMB264,494 million or 91.84% of the total assets.

Among the current assets, cash and cash equivalents were RMB8,452 million, representing an increase of 44.78% from that as at 31 December 2020, which was mainly due to the flexible adjustment of available liquidity in line with the capital arrangement of the Group.

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 RMB218,494 million, representing an increase of 1.21% from that as at 31 December 2020.

ASSET MORTGAGE/PLEDGE

As at the end of the Reporting Period, the Group, pursuant to certain bank loans and finance leasing agreements, had mortgaged certain aircraft and flight equipment, buildings and machinery with an aggregated net book value of approximately RMB85,687 million (31 December 2020: RMB79,981 million) and land use rights with net book value of approximately RMB26 million (31 December 2020: RMB27 million). In addition, the Group had restricted bank deposits of approximately RMB643 million (31 December 2020: approximately RMB737 million), 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 RMB6,501 million, of which the total investment in aircraft and engines was RMB4,620 million. Other capital expenditure investment amounted to RMB1,881 million, mainly including investment in rotables, flight simulators, infrastructure construction, IT system construction, ground equipment procurement and cash component of the long-term investments.

MANAGEMENT DISCUSSION AND ANALYSIS

EQUITY INVESTMENT

As at the end of the Reporting Period, the Group's equity investment in its associates amounted to RMB10,234 million, representing a decrease of 6.44% from that as at 31 December 2020, among which, the balance of the equity investment of the Group in Cathay Pacific and Shandong Aviation Group Corporation amounted to RMB9,115 million and RMB634 million, respectively.

As at the end of the Reporting Period, the Group's equity investment in its joint ventures was RMB1,667 million, representing an increase of 5.44% from that as at 31 December 2020.

DEBT STRUCTURE ANALYSIS

As at the end of the Reporting Period, the total liabilities of the Group amounted to RMB210,765 million, representing an increase of 5.25% from those as at 31 December 2020, among which current liabilities were RMB85,860 million and non-current liabilities were RMB124,905 million, accounting for 40.74% and 59.26% of the total liabilities, respectively.

Among the current liabilities, interest-bearing debts (including bank loans and other borrowings, corporate bonds and short-term commercial papers, bills payable and lease liabilities) amounted to RMB53,254 million, remaining relatively stable as compared with that as at 31 December 2020.

Among the non-current liabilities, interest-bearing debts (including bank loans and other borrowings, corporate bonds and lease liabilities) amounted to RMB113,590 million, representing an increase of 5.43% from that as at 31 December 2020.

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

(in RMB'000)	30 June 2021		31 December 2020		Change
	Amount	Percentage	Amount	Percentage	
RMB	117,043,872	70.15%	109,420,080	67.97%	6.97%
US dollars	48,839,674	29.27%	49,669,410	30.85%	(1.67%)
Others	961,119	0.58%	1,902,082	1.18%	(49.47%)
Total	166,844,665	100.00%	160,991,572	100.00%	3.64%

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, increased by 6.59% from RMB41,020 million as at 31 December 2020 to RMB43,722 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 RMB23 million as at the end of the Reporting Period, remaining stable as compared with that as at 31 December 2020, which was mainly attributable to the investment in GA Innovation China Co., Ltd.

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 73.18%, representing an increase of 2.67 percentage points from that as at 31 December 2020. 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.

MANAGEMENT DISCUSSION AND ANALYSIS

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 RMB62,361 million, representing an increase of RMB1,499 million from that as at 31 December 2020. The Group's current ratio (current assets divided by current liabilities) was 0.27, representing an increase of 0.03 as compared to that as at 31 December 2020.

The Group meets its working capital needs mainly through its operating activities and external financing activities. During the Reporting Period, the Group's net cash inflow from operating activities was RMB4,432 million, as compared to the net cash outflow of RMB10,256 million for the corresponding period in 2020, which was mainly because the sales revenue increased and the number of ticket refunds declined on a year-on-year basis. Net cash inflow from investing activities was RMB846 million, as compared with the net cash outflow of RMB7,397 million for the corresponding period in 2020, mainly due to the year-on-year decrease in the cash payment for the acquisition of fixed assets and other long-term assets during the Reporting Period. Net cash outflow from financing activities amounted to RMB2,638 million, as compared with the net cash inflow from financing activities of RMB22,148 million for the same period of 2020, mainly due to the increase of its financing scale to cope with the impact of COVID-19 pandemic and ensure the liquidity safety during the corresponding period of the previous year.

The Company has obtained bank facilities of up to RMB179,347 million granted by several banks in the PRC, among which approximately RMB55,215 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

With ongoing pandemic prevention and control measures, China upheld the underlying principle of pursuing progress while ensuring stability in the first half of 2021. Adopting the new development concept, China promoted high-quality development and devoted strenuous efforts on ensuring stability on the six fronts. This led to steady economic recovery, overall positive market expectation, as well as orderly planning and commencement of various tasks for the "14th Five-Year Plan". However, the recovery and growth of the international aviation market is still subject to great uncertainties due to the ongoing spread and resurgence of pandemic worldwide and certain outbreak of the pandemic in China.

Oil Price Fluctuation

During the Reporting Period, the global oil price was on the rise. Jet fuel constitutes one of the major components of the Group's operating costs, for which the Group's performance is substantially subject to the fluctuation of jet fuel price. During the Reporting Period, with other variables remaining unchanged, if the average price of the jet fuel rises or falls by 5%, the Group's jet fuel costs will rise or fall by approximately RMB496 million.

Exchange Rate Fluctuation

The Group's certain lease liabilities, bank loans and other loans are mainly denominated in US dollar. Certain international income and expenses of the Group are denominated in currencies other than RMB. Assuming that the risk variables other than the exchange rate stay unchanged, the appreciation or depreciation of RMB against US dollar by 1% due to the changes in the exchange rate will result in an increase or decrease in the Group's net profit and shareholders' equity as at 30 June 2021 by RMB354 million.

Risks of Competition

Industry competition

As the COVID-19 pandemic weakened the global market demand, domestic aviation companies increased their investments in the domestic market, which might escalate the competition in the domestic market. In addition, global airlines grounded a large number of planes and faced a cash flow crisis, while many aviation companies around the world entered bankruptcy or restructuring. Such integration is expected to alleviate excess capacity and facilitate the integration of civil aviation resources and subsequent development.

Alternative competition

China has built the world's largest high-speed railway network. It is extending its reach towards central and western China and accelerating development through long-term planning. In the long run, the high-speed railway will change China's geographic pattern of the economy and, as a result of its cooperation and competition with civil aviation, the air-rail interlink operation will provide strong support to the development of international hubs. Regarding the domestic routes, as the Company's medium- and short-haul routes account for a relatively low proportion in the industry, the Company may suffer from the competition of high-speed railway transportation to a limited extent overall.



