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**中國國際航空股份有限公司**  
**AIR CHINA LIMITED**

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

**2022 ANNUAL RESULTS**

**FINANCIAL HIGHLIGHTS**

- During the Reporting Period, the Group recorded a revenue of RMB52,898 million. The net loss attributable to equity shareholders of the Company was RMB38,617 million.
- As considered and approved by the eighteenth meeting of the sixth session of the Board of the Company, the Company proposed not to make profit distribution for the year of 2022.

 **2022 ANNUAL RESULTS**

The Board hereby announces the audited consolidated financial results of the Group for the year ended 31 December 2022 together with the corresponding comparative figures for the year ended 31 December 2021 as follows:

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS**  
**FOR THE YEAR ENDED 31 DECEMBER 2022**

	NOTES	2022 RMB'000	2021 RMB'000
Revenue	3	52,897,584	74,531,670
Other income and gains	5	3,374,778	4,070,762
		<u>56,272,362</u>	<u>78,602,432</u>
<b>Operating expenses</b>			
Jet fuel costs		(22,762,814)	(20,703,780)
Employee compensation costs		(25,338,553)	(24,230,071)
Depreciation and amortisation		(21,233,674)	(20,934,502)
Take-off, landing and depot charges		(6,499,775)	(9,667,650)
Aircraft maintenance, repair and overhaul costs		(5,640,163)	(6,910,741)
Air catering charges		(872,189)	(1,650,028)
Aircraft and engine lease expense		(135,767)	(236,287)
Other lease expenses		(442,115)	(673,261)
Other flight operation expenses		(5,869,052)	(6,488,734)
Selling and marketing expenses		(1,639,889)	(2,576,346)
General and administrative expenses		(1,240,365)	(1,263,044)
Impairment loss recognised on property, plant and equipment		(62,584)	(292,562)
Impairment loss recognised on intangible assets		–	(750)
Net impairment loss reversed under expected credit loss model		20,784	163,148
		<u>(91,716,156)</u>	<u>(95,464,608)</u>
<b>Loss from operations</b>	6	(35,443,794)	(16,862,176)
Finance income		228,720	112,062
Finance costs	7	(6,472,620)	(5,495,052)
Share of results of associates		(477,414)	(1,088,759)
Share of results of joint ventures		376,872	272,965
Exchange (losses)/gains, net		(4,088,655)	1,235,430
		<u>(45,876,891)</u>	<u>(21,825,530)</u>
<b>Loss before taxation</b>			
Income tax credit	8	702,981	3,003,292
		<u>(45,173,910)</u>	<u>(18,822,238)</u>
<b>Loss for the year</b>			
Attributable to:			
– Equity shareholders of the Company		(38,617,495)	(16,635,178)
– Non-controlling interests		(6,556,415)	(2,187,060)
		<u>(45,173,910)</u>	<u>(18,822,238)</u>
<b>Loss per share</b>			
– Basic and diluted	9	<u>RMB(281.16) cents</u>	<u>RMB(121.12) cents</u>

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2022

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
<b>Loss for the year</b>	<u>(45,173,910)</u>	<u>(18,822,238)</u>
<b>Other comprehensive income/(expense) for the year</b>		
Items that will not be reclassified to profit or loss:		
– Fair value gains/(losses) on investments in equity instruments at fair value through other comprehensive income	65,394	(56,457)
– Remeasurement of net defined benefit liability	(952)	(5,787)
– Share of other comprehensive income of associates and joint ventures	26,901	121,787
– Income tax (expense)/credit relating to items that will not be reclassified to profit or loss	<u>(16,348)</u>	<u>14,114</u>
Items that may be reclassified subsequently to profit or loss:		
– Fair value (losses)/gains on investments in debt instruments at fair value through other comprehensive income	(9,101)	3,234
– Impairment loss recognised on investments in debt instruments at fair value through other comprehensive income	(3,275)	(10,647)
– Share of other comprehensive (expense)/income of associates and joint ventures	(550,580)	813,808
– Exchange differences on translation of foreign operations	1,356,971	(464,804)
– Income tax relating to items that may be reclassified subsequently to profit or loss	<u>3,094</u>	<u>1,854</u>
<b>Other comprehensive income for the year (net of tax)</b>	<u>872,104</u>	<u>417,102</u>
<b>Total comprehensive expense for the year</b>	<u>(44,301,806)</u>	<u>(18,405,136)</u>
<b>Attributable to:</b>		
– Equity shareholders of the Company	(37,791,121)	(16,172,537)
– Non-controlling interests	<u>(6,510,685)</u>	<u>(2,232,599)</u>
	<u>(44,301,806)</u>	<u>(18,405,136)</u>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2022