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

1. On 9 February 2021, Mr. Wang Xiaokang ceased to serve as an independent non-executive Director and a member of the nomination and remuneration committee of the Board of the Company due to his age.
2. On 30 March 2021, Mr. Duan Hongyi was elected as a member of the nomination and remuneration committee of the Board.
3. On 31 May 2021, the Board appointed Mr. Ma Chongxian as the president of the Company with effect from the same day. On 20 July 2021, the 2021 first extraordinary general meeting of the Company considered and approved the resolution in relation to the appointment of Mr. Ma Chongxian as an executive Director of the Company. Effective from 20 July 2021, Mr. Ma Chongxian served as the vice chairman 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. Mr. Song Zhiyong, the Chairman and an executive Director of the Company, and Mr. Ma Chongxian, an executive Director, are concurrently non-executive directors of Cathay Pacific. Cathay Pacific competes or is likely to compete either directly or indirectly with some aspects of the business of the Company as it operates airline services to certain destinations which are also served by the Company. In addition, Mr. Song Zhiyong (the Chairman and 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:

1. 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.
2. By virtue of John Swire & Sons Limited's 100% interest in John Swire & Sons (H.K.) Limited and their approximately 57.89% equity interest and 66.24% 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)	150,734 accounts, of which 3,078 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	Number of shares held as at the end of the Reporting Period	Shareholdings of the top 10 shareholders				
			Shareholding percentage (%)	Number of shares held subject to selling restrictions	Status	Shares pledged, marked or frozen Number	Nature of shareholder
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	286,000	1,688,020,388	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	-4,000,000	462,583,102	3.18	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	-45,880,981	108,675,892	0.75	0	Nil	0	Foreign legal person
Agricultural Bank of China Limited – GF Balanced Preferred Hybrid Securities Investment Fund	70,423,446	70,423,446	0.48	0	Nil	0	Domestic non-state-owned legal person
Industrial Bank Co., Ltd. – GF Stable Preferred Six-month Hybrid Securities Investment Fund	36,560,030	36,560,030	0.25	0	Nil	0	Domestic non-state-owned legal person
China Construction Bank Corporation – GF Value Leading Hybrid Securities Investment Fund	33,059,964	33,059,964	0.23	0	Nil	0	Domestic non-state-owned legal person

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

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	1,688,020,388	Overseas listed foreign shares	1,688,020,388	
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	462,583,102	RMB ordinary shares	462,583,102	
China Securities Finance Corporation Limited	311,302,365	RMB ordinary shares	311,302,365	
Hong Kong Securities Clearing Company Ltd.	108,675,892	RMB ordinary shares	108,675,892	
Agricultural Bank of China Limited - GF Balanced Preferred Hybrid Securities Investment Fund	70,423,446	RMB ordinary shares	70,423,446	
Industrial Bank Co., Ltd. - GF Stable Preferred Six-month Hybrid Securities Investment Fund	36,560,030	RMB ordinary shares	36,560,030	
China Construction Bank Corporation - GF Value Leading Hybrid Securities Investment Fund	33,059,964	RMB ordinary shares	33,059,964	
Explanation on repurchase accounts among the top ten shareholders Nil				
Explanation on entrusting voting right, entrusted voting right and waiver of voting right of the Shareholders above Nil				
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.				
Explanation on the preferred shareholders with voting rights restored and number of shares held Nil				

- 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 1,688,020,388 H Shares held by it in the Company do not include the 166,852,000 shares held by it as nominee of CNACG.
- 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.



CORPORATE GOVERNANCE

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company has complied with the code provisions of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules throughout the Reporting Period, except for code provision A.4.2 and code provision A.5.1.

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

Code provision A.5.1 requires that the nomination committee shall comprise a majority of independent non-executive Directors. Effective from 9 February 2021, Mr. Wang Xiaokang resigned from his position as an independent non-executive Director of the Company due to his age. Following the resignation of Mr. Wang Xiaokang, the Company failed to meet the composition requirements of code provision A.5.1 which requires that the nomination committee shall comprise a majority of independent non-executive Directors. On 30 March 2021, Mr. Duan Hongyi, an independent non-executive Director, was elected as a member of the nomination and remuneration committee of the Board. Since then, the Company has complied with all requirements of code provision A.5.1.

COMPLIANCE WITH THE MODEL CODE

The Company has adopted and formulated a code of conduct on terms no less stringent than the required standards of the Model Code as set out in Appendix 10 to the Listing Rules. After making specific enquiries, the Company confirmed that each Director and each Supervisor have complied with the required standards of the Model Code and the Company's code of conduct throughout the Reporting Period.

MISCELLANEOUS

OTHER MATERIAL CONTRACT

On 18 March 2021, the 26th meeting of the fifth session of the Board of the Company approved the execution of the agreement among the Company, Air China Import and Export Co., Ltd. (a wholly-owned subsidiary of the Company) and AFS Investments I, Inc. (a wholly-owned subsidiary of GE Capital Aviation Services Limited), for the purchase of 18 Airbus A320NEO aircraft from AFS Investments I, Inc. at a total list price of USD2,236.5 million (including the airframe price, engine price and optional features price). For details, please refer to the announcement of the Company dated 18 March 2021.

AMENDMENTS TO THE ARTICLES OF ASSOCIATION

On 18 March 2021, the Board proposed to amend the provisions relating to the Company's address and the business name of the promotor of the Company in the Articles of Association. At the annual general meeting of the Company convened on 25 May 2021, the shareholders of the Company approved the proposed amendments by way of a special resolution. For details, please refer to the announcements of the Company dated 18 March 2021 and 25 May 2021.

ENVIRONMENTAL PROTECTION INFORMATION

During the Reporting Period, the Group stayed committed to the major deployments of the Central Committee of the Party on ecological civilization establishment by implementing various energy saving and environmental protection initiatives. Apart from continuing to optimise the management system for better management capability, the Group enhanced energy management for the aviation business to achieve steady low-carbon development. It also strengthened pollution prevention and risk control for ground support services. The Group complied with the civil aviation requirements for the battle against air pollution and promoted the transition from fuel to electricity. In order to enhance carbon assets management capability, it adopted a scientific approach in managing carbon emission. The Group actively participated in environmental and public welfare campaigns to fulfil its social responsibility. For instance, it rolled out the carbon emission calculator for passengers to help them know more about carbon emission during their flights. Through the steady introduction of public welfare activities for passengers, the Group worked closely with travelers to preserve the beauty of China.

MISCELLANEOUS

CORPORATE BONDS

The Group's corporate bonds are summarised as the followings:

											Unit: billion	Currency: RMB
Name of Corporate Bond	Abbreviation	Code	Issue Date	Date of Value	Expiry Date	Balance of the Bond	Interest Rate (%)	Payment of principal and interest	Arrangements for investors' suitability	Transaction Mechanism		
Air China Limited 2012 Corporate Bond (First Tranche)	12AC01	122218	18 January 2013	18 January 2013	18 January 2023	5.115	5.10	Interest to be paid annually and principal to be paid upon expiration	For public investors and institutional investors	Listed and traded on the auction trading system and the fixed income platform of the Shanghai Stock Exchange		
Air China Limited 2012 Corporate Bond (Second Tranche)	12AC03	122269	16 August 2013	16 August 2013	16 August 2023	1.569	5.30	Interest to be paid annually and principal to be paid upon expiration	For public investors and institutional investors	Listed and traded on the auction trading system and the fixed income platform of the Shanghai Stock Exchange		
Air China Limited 2016 Corporate Bond (Second Tranche)	16AC02	136776	20 October 2016	20 October 2016	20 October 2021	4.086	3.08	Interest to be paid annually and principal to be paid upon expiration	For qualified investors only	Listed and traded on the auction trading system and the fixed income platform of the Shanghai Stock Exchange		
Shenzhen Airlines Company Limited 2018 Corporate Bond (Third Tranche)	18SA06	143793	6 September 2018	7 September 2018	7 September 2021	0.621	4.35	Interest to be paid annually and principal to be paid upon expiration	For qualified investors only	Listed and traded on the auction trading system and the fixed income platform of the Shanghai Stock Exchange		
Shenzhen Airlines Company Limited 2019 Corporate Bond (First Tranche)	19SA01	155388	25 April 2019	26 April 2019	26 April 2022	1.007	4.00	Interest to be paid annually and principal to be paid upon expiration	For qualified investors only	Listed and traded on the auction trading system and the fixed income platform of the Shanghai Stock Exchange		
Shenzhen Airlines Company Limited 2021 Public Issue Short-term Corporate Bond for Professional Investors (First Tranche)	21SAD1	149379	4 February 2021	5 February 2021	5 February 2022	0.506	3.09	Interest and principal to be paid upon expiration	For professional investors who are also institutional investors only	Dual listed and traded on the centralized auction trading system and the integrated negotiated trading platform of the Shenzhen Stock Exchange		
Shenzhen Airlines Company Limited 2021 Non-public Issue Short-term Corporate Bond (First Tranche)	21SAD2	133010	3 June 2021	4 June 2021	4 June 2022	2.005	3.10	Interest and principal to be paid upon expiration	For not more than 200 professional investors who are also institutional investors only	Listed and traded on the integrated negotiated trading platform of the Shenzhen Stock Exchange		

The corporate bonds “12AC01”, “12AC03”, “16AC02”, “18SA06” and “19SA01” are traded on the Shanghai Stock Exchange, and the corporate bonds “21SAD1” and “21SAD2” are traded on the Shenzhen Stock Exchange. The bonds as shown in the table are not exposed to the risk of termination of listing.

The Company and Shenzhen Airlines fulfilled the obligations of payment of principal and/or interest for “12AC01”, “12AC03”, “16AC02”, “18SA06”, “19SA01”, “21SAD1” and “21SAD2” corporate bonds on time. The interests of the above “12AC01”, “12AC03”, “16AC02”, “18SA06” and “19SA01” bonds were paid from the date of value on an annual basis and the principal amount will be paid in full upon expiration. The interests and principal of the “21SAD1” and “21SAD2” bonds will be paid upon expiration. Details of principal and interests payment will be disclosed by the Company in the relevant announcements published on media designated by the CSRC in compliance with the relevant state regulations.

NON-FINANCIAL CORPORATE DEBT FINANCING INSTRUMENTS

The Group’s debt financing instruments are summarised as the followings:

Unit: billion Currency: RMB

Name of the Debt Financing Instruments	Abbreviation	Code	Issue Date	Date of Value	Expiry Date	Balance of the Debt Financing Instruments	Interest Rate (%)	Payment of principal and interest	Arrangements for investors’ suitability
Shenzhen Airlines Company Limited 2019 Medium-Term Notes (First Tranche)	19SA MTN001	101900344	14 March 2019	18 March 2019	18 March 2022	1.010	3.73	Interest to be paid annually and principal to be paid upon expiration	Qualified institutional investors
Shenzhen Airlines Company Limited 2019 Medium-Term Notes (Second Tranche)	19SA MTN002	101900725	21 May 2019	23 May 2019	23 May 2022	1.004	3.79	Interest to be paid annually and principal to be paid upon expiration	Qualified institutional investors
Shenzhen Airlines Company Limited 2020 Medium-Term Notes (Pandemic Prevention and Control Debt) (First Tranche)	20SA (Pandemic Prevention and Control Debt) MTN001	102000224	3 March 2020	5 March 2020	5 March 2023	1.009	3.00	Interest to be paid annually and principal to be paid upon expiration	Qualified institutional investors
Shenzhen Airlines Company Limited 2021 Ultra-short-term Commercial Papers (First Tranche)	21SA SCP001	012101258	26 March 2021	29 March 2021	9 July 2021	0.201	2.50	Interest and principal to be paid upon expiration	Qualified institutional investors
Shenzhen Airlines Company Limited 2021 Ultra-short-term Commercial Papers (Second Tranche)	21SA SCP002	012102016	28 May 2021	28 May 2021	26 August 2021	0.501	2.36	Interest and principal to be paid upon expiration	Qualified institutional investors
Shenzhen Airlines Company Limited 2021 Ultra-short-term Commercial Papers (Third Tranche)	21SA SCP003	012102018	28 May 2021	31 May 2021	31 August 2021	0.601	2.35	Interest and principal to be paid upon expiration	Qualified institutional investors
Shenzhen Airlines Company Limited 2021 Ultra-short-term Commercial Papers (Fourth Tranche)	21SA SCP004	012102048	2 June 2021	3 June 2021	1 September 2021	0.501	2.33	Interest and principal to be paid upon expiration	Qualified institutional investors

All the non-financial corporate debt financing instruments listed in the above table are traded on the Shanghai Clearing House, the trading mechanism of which enables all instruments to be traded and transferred among the National Interbank Bond Market. All of these non-financial corporate debt financing instruments are not exposed to the risk of termination of listing.

Shenzhen Airlines fulfilled the obligations of payment of principal and/or interest for “19SA MTN001”, “19SA MTN002”, “20SA (Pandemic Prevention and Control Debt) MTN001”, “21SA SCP001”, “21SA SCP002”, “21SA SCP003” and “21SA SCP004” on time. The interests of the “19SA MTN001”, “19SA MTN002” and “20SA (Pandemic Prevention and Control Debt) MTN001” bonds were paid from the date of value on an annual basis and the principal amount will be paid in full upon expiration. The last instalment of interest will be paid together with the principal. The interests and principal of the “21SA SCP001”, “21SA SCP002”, “21SA SCP003” and “21SA SCP004” bonds shall be paid upon expiration. Details of principal and interests payment will be disclosed by the Company in the relevant announcements published on the designated media in compliance with the relevant regulations.



MISCELLANEOUS

PURCHASE, SALE OR REDEMPTION OF SECURITIES

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

INTERIM DIVIDEND

No interim dividend will be paid by the Company for the six months ended 30 June 2021.