		31 December 2022	31 December 2021
	NOTE	RMB'000	RMB'000
<b>Non-current assets</b>			
Property, plant and equipment		99,574,059	98,804,707
Right-of-use assets		125,818,601	121,610,254
Investment properties		530,510	571,798
Intangible assets		35,031	35,430
Goodwill		1,099,975	1,099,975
Interests in associates		10,536,483	10,390,940
Interests in joint ventures		2,177,809	1,830,070
Advance payments for aircraft and flight equipment		20,094,732	21,510,230
Deposits for aircraft under leases		539,624	566,684
Equity instruments at fair value through other comprehensive income		241,717	176,323
Debt instruments at fair value through other comprehensive income		1,360,982	1,373,634
Deferred tax assets		10,473,327	9,757,097
Other non-current assets		251,396	257,320
		<u>272,734,246</u>	<u>267,984,462</u>
<b>Current assets</b>			
Inventories		2,557,823	2,050,282
Accounts receivable	11	1,649,356	2,991,037
Bills receivable		7,483	3,591
Prepayments, deposits and other receivables		3,176,418	3,631,521
Financial assets at fair value through profit or loss		3,398	4,157
Restricted bank deposits		828,166	774,951
Cash and cash equivalents		10,607,711	15,934,713
Assets held for sale		1,302	333,884
Other current assets		3,413,474	4,672,592
		<u>22,245,131</u>	<u>30,396,728</u>
<b>Total assets</b>		<u><u>294,979,377</u></u>	<u><u>298,381,190</u></u>

		<b>31 December 2022</b>	31 December 2021
	<i>NOTE</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>Current liabilities</b>			
Air traffic liabilities		(2,757,601)	(2,116,028)
Accounts payable	12	(10,935,546)	(12,590,775)
Bills payable		–	(199,276)
Dividends payable		(98,000)	(98,000)
Other payables and accruals		(16,548,144)	(19,593,940)
Advance		(58,970)	–
Current taxation		(9,359)	(4,572)
Lease liabilities		(17,085,829)	(14,534,309)
Interest-bearing borrowings		(42,957,170)	(40,201,875)
Provision for return condition checks		(936,804)	(801,235)
Contract liabilities		(1,095,185)	(1,479,717)
		<u>(92,482,608)</u>	<u>(91,619,727)</u>
<b>Net current liabilities</b>		<u>(70,237,477)</u>	<u>(61,222,999)</u>
<b>Total assets less current liabilities</b>		<u>202,496,769</u>	<u>206,761,463</u>
<b>Non-current liabilities</b>			
Lease liabilities		(76,897,347)	(76,347,051)
Interest-bearing borrowings		(92,847,116)	(53,120,047)
Provision for return condition checks		(8,605,418)	(8,583,611)
Provision for early retirement benefit obligations		(807)	(1,006)
Long-term payables		(251,497)	(15,646)
Contract liabilities		(1,422,843)	(1,772,209)
Defined benefit obligations		(202,016)	(218,336)
Deferred income		(418,200)	(544,383)
Deferred tax liabilities		(323,297)	(328,063)
		<u>(180,968,541)</u>	<u>(140,930,352)</u>
<b>NET ASSETS</b>		<u><u>21,528,228</u></u>	<u><u>65,831,111</u></u>
<b>CAPITAL AND RESERVES</b>			
Issued capital		14,524,815	14,524,815
Treasury shares		(3,047,564)	(3,047,564)
Reserves		12,099,925	49,891,306
<b>Total equity attributable to equity shareholders of the Company</b>		<u>23,577,176</u>	61,368,557
<b>Non-controlling interests</b>		<u>(2,048,948)</u>	4,462,554
<b>TOTAL EQUITY</b>		<u><u>21,528,228</u></u>	<u><u>65,831,111</u></u>

## NOTES

FOR THE YEAR ENDED 31 DECEMBER 2022

### 1. BASIS OF PREPARATION

As at 31 December 2022, the Group's current liabilities exceeded its current assets by approximately RMB70,237 million. The liquidity of the Group is primarily dependent on its ability to maintain adequate cash inflows from operations and sufficient financing to meet its financial obligations as and when they fall due. Considering the Company's sources of liquidity and the unutilised bank facilities of RMB110,945 million as at 31 December 2022, the Directors believe that adequate funding is available to fulfil the Group's debt obligations and capital expenditure requirements to continue in operational existence for the foreseeable future when preparing the consolidated financial statements for the year ended 31 December 2022. Accordingly, the consolidated financial statements have been prepared on a basis that the Group will be able to continue as a going concern.