REVIEW BY THE AUDIT AND RISK CONTROL COMMITTEE

The audit and risk control committee of the Company has reviewed the Company’s interim report for the six months ended 30 June 2021, the Company’s unaudited interim condensed consolidated financial statements and the accounting policies and practices adopted by the Group.

OTHER INFORMATION

According to paragraph 40 of Appendix 16 to the Listing Rules, save as disclosed herein, the Company confirms that the information of the Company in relation to those matters set out in paragraph 32 of Appendix 16 has not changed materially from the information disclosed in the Company’s 2020 annual report.

SUBSEQUENT EVENTS

On 20 July 2021, Mr. Ma Chongxian was elected as an executive Director. The appointment of Mr. Ma as vice chairman of the Company took effect on 20 July 2021. For details, please refer to the announcements of the Company dated 31 May 2021 and 20 July 2021 and the notice of extraordinary general meeting of the Company dated 3 June 2021.

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 65, which comprise the condensed consolidated statement of financial position as of 30 June 2021 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
27 August 2021

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE SIX MONTHS ENDED 30 JUNE 2021

	NOTES	Six months ended 30 June	
		2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Revenue	4A	37,663,803	29,645,766
Other income and gains	5	2,289,141	1,867,685
		39,952,944	31,513,451
Operating expenses			
Jet fuel costs		(9,914,804)	(6,811,760)
Employee compensation costs		(11,301,581)	(10,091,701)
Depreciation and amortisation		(10,331,621)	(9,964,824)
Take-off, landing and depot charges		(5,020,224)	(3,893,701)
Aircraft maintenance, repair and overhaul costs		(3,586,761)	(2,874,176)
Air catering charges		(912,392)	(625,766)
Aircraft and engine lease expenses		(214,147)	(121,882)
Other lease expenses		(341,102)	(245,660)
Other flight operation expenses		(2,753,906)	(2,055,640)
Selling and marketing expenses		(1,140,228)	(1,082,586)
General and administrative expenses		(469,485)	(511,959)
Net impairment loss (recognised)/reversed under expected credit loss model		(9,305)	84,155
		(45,995,556)	(38,195,500)
Loss from operations	6	(6,042,612)	(6,682,049)
Finance income		41,215	56,102
Finance costs	7	(2,658,298)	(2,548,296)
Share of results of associates		(1,418,976)	(3,010,754)
Share of results of joint ventures		110,282	106,840
Exchange gain/(loss), net		563,440	(1,018,769)
Loss before taxation		(9,404,949)	(13,096,926)
Income tax credit	8	1,734,284	2,236,520
Loss for the period		(7,670,665)	(10,860,406)
Attributable to:			
– Equity shareholders of the Company		(6,781,429)	(9,439,799)
– Non-controlling interests		(889,236)	(1,420,607)
		(7,670,665)	(10,860,406)
Loss per share			
– Basic and diluted	10	RMB(49.37) cents	RMB(68.73) cents

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2021

	Six months ended 30 June	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Loss for the period	(7,670,665)	(10,860,406)
Other comprehensive income/(expense) 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	(18,915)	(69,638)
– Income tax relating to items that will not be reclassified to profit or loss	4,729	17,409
– Remeasurement of net defined benefit liability	(2,125)	(4,432)
– Share of other comprehensive expense of associates and joint ventures	(3,858)	(103,423)
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	(5,169)	(5,918)
– Impairment loss (reversed)/recognised on investments in debt instruments measured at fair value through other comprehensive income	(15,277)	11,083
– Income tax relating to items that may be reclassified subsequently to profit or loss	5,111	(1,291)
– Share of other comprehensive income/(expense) of associates and joint ventures	878,718	(902,862)
– Exchange differences on translation of foreign operations	(194,718)	436,992
Other comprehensive income/(expense) for the period (net of tax)	648,496	(622,080)
Total comprehensive expense for the period	(7,022,169)	(11,482,486)
Attributable to:		
– Equity shareholders of the Company	(6,106,812)	(10,046,662)
– Non-controlling interests	(915,357)	(1,435,824)
	(7,022,169)	(11,482,486)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2021

	NOTES	At 30 June 2021 RMB'000 (Unaudited)	At 31 December 2020 RMB'000 (Audited)
Non-current assets			
Property, plant and equipment	11	99,841,057	101,346,490
Right-of-use assets	11	118,652,505	114,539,680
Investment properties		584,378	600,329
Intangible assets		36,559	36,580
Goodwill		1,099,975	1,099,975
Interests in associates	12	10,233,582	10,938,428
Interests in joint ventures		1,667,387	1,581,105
Advance payments for aircraft and flight equipment		21,497,690	24,907,862
Deposits for aircraft under leases		571,075	615,537
Equity instruments at fair value through other comprehensive income		214,265	233,180
Debt instruments at fair value through other comprehensive income		1,313,267	1,344,829
Deferred tax assets		8,505,139	6,750,883
Other non-current assets		276,453	298,836
		264,493,332	264,293,714
Current assets			
Inventories		2,325,036	1,853,990
Accounts receivable	13	3,738,511	2,942,799
Bills receivable		8,922	6,593
Prepayments, deposits and other receivables	14	3,949,155	3,912,471
Restricted bank deposits		642,782	737,245
Cash and cash equivalents		8,451,613	5,837,998
Other current assets		4,382,393	4,444,806
		23,498,412	19,735,902
Total assets		287,991,744	284,029,616
Current liabilities			
Air traffic liabilities		(2,433,265)	(2,002,649)
Accounts payable	15	(14,757,240)	(12,510,582)
Bills payable		(73,659)	(62,570)
Dividends payable		(98,000)	(98,000)
Other payables and accruals	16	(12,951,404)	(11,177,928)
Current taxation		(41,382)	(45,614)
Lease liabilities	17	(14,039,145)	(13,560,862)
Interest-bearing borrowings	18	(39,141,554)	(39,630,365)
Provision for return condition checks		(1,073,858)	(229,514)
Contract liabilities		(1,250,375)	(1,280,102)
		(85,859,882)	(80,598,186)
Net current liabilities		(62,361,470)	(60,862,284)
Total assets less current liabilities		202,131,862	203,431,430

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2021

	NOTES	At 30 June 2021 RMB'000 (Unaudited)	At 31 December 2020 RMB'000 (Audited)
Non-current liabilities			
Lease liabilities	17	(76,997,169)	(76,098,678)
Interest-bearing borrowings	18	(36,593,137)	(31,639,097)
Provision for return condition checks		(8,219,318)	(8,580,560)
Provision for early retirement benefit obligations		(1,161)	(1,351)
Long-term payables		(11,086)	(21,022)
Contract liabilities		(2,051,050)	(2,264,843)
Defined benefit obligations		(222,944)	(229,332)
Deferred income		(478,610)	(488,791)
Deferred tax liabilities		(330,724)	(334,720)
		(124,905,199)	(119,658,394)
NET ASSETS		77,226,663	83,773,036
CAPITAL AND RESERVES			
Issued capital	19	14,524,815	14,524,815
Treasury shares		(3,047,564)	(3,047,564)
Reserves		59,957,264	66,064,076
Total equity attributable to equity shareholders of the Company		71,434,515	77,541,327
Non-controlling interests		5,792,148	6,231,709
TOTAL EQUITY		77,226,663	83,773,036