The consolidated financial statements have been prepared in accordance with IFRSs issued by the International Accounting Standards Board (the "IASB"). For the purpose of preparation of the consolidated financial statements, information is considered material if such information is reasonably expected to influence decisions made by primary users. In addition, the consolidated financial statements include applicable disclosures required by the Listing Rules and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis, except for certain financial instruments that are measured at fair values at the end of each reporting period. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

### 2. APPLICATION OF AMENDMENTS TO IFRSs

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

In the current year, the Group has applied the following amendments to IFRSs issued by the IASB for the first time, which are mandatorily effective for the Group's annual period beginning on 1 January 2022 for the preparation of the consolidated financial statements:

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

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

## New and amendments to IFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to IFRSs that have been issued but are not yet effective:

IFRS 17 (including the June 2020 and December 2021 Amendments to IFRS 17)	<i>Insurance Contracts<sup>1</sup></i>
Amendments to IFRS 10	<i>Sale or Contribution of Assets between an Investor and and IAS 28 its Associate or Joint Venture<sup>2</sup></i>
Amendments to IFRS 16	<i>Lease Liability in a Sale and Leaseback<sup>3</sup></i>
Amendments to IAS 1	<i>Classification of Liabilities as Current or Non-current<sup>3</sup></i>
Amendments to IAS 1	<i>Non-current Liabilities with Covenants<sup>3</sup></i>
Amendments to IAS 1 and IFRS Practice Statement 2	<i>Disclosure of Accounting Policies<sup>1</sup></i>
Amendments to IAS 8	<i>Definition of Accounting Estimates<sup>1</sup></i>
Amendments to IAS 12	<i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction<sup>1</sup></i>

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

<sup>2</sup> Effective for annual periods beginning on or after a date to be determined.

<sup>3</sup> Effective for annual periods beginning on or 1 January 2024.

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

### 3. REVENUE

	<b>2022</b>	2021
	<b>RMB'000</b>	RMB'000
Revenue from contracts with customers	<b>52,612,867</b>	74,244,919
Rental income (included in revenue of airline operations segment)	<b>284,717</b>	286,751
Total revenue	<b><u>52,897,584</u></b>	<u>74,531,670</u>

## Disaggregation of revenue from contracts with customers

Segments	2022		2021	
	Airline operations RMB'000	Other operations RMB'000	Airline operations RMB'000	Other operations RMB'000
<b>Type of goods or services</b>				
Airline operations				
Passenger	38,296,190	–	58,316,695	–
Cargo and mail	10,084,634	–	11,113,288	–
Ground service income	101,885	–	202,812	–
Others	1,519,717	–	1,364,285	–
	<u>50,002,426</u>	<u>–</u>	<u>70,997,080</u>	<u>–</u>
Other operations				
Aircraft engineering income	–	2,505,219	–	2,901,247
Others	–	105,222	–	346,592
	<u>–</u>	<u>2,610,441</u>	<u>–</u>	<u>3,247,839</u>
<b>Total</b>	<u>50,002,426</u>	<u>2,610,441</u>	<u>70,997,080</u>	<u>3,247,839</u>
<b>Geographical markets</b>				
Mainland China	35,606,207	2,610,441	57,299,361	3,247,839
Hong Kong Special Administrative Region (“SAR”), Macau SAR and Taiwan, China	1,097,125	–	1,172,112	–
International	13,299,094	–	12,525,607	–
<b>Total</b>	<u>50,002,426</u>	<u>2,610,441</u>	<u>70,997,080</u>	<u>3,247,839</u>

## **Performance obligations for contracts with customers**

Passenger revenue is recognised when transportation services are provided. Besides, the Group recognises the expected breakage amount as passenger revenue in proportion to the pattern of rights exercised by the passenger (or flown revenue) based on historical experience. Ticket sales for transportation not yet provided are recorded in air traffic liabilities.