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2021

	Attributable to equity shareholders of the Company										
	Note	Issued	Treasury	Capital	Reserve	General	Foreign	Retained	Non-		Total
		capital	shares	reserve	funds	reserve	exchange	earnings	Total	controlling	equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	reserve	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at 1 January 2021 (Audited)		14,524,815	(3,047,564)	30,146,498	11,564,287	110,628	(2,311,036)	26,553,699	77,541,327	6,231,709	83,773,036
Changes in equity for the six months ended 30 June 2021											
Loss for the period		-	-	-	-	-	-	(6,781,429)	(6,781,429)	(889,236)	(7,670,665)
Other comprehensive income/(expense)		-	-	858,210	-	-	(183,593)	-	674,617	(26,121)	648,496
Total comprehensive income/(expense)		-	-	858,210	-	-	(183,593)	(6,781,429)	(6,106,812)	(915,357)	(7,022,169)
Capital contribution from non-controlling shareholder of a subsidiary		-	-	-	-	-	-	-	-	490,148	490,148
Dividends paid to non-controlling shareholders		-	-	-	-	-	-	-	-	(14,352)	(14,352)
Others		-	-	3,637	-	-	-	(3,637)	-	-	-
As at 30 June 2021 (Unaudited)		14,524,815	(3,047,564)	31,008,345	11,564,287	110,628	(2,494,629)	19,768,633	71,434,515	5,792,148	77,226,663
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

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2021

	Six months ended 30 June	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Operating activities		
Cash generated from (used in) operations	7,350,249	(6,727,707)
Income tax paid	(18,532)	(906,008)
Interest paid	(2,899,468)	(2,622,740)
Net cash generated from (used in) operating activities	4,432,249	(10,256,455)
Investing activities		
Payments for the purchase of property, plant and equipment	(1,355,134)	(4,892,688)
Refund (advance) payments for aircraft and flight equipment	756,263	(2,498,324)
Proceeds from disposal of property, plant and equipment	84,728	61,742
Purchases of debt instruments at fair value through other comprehensive income	(99,514)	(607,678)
Proceeds from disposal of debt instruments at fair value through other comprehensive income	1,399,866	467,167
Dividends received from joint ventures and associates	2,631	11,559
Cash flows arising from other investing activities	57,421	61,263
Net cash generated from (used in) investing activities	846,261	(7,396,959)
Financing activities		
Capital contribution from a non-controlling shareholder of a subsidiary	490,148	–
New bank loans and other loans	28,111,014	25,639,476
Proceeds from issuance of corporate bonds	4,300,000	24,500,000
Repayment of bank loans and other loans	(24,473,165)	(12,453,290)
Repayment of corporate bonds	(3,300,000)	(9,100,000)
Repayment of leases liabilities	(7,752,136)	(6,423,623)
Dividends paid to non-controlling shareholder of a subsidiary	(14,352)	(14,787)
Net cash (used in) generated from financing activities	(2,638,491)	22,147,776
Net increase in cash and cash equivalents	2,640,019	4,494,362
Cash and cash equivalents at 1 January	5,837,998	8,935,282
Effect of foreign exchanges rates changes	(26,404)	12,973
Cash and cash equivalents at 30 June	8,451,613	13,442,617

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2021

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 state-owned enterprise established in the PRC 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 2021 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 consolidated financial statements, and should be read in conjunction with the Group’s consolidated financial statements for the year ended 31 December 2020.

As at 30 June 2021, the Group’s current liabilities exceeded its current assets by approximately RMB62,361 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 RMB124,132 million as at 30 June 2021, 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 2021. Accordingly, these condensed consolidated financial statements have been prepared on a basis that the Group will be able to continue as a going concern.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2021

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 2021 are the same as those presented in the Group’s annual consolidated financial statements for the year ended 31 December 2020.

Application of amendments to IFRSs

In the current interim period, the Group has applied the following amendments to IFRSs issued by the IASB, for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2021 for the preparation of the Group’s condensed consolidated financial statements.

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 *Interest Rate Benchmark Reform-Phase 2*
and IFRS 16

In addition, the Group has early applied the Amendment to IFRS 16 “*Covid-19-Related Rent Concessions beyond 30 June 2021*”.

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

3.1 Impacts on early application of Amendment to IFRS 16 “Covid-19-Related Rent Concessions beyond 30 June 2021”

The Group has early applied the amendment in the current interim period. The application of this amendment has had no material impact on the Group’s financial positions and performance for the current and prior periods.

3.2 Impacts and accounting policies on application of Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 “Interest Rate Benchmark Reform – Phase 2”

As at 1 January 2021, the Group has certain lease liabilities denominated in United States Dollar (“USD”) based on London Interbank Offered Rate (“LIBOR”). The accounting policies and the potential impact from the amendment that are relevant to the Group are described below.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2021

3. PRINCIPAL ACCOUNTING POLICIES (Continued)

3.2 Impacts and accounting policies on application of Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 “Interest Rate Benchmark Reform – Phase 2” (Continued)

3.2.1 Accounting policies

Leases

The Group as a lessee

Changes in the basis for determining the future lease payments as a result of interest rate benchmark reform

For changes in the basis for determining the future lease payments as a result of interest rate benchmark reform, the Group applies the practical expedient to remeasure the lease liabilities by discounting the revised lease payments using the unchanged discount rate, unless the change in lease payments results from a change in floating interest rates. In that case, the Group uses the revised discount rate that reflects change in the interest rate and makes a corresponding adjustment to the related right-of-use assets.

A lease modification is required by interest rate benchmark reform if, and only if, both of these conditions are met:

- the modification is necessary as a direct consequence of interest rate benchmark reform; and
- the new basis for determining the lease payments is economically equivalent to the previous basis (i.e. the basis immediately preceding the modification).

3.2.2 Transition and summary of effects

The amendments have had no impact on the condensed consolidated financial statements as none of the above contracts has been transitioned to the relevant replacement rates during the interim period.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2021

4A. REVENUE

	Six months ended 30 June	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Revenue from contracts with customers	37,568,479	29,487,931
Rental income (included in revenue of airline operations segment)	95,324	157,835
Total revenue	37,663,803	29,645,766

Disaggregation of revenue from contracts with customers

Segments	Six months ended 30 June 2021		Six months ended 30 June 2020	
	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	30,895,166	-	22,948,314	-
Cargo and mail	4,575,303	-	4,190,518	-
Ground service income	107,195	-	162,179	-
Others	580,640	-	755,956	-
	36,158,304	-	28,056,967	-
Other operations				
Aircraft engineering income	-	1,271,234	-	1,270,971
Others	-	138,941	-	159,993
	-	1,410,175	-	1,430,964
Total	36,158,304	1,410,175	28,056,967	1,430,964
Geographical markets				
Mainland China	30,426,309	1,410,175	17,597,210	1,430,964
Hong Kong Special Administrative Region ("SAR"), Macau SAR and Taiwan, China	624,049	-	734,391	-
International	5,107,946	-	9,725,366	-
Total	36,158,304	1,410,175	28,056,967	1,430,964

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2021

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 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 2021 and 2020 and the reconciliations of reportable segment revenue and loss before taxation to the Group's consolidated amounts under IFRSs:

For the six months ended 30 June 2021

	Airline operations RMB'000	Other operations RMB'000	Elimination RMB'000	Total RMB'000
Revenue				
Sales to external customers	36,253,628	1,410,175	-	37,663,803
Intersegment sales	74,687	2,682,677	(2,757,364)	-
Revenue for reportable segments under CASs and IFRSs	36,328,315	4,092,852	(2,757,364)	37,663,803
Segment loss before taxation				
Loss before taxation for reportable segments under CASs	(9,366,578)	(33,554)	(10,666)	(9,410,798)
Effect of differences between IFRSs and CASs				5,849
Loss before taxation for the period under IFRSs				(9,404,949)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2021

4B. SEGMENT INFORMATION (Continued)

Operating segments (Continued)

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)

The following table presents the segment assets of the Group's operating segments under CASs as at 30 June 2021 and 31 December 2020 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 2021 under CASs (unaudited)	278,033,335	22,059,855	(12,064,739)	288,028,451
Effect of differences between IFRSs and CASs				(36,707)
Total assets as at 30 June 2021 under IFRSs (unaudited)				287,991,744
Total assets for reportable segments as at 31 December 2020 under CASs (audited)	276,189,234	21,125,795	(13,244,319)	284,070,710
Effect of differences between IFRSs and CASs				(41,094)
Total assets as at 31 December 2020 under IFRSs (audited)				284,029,616

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2021

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 2021 and 2020, respectively:

For the six months ended 30 June 2021

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

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

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 2021

5. OTHER INCOME AND GAINS

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Co-operation routes income and subsidy income	2,192,115	1,726,210
Dividend income	2,631	5,410
Gain on disposal of property, plant and equipment	5,598	22,749
Others	88,797	113,316
	2,289,141	1,867,685

6. LOSS FROM OPERATIONS

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

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Depreciation of property, plant and equipment	4,596,415	4,431,039
Depreciation of right-of-use assets	5,722,680	5,521,043
Depreciation of investment properties	12,505	12,742
Amortisation of intangible assets	21	-
Impairment losses recognised on inventories	-	137
Research and development costs recognised as an expense	60,826	164,604

7. FINANCE COSTS

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

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Interest on interest-bearing borrowings	1,205,093	902,463
Interest on lease liabilities	1,596,943	1,900,472
Imputed interest expenses on defined benefit obligations	3,976	4,183
	2,806,012	2,807,118
Less: Interest capitalised	(147,714)	(258,822)
	2,658,298	2,548,296

The interest capitalisation rates during the period ranged from 1.75% to 4.41% per annum (six months ended 30 June 2020: 1.90% to 4.75% per annum).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2021

8. INCOME TAX CREDIT

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Current income tax:		
– Mainland China	15,048	68,822
– Hong Kong SAR and Macau SAR, China	827	2,655
Over-provision in respect of prior years	(1,575)	(37,316)
Deferred tax	(1,748,584)	(2,270,681)
	(1,734,284)	(2,236,520)

Under the relevant Corporate Income Tax Law and regulations in the PRC, except for two branches and three subsidiaries of the Company, and some branches of a subsidiary of the Company which are taxed at a preferential rate of 15% (six months ended 30 June 2020: 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 2020: 25%) during the current period. Subsidiaries in Hong Kong SAR, China are taxed at corporate income tax rates of 16.5% (six months ended 30 June 2020: 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 2020: 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 2021

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.

No interim dividend has been declared by the Directors for the six months ended 30 June 2021 (six months ended 30 June 2020: Nil).

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

No dividend has been declared by the Directors for the financial year 2020 during the current interim period (six months ended 30 June 2020: RMB0.4442 per ten shares (including tax) for the financial year 2019, amounting to RMB645,192,000).

10. LOSS PER SHARE

The calculation of basic loss per share was based on the loss attributable to ordinary equity shareholders of the Company of RMB6,781 million (six months ended 30 June 2020 (unaudited): loss of RMB9,440 million) and the number of 13,734,960,921 ordinary shares (six months ended 30 June 2020: 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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2021

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

During the six months ended 30 June 2021, additions to property, plant and equipment were RMB8,835 million (six months ended 30 June 2020: RMB3,791 million). Property, plant and equipment with carrying amount of RMB84 million were disposed of during the six months ended 30 June 2021 (six months ended 30 June 2020: RMB70 million), resulting in a gain on disposal of RMB6 million (six months ended 30 June 2020: RMB23 million).

As at 30 June 2021, the Group's aircraft and flight equipment, buildings and machinery with an aggregate net book value of approximately RMB2,319 million (31 December 2020: RMB1,593 million) were pledged to secure certain bank loans of the Group (Note 18).

As at 30 June 2021, the Group was in the process of applying for the title certificates of certain buildings with an aggregate net book value of approximately RMB4,710 million (31 December 2020: RMB3,478 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 2021.

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 RMB4,221 million (six months ended 30 June 2020: RMB1,014 million).

As at 30 June 2021, the Group had future undiscounted lease payments under non-cancellable leases of RMB691 million (31 December 2020: RMB1,386 million), which was not recognised as lease liabilities since leases have yet to be commenced.

As at 30 June 2021, 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 RMB26 million (31 December 2020: RMB27 million) were pledged to secure certain bank loans of the Group (Note 18).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2021

12. INTERESTS IN ASSOCIATES

	At 30 June 2021 RMB'000 (Unaudited)	At 31 December 2020 RMB'000 (Audited)
Share of net assets		
– Listed shares in the PRC	–	–
– Listed shares in Hong Kong SAR, China	6,754,044	7,372,164
– Unlisted investments	972,649	976,857
Goodwill	2,506,889	2,589,407
	10,233,582	10,938,428
Market value of listed shares	10,939,809	12,207,958

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 2021 RMB'000	At 31 December 2020 RMB'000
Gross amounts of the associate's		
Current assets	27,468,625	23,201,490
Non-current assets	143,663,604	148,976,171
Current liabilities	(39,229,244)	(39,324,787)
Non-current liabilities	(73,751,411)	(71,193,486)
Equity	58,151,574	61,659,388
– Equity attributable to equity shareholders of the associate	41,678,888	45,244,041
– Equity contributed to preferred shareholders of the associate	16,468,527	16,411,980
– Equity attributable to non-controlling interests of the associate	4,159	3,367

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2021

12. INTERESTS IN ASSOCIATES (Continued)

Cathay Pacific (Continued)