The Group operates frequent-flyer programme and provides free services or products to the customers according to the miles they earn. The Group allocates the transaction price to each performance obligation on a relative stand-alone selling price basis. The amount allocated to the miles earned by the frequent-flyer programme members is recorded in contract liabilities and deferred until the miles are redeemed when the Group fulfils its obligations to supply services or products or when the miles expire. During the year, the Group recognised revenue of RMB1,483 million (2021: RMB1,486 million) which was included in contract liabilities in relation to frequent-flyer programme at the beginning of the year.

Cargo and mail revenue is recognised when contract services are provided.

Revenue from other airline-related services is recognised when the related performance obligations are satisfied.

Sale of goods is recognised when control of the goods has transferred to the customer, being at the point the goods are delivered to the customer.

## **Transaction price allocated to the remaining performance obligation for contracts with customers**

The customer loyalty points in frequent-flyer programme have a three-year term and these points can be redeemed anytime at customers' discretion during the valid period.

## **4. 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.

Inter-segment 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 CASs for the years ended 31 December 2022 and 2021, and the reconciliations of reportable segment revenue and loss before taxation to the Group's consolidated amounts under IFRSs:

### Year ended 31 December 2022

	Airline operations <i>RMB'000</i>	Other operations <i>RMB'000</i>	Elimination <i>RMB'000</i>	Total <i>RMB'000</i>
<b>Revenue</b>				
Sales to external customers	50,287,143	2,610,441	–	52,897,584
Inter-segment sales	<u>211,473</u>	<u>5,134,296</u>	<u>(5,345,769)</u>	<u>–</u>
Revenue for reportable segments under CASs and IFRSs	<u>50,498,616</u>	<u>7,744,737</u>	<u>(5,345,769)</u>	<u>52,897,584</u>
<b>Segment loss before taxation</b>				
Loss before taxation for reportable segments under CASs	<u>(44,354,029)</u>	<u>(1,418,775)</u>	<u>(106,759)</u>	(45,879,563)
Effect of differences between IFRSs and CASs				<u>2,672</u>
Loss before taxation for the year under IFRSs				<u>(45,876,891)</u>

### Year ended 31 December 2021

	Airline operations <i>RMB'000</i>	Other operations <i>RMB'000</i>	Elimination <i>RMB'000</i>	Total <i>RMB'000</i>
<b>Revenue</b>				
Sales to external customers	71,283,831	3,247,839	–	74,531,670
Inter-segment sales	<u>166,623</u>	<u>5,846,246</u>	<u>(6,012,869)</u>	<u>–</u>
Revenue for reportable segments under CASs and IFRSs	<u>71,450,454</u>	<u>9,094,085</u>	<u>(6,012,869)</u>	<u>74,531,670</u>
<b>Segment loss before taxation</b>				
Loss before taxation for reportable segments under CASs	<u>(21,687,315)</u>	<u>(93,034)</u>	<u>(54,690)</u>	(21,835,039)
Effect of differences between IFRSs and CASs				<u>9,509</u>
Loss before taxation for the year under IFRSs				<u>(21,825,530)</u>

The following tables presents the assets, liabilities and other information of the Group's operating segments under CASs as at 31 December 2022 and 2021 and the reconciliations of reportable segment assets, segment liabilities and other segment information to the Group's consolidated amounts under IFRSs:

	<b>Airline operations RMB'000</b>	<b>Other operations RMB'000</b>	<b>Elimination RMB'000</b>	<b>Total RMB'000</b>
<b>Segment assets</b>				
Total assets for reportable segments as at 31 December 2022 under CASs	<u>284,165,518</u>	<u>26,473,501</u>	<u>(15,627,684)</u>	<u>295,011,335</u>
Effect of differences between IFRSs and CASs				<u>(31,958)</u>
Total assets under IFRSs				<u><u>294,979,377</u></u>
Total assets for reportable segments as at 31 December 2021 under CASs	<u>283,966,030</u>	<u>30,399,066</u>	<u>(15,949,944)</u>	<u>298,415,152</u>
Effect of differences between IFRSs and CASs				<u>(33,962)</u>
Total assets under IFRSs				<u><u>298,381,190</u></u>
	<b>Airline operations RMB'000</b>	<b>Other operations RMB'000</b>	<b>Elimination RMB'000</b>	<b>Total RMB'000</b>
<b>Segment liabilities</b>				
Total liabilities for reportable segments as at 31 December 2022 under CASs and IFRSs	<u>268,114,481</u>	<u>20,560,734</u>	<u>(15,224,066)</u>	<u>273,451,149</u>
Total liabilities for reportable segments as at 31 December 2021 under CASs and IFRSs	<u>224,449,461</u>	<u>23,710,137</u>	<u>(15,609,519)</u>	<u>232,550,079</u>