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
Revenue	13,267,578	25,029,654
Loss for the period	(6,330,009)	(8,923,073)
Other comprehensive income/(expense)	3,066,255	(3,199,606)
Total comprehensive expense	(3,263,754)	(12,122,679)

	At	At
	30 June	31 December
	2021	2020
	RMB'000	RMB'000
Reconciled to the Group's interests in the associate		
Gross amounts of net assets of the associate	41,678,888	45,244,041
Group's effective interest	29.99%	29.99%
Group's share of net assets of the associate	12,499,499	13,568,688
Elimination of reciprocal shareholding	(5,745,455)	(6,196,524)
Goodwill	2,361,418	2,388,549
Carrying amount	9,115,462	9,760,713

Based on the unaudited results of Cathay Pacific for the six months ended 30 June 2021, it incurred a loss for the first half of 2021 due to the continued 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
	2021	2020
	RMB'000	RMB'000
Aggregate carrying amounts of individually immaterial associates in the condensed consolidated financial statements	1,118,120	1,177,715

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2021

12. INTERESTS IN ASSOCIATES (Continued)

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
Aggregate amounts of the Group's share of those associates'		
– Loss for the period	55,327	637,447
– Other comprehensive expense for the period	4,268	102,432
Total comprehensive expense for the period	59,595	739,879

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	At
	30 June	31 December
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Within 30 days	1,492,624	1,270,198
31 to 60 days	831,147	488,965
61 to 90 days	662,551	259,396
Over 90 days	752,189	924,240
	3,738,511	2,942,799

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2021

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 2021 RMB'000 (Unaudited)	At 31 December 2020 RMB'000 (Audited)
Manufacturers' credits	959,643	1,036,936
Prepayments of jet fuel	80,437	61,520
Other prepayments	462,164	359,717
Others	4,689	15,604
	1,506,933	1,473,777
Deposits and other receivables	2,442,222	2,438,694
	3,949,155	3,912,471

As at 30 June 2021, 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 2020: 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 2021 RMB'000 (Unaudited)	At 31 December 2020 RMB'000 (Audited)
Within 30 days	5,042,845	4,674,784
31 to 60 days	1,716,307	1,394,258
61 to 90 days	1,786,927	1,385,660
Over 90 days	6,211,161	5,055,880
	14,757,240	12,510,582

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2021

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 2021 RMB'000 (Unaudited)	At 31 December 2020 RMB'000 (Audited)
Accrued salaries, wages and benefits	2,174,318	2,717,751
Accrued operating expenses	215,078	172,655
Other tax payable	154,547	160,933
Deposits received from sales agents	476,455	564,275
Current portion of long-term payables	20,766	28,449
Deposits received by China National Aviation Finance Co., Ltd. ("CNAF"), a subsidiary of the Company, from related parties	6,437,744	4,460,614
Others	3,472,496	3,073,251
	12,951,404	11,177,928

17. LEASE LIABILITIES

The Group has obligations under lease agreements expiring from the second half of 2021 to 2033 (31 December 2020: 2021 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 2021		At 31 December 2020	
	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	17,090,704	14,039,145	16,632,893	13,560,862
– After 1 year but within 2 years	16,061,606	13,500,047	15,824,712	13,160,310
– After 2 years but within 5 years	41,759,641	36,897,485	41,987,455	36,749,314
– After 5 years	28,488,422	26,599,637	27,801,689	26,189,054
Total	103,400,373	91,036,314	102,246,749	89,659,540
Less: Amounts representing future finance costs	(12,364,059)		(12,587,209)	
Present values of lease payments	91,036,314		89,659,540	
Less: Portion classified as current liabilities	(14,039,145)		(13,560,862)	
Non-current portion	76,997,169		76,098,678	

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2021

18. INTEREST-BEARING BORROWINGS

	At 30 June 2021 RMB'000 (Unaudited)	At 31 December 2020 RMB'000 (Audited)
Bank loans and other borrowings:		
– Secured	1,825,360	2,023,792
– Unsecured	54,172,620	50,359,853
	55,997,980	52,383,645
Corporate bonds and short-term commercial papers:		
– Secured	6,684,056	6,773,214
– Unsecured	13,052,655	12,112,603
	19,736,711	18,885,817
	75,734,691	71,269,462
Bank loans and other borrowings repayable:		
– Within 1 year or payable on demand	26,903,727	31,242,946
– After 1 year but within 2 years	1,491,604	733,833
– After 2 years but within 5 years	27,442,464	20,175,216
– After 5 years	160,185	231,650
	55,997,980	52,383,645
Corporate bonds and short-term commercial papers repayable:		
– Within 1 year	12,237,827	8,387,419
– After 1 year but within 2 years	5,998,884	2,999,157
– After 2 years but within 5 years	1,500,000	7,499,241
	19,736,711	18,885,817
Total interest-bearing borrowings	75,734,691	71,269,462
Less: Portion classified as current liabilities	(39,141,554)	(39,630,365)
Non-current portion	36,593,137	31,639,097

As at 30 June 2021, the interest rates of the Group's bank loans and other borrowings ranged from 1.35% to 4.50% (31 December 2020: 1.5% to 4.75%) per annum.

As at 30 June 2021, the interest rates of the Group's corporate bonds and short-term commercial papers ranged from 2.33% to 5.30% (31 December 2020: 1.95% to 5.30%) per annum.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2021

18. INTEREST-BEARING BORROWINGS (Continued)

The nominal amount of the Group's bank loans and corporate bonds of approximately RMB8,509 million as at 30 June 2021 (31 December 2020: RMB8,797 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 RMB2,319 million as at 30 June 2021 (31 December 2020: RMB1,593 million) (Note 11); and land use rights with an aggregate net book value of approximately RMB26 million as at 30 June 2021 (31 December 2020: RMB27 million) (Note 11);
- (b) As at 30 June 2021, 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 2020: RMB150 million);
- (c) As at 30 June 2021, corporate bonds issued by the Group with a face value of RMB6,500 million (31 December 2020: RMB6,500 million) were guaranteed by CNAHC.

As at 30 June 2021, corporate bonds and short-term commercial papers with carrying amount of RMB8,967 million (31 December 2020: RMB6,568 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 2021 and 31 December 2020 are as follows:

	30 June 2021		31 December 2020	
	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	9,962,131,821	9,962,132
	14,524,815,185	14,524,815	14,524,815,185	14,524,815

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2021

20. CONTINGENT LIABILITIES

As at 30 June 2021, the Group had the following contingent liabilities:

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.