**Year ended 31 December 2022**

	Airline operations <i>RMB'000</i>	Other operations <i>RMB'000</i>	Elimination <i>RMB'000</i>	Total <i>RMB'000</i>	Effect of differences between IFRSs and CASs <i>RMB'000</i>	Amounts under IFRSs <i>RMB'000</i>
<b>Other segment information</b>						
Share of (loss)/profit of associates and joint ventures	(484,499)	383,957	–	(100,542)	–	(100,542)
Impairment losses reversed/ (recognised) on financial assets	7,239	(4,760)	18,305	20,784	–	20,784
Impairment losses (recognised)/ reversed on non-financial assets	(66,278)	526	–	(65,752)	–	(65,752)
Depreciation and amortisation	20,902,720	475,483	(132,746)	21,245,457	(11,783)	21,233,674
Income tax (credit)/expense	(336,326)	(337,427)	(29,896)	(703,649)	668	(702,981)
Interests in associates and joint ventures	10,257,014	2,389,058	(71,699)	12,574,373	139,919	12,714,292
Additions to non-current assets	<u>26,238,224</u>	<u>367,171</u>	<u>(39,835)</u>	<u>26,565,560</u>	<u>–</u>	<u>26,565,560</u>

**Year ended 31 December 2021**

	Airline operations <i>RMB'000</i>	Other operations <i>RMB'000</i>	Elimination <i>RMB'000</i>	Total <i>RMB'000</i>	Effect of differences between IFRSs and CASs <i>RMB'000</i>	Amounts under IFRSs <i>RMB'000</i>
<b>Other segment information</b>						
Share of (losses)/profit of associates and joint ventures	(1,106,530)	290,736	–	(815,794)	–	(815,794)
Impairment losses reversed/ (recognised) on financial assets	169,463	(15,185)	8,870	163,148	–	163,148
Impairment losses recognised on non-financial assets	(302,661)	(34,773)	–	(337,434)	–	(337,434)
Depreciation and amortisation	20,668,858	408,365	(131,171)	20,946,052	(11,550)	20,934,502
Income tax (credit)/expense	(2,983,013)	(16,140)	(6,516)	(3,005,669)	2,377	(3,003,292)
Interests in associates and joint ventures	10,078,844	2,067,736	(65,489)	12,081,091	139,919	12,221,010
Additions to non-current assets	<u>24,007,672</u>	<u>531,694</u>	<u>(14,077)</u>	<u>24,525,289</u>	<u>–</u>	<u>24,525,289</u>

## Geographical information

The following table presents the Group's consolidated revenue under IFRSs by geographical location for the years ended 31 December 2022 and 2021, respectively:

### Year ended 31 December 2022

	Mainland China <i>RMB'000</i>	Hong Kong SAR, Macau SAR and Taiwan, China <i>RMB'000</i>	International <i>RMB'000</i>	Total <i>RMB'000</i>
Sales to external customers and total revenue	<u>38,501,365</u>	<u>1,097,125</u>	<u>13,299,094</u>	<u>52,897,584</u>

### Year ended 31 December 2021

	Mainland China <i>RMB'000</i>	Hong Kong SAR, Macau SAR and Taiwan, China <i>RMB'000</i>	International <i>RMB'000</i>	Total <i>RMB'000</i>
Sales to external customers and total revenue	<u>60,833,951</u>	<u>1,172,112</u>	<u>12,525,607</u>	<u>74,531,670</u>

In determining the Group's geographical information, revenue is attributed to the segments based on the origin or destination of each flight. Assets, which consist principally of aircraft and ground equipment, supporting the Group's worldwide transportation network, are mainly registered/located in Mainland China. According to the business demand, the Group needs to flexibly allocate different aircraft to match the need of the route network. An analysis of the assets of the Group by geographical distribution has therefore not been included.

Revenue from transactions with CNAHC and its subsidiaries (other than the Group) amounted to 21% of the Group's revenue during the year ended 31 December 2022 (2021: 16%), which is the only single customer with revenue from transactions of 10% or more of the Group's revenue.