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 2021 RMB'000 (Unaudited)	Fair value measurements as at 30 June 2021 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")	214,265	–	–	214,265
Debt instruments at FVTOCI	1,313,267	–	1,313,267	–
Debt instruments at FVTOCI included in other current assets	391,942	–	391,942	–
Total financial assets at fair value	1,919,474	–	1,705,209	214,265

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2021

21. FINANCIAL INSTRUMENTS (Continued)

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

(i) Fair value hierarchy (Continued)

	Fair value at 31 December 2020 RMB'000 (Audited)	Fair value measurements as at 31 December 2020 categorised into		
		Level 1	Level 2	Level 3
		RMB'000 (Audited)	RMB'000 (Audited)	RMB'000 (Audited)
Equity instruments at FVTOCI	233,180	–	–	233,180
Debt instruments at FVTOCI	1,344,829	–	1,344,829	–
Debt instruments at FVTOCI included in other current assets	1,686,930	–	1,686,930	–
Total financial assets at fair value	3,264,939	–	3,031,759	233,180

During the six months ended 30 June 2021 and 2020, there were no transfers between Level 1 and Level 2, or 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.

(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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2021

21. FINANCIAL INSTRUMENTS (Continued)

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

	Carrying amounts		Fair values	
	As at 30 June 2021 RMB'000 (Unaudited)	As at 31 December 2020 RMB'000 (Audited)	As at 30 June 2021 RMB'000	As at 31 December 2020 RMB'000
Financial liabilities				
– Corporate bonds (fixed rate)	15,421,773	18,375,007	15,335,400	18,123,860

Fair value hierarchy as at 30 June 2021

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Financial liabilities				
– Corporate bonds (fixed rate)	–	15,335,400	–	15,335,400

Fair value hierarchy as at 31 December 2020

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Financial liabilities				
– Corporate bonds (fixed rate)	–	18,123,860	–	18,123,860

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2021

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 2021 RMB'000 (Unaudited)	At 31 December 2020 RMB'000 (Audited)
Contracted, but not provided for:		
– Aircraft and flight equipment	41,227,815	38,456,252
– Buildings and others	2,494,266	2,564,193
Total capital commitments	43,722,081	41,020,445

(b) Investment commitments

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

	At 30 June 2021 RMB'000 (Unaudited)	At 31 December 2020 RMB'000 (Audited)
Contracted, but not provided for:		
– investment commitment to a joint venture	22,610	22,837

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2021

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	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Service provided to the CNAHC Group		
Sales commission income	626	7,392
Sale of cargo space	4,225,056	3,839,744
Government charter flights	–	28,087
Air catering income	15,954	24,812
Ground services income	43,020	47,392
Income from advertising media business	6,553	6,553
Aircraft maintenance income	93,969	147,612
Aviation communication income	1,185	1,185
Aircraft and flight equipment rental income	7,460	12,622
Land and buildings rental income	66,797	76,959
Others	52,927	40,176
	4,513,547	4,232,534
Service provided by the CNAHC Group		
Sales commission expenses	260,718	161,877
Air catering charges	425,734	231,850
Airport ground services, take-off, landing and depot expenses	584,866	482,319
Management fees	112,644	62,216
Repair and maintenance costs	7,952	8,534
Short-term leases and leases of low-value assets	48,622	57,279
Other procurement and maintenance	78,357	64,068
Aviation communication expenses	252,480	155,473
Interest expenses	21,109	14,206
Media advertisement expenses	76,917	48,338
Others	20,340	26,662
	1,889,739	1,312,822
Loans to the CNAHC Group by CNAF		
Advances/(repayments) of loans	30,000	(530,000)
Interest income	407	3,232

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2021

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	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Deposits from the CNAHC Group received by CNAF		
Increase/(decrease) in deposits received	1,845,111	(109,543)
Interest expenses	24,160	18,130

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
As a lessee with CNAHC Group		
Addition in right-of-use assets on new leases	1,941,169	34,262
Addition in lease liabilities on new leases	1,941,169	34,262
Lease payments paid	897,597	772,818
Interest on lease liabilities	187,038	179,093

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Service provided to joint ventures and associates		
Sales commission income	239	575
Aircraft maintenance income	61,877	66,402
Air catering income	1,992	396
Ground services income	44,926	47,822
Frequent-flyer programme income	13,206	9,449
Land and buildings rental income	1,155	1,885
Others	603	2,805
	123,998	129,334

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2021

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	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Service provided by joint ventures and associates		
Sales commission expenses	482	404
Air catering charges	9	1,432
Airport ground services, take-off, landing and depot expenses	129,234	95,074
Repair and maintenance costs	248,114	938,132
Short-term leases and leases of low-value assets	15,917	443
Other procurement and maintenance	7,271	9,994
Aviation communication expenses	2,871	2,704
Airline joint operation expenses	–	10,630
Frequent-flyer programme expenses	189	488
	404,087	1,059,301
Loans to joint ventures and associates by CNAF		
Net repayment of loans	–	14,800
Interest income	–	3,672
Deposits from joint ventures and associates received by CNAF		
Increase in deposits received	125,586	183,840
Interest expenses	1,302	1,403

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 2021

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) Balances with related parties

	At 30 June 2021 RMB'000 (Unaudited)	At 31 December 2020 RMB'000 (Audited)
Outstanding balances with related parties*		
Amount due from the ultimate holding company	200,740	591,909
Amounts due from associates	187,749	209,549
Amounts due from joint ventures	2,656	486
Amounts due from other related companies	1,944,635	1,895,852
Amount due to the ultimate holding company	47,772	43,703
Amounts due to associates	96,772	87,810
Amounts due to joint ventures	159,395	432,560
Amounts due to other related companies	14,170,689	12,985,411

* 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.

	At 30 June 2021 RMB'000 (Unaudited)	At 31 December 2020 RMB'000 (Audited)
Outstanding borrowing balances with related parties		
Interest-bearing borrowings		
– Due to the ultimate holding company	600,442	–
– Due to other related companies	1,367,540	1,361,244

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2021

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) Balances with related parties (Continued)

	At 30 June 2021 RMB'000 (Unaudited)	At 31 December 2020 RMB'000 (Audited)
Outstanding balances between CNAF and related parties		
(1) Outstanding balances between CNAF and CNAHC Group		
Loans granted	50,000	20,000
Deposits received	6,204,580	4,359,469
Interest payable to related parties	18,060	11,488
Interest receivable from related parties	48	20
(2) Outstanding balances between CNAF and joint ventures and associates of the Group		
Deposits received	215,084	89,498
Interest payable to related parties	20	158

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 2021

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	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Short term employee benefits	6,250	6,089
Retirement scheme contributions	322	398
	6,572	6,487

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

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Directors and supervisors	1,130	422
Senior management	5,442	6,065
	6,572	6,487

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2021

23. RELATED PARTY TRANSACTIONS (Continued)

(c) Guarantee with related parties:

At 30 June 2021:

Name of guarantor	Name of guaranteee	Amount of guaranty at 30 June 2021 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

At 31 December 2020:

Name of guarantor	Name of guaranteee	Amount of guaranty at 31 December 2020 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 2021

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

DEFINITIONS

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

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

DEFINITIONS

“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 2021 to 30 June 2021
“RMB”	Renminbi, the lawful currency of the PRC
“SAR”	Special Administrative Region of the People’s Republic of China
“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
“Shareholder(s)”	the shareholder(s) 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