## 5. OTHER INCOME AND GAINS

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Co-operation routes income and subsidy income	2,899,943	3,840,535
Dividend income	9,368	4,904
Gains/(losses) on disposal of		
– Property, plant and equipment	64,922	37,593
– Investment in an associate	4,599	–
– Asset held for sale	(6,774)	–
– Equity instruments at fair value through other comprehensive income	–	408
Gain/(loss) arising on financial assets at fair value through profit or loss	168	(404)
Others	<u>402,552</u>	<u>187,726</u>
	<u><b>3,374,778</b></u>	<u><b>4,070,762</b></u>

## 6. LOSS FROM OPERATIONS

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

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Depreciation of property, plant and equipment	8,784,570	9,259,782
Depreciation of right-of-use assets	12,425,265	11,649,695
Depreciation of investment properties	23,839	24,961
Amortisation of intangible assets	<u>–</u>	<u>64</u>
Total depreciation and amortisation	<u><b>21,233,674</b></u>	<u><b>20,934,502</b></u>
Impairment losses recognised on property, plant and equipment	62,584	292,562
Impairment losses recognised on intangible assets	–	750
Impairment losses recognised on inventories	3,168	44,122
Auditors' remuneration:		
– Audit related services	17,817	18,017
– Other services	<u>4,443</u>	<u>1,581</u>

## 7. FINANCE COSTS

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Interest on interest-bearing borrowings	3,383,021	2,464,834
Interest on lease liabilities	3,363,993	3,302,207
Imputed interest expenses on defined benefit obligations	<u>6,573</u>	<u>7,749</u>
	6,753,587	5,774,790
Less: Interest capitalised	<u>(280,967)</u>	<u>(279,738)</u>
	<u><u>6,472,620</u></u>	<u><u>5,495,052</u></u>

The interest capitalisation rates ranged from 2.73% to 5.80% per annum (2021: 1.75% to 4.41% per annum) relating to the costs of related borrowings during the year.

## 8. INCOME TAX CREDIT

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Current income tax:		
– Mainland China	26,148	28,344
– Hong Kong SAR and Macau SAR, China	1,587	1,644
Under/(over) provision in respect of prior years	1,310	(35,341)
Deferred tax	<u>(732,026)</u>	<u>(2,997,939)</u>
	<u><u>(702,981)</u></u>	<u><u>(3,003,292)</u></u>

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

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

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

	<b>2022</b>	2021
	<b>RMB'000</b>	RMB'000
Loss before taxation	<u><b>(45,876,891)</b></u>	<u>(21,825,530)</u>
Tax at the applicable tax rate of 25%	<b>(11,469,223)</b>	(5,456,383)
Preferential tax rates on income of group entities	<b>676,241</b>	383,349
Tax effect of share of results of associates and joint ventures	<b>98,907</b>	247,210
Tax effect of non-deductible expenses	<b>259,889</b>	97,000
Tax effect of non-taxable income	<b>(8,112)</b>	(4,812)
Tax effect of deductible temporary differences and tax losses not recognised	<b>9,734,551</b>	1,808,606
Tax effect of utilisation of tax losses and deductible temporary differences not recognised in prior years	<b>(1,188)</b>	(42,921)
Under/(over) provision in respect of prior years	<b>1,310</b>	(35,341)
Others	<u><b>4,644</b></u>	<u>–</u>
Income tax credit for the year	<u><b>(702,981)</b></u>	<u>(3,003,292)</u>

## 9. LOSS PER SHARE

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

	<b>2022</b>	2021
	<b>RMB'000</b>	RMB'000
<b>Loss</b>		
Loss for the purpose of basic and diluted loss per share	<u><b>(38,617,495)</b></u>	<u>(16,635,178)</u>

	<b>2022</b>	2021
	<b>'000</b>	'000

### Number of shares

Number of ordinary shares for the purpose of basic and diluted loss per share	<u><b>13,734,961</b></u>	<u>13,734,961</u>
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The number of ordinary shares for the purpose of basic and diluted loss per share is calculated based on the number of ordinary shares in issue during the year, as adjusted to reflect the number of treasury shares held by Cathay Pacific through reciprocal shareholding.

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

## 10. DIVIDENDS

No dividend was paid or proposed for ordinary shareholders of the Company during the years ended 31 December 2021 and 2022, nor has any dividend been proposed since the end of both reporting periods.

## 11. ACCOUNTS RECEIVABLE

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Accounts receivable	1,794,464	3,150,020
Less: Allowance for expected credit losses	<u>(145,108)</u>	<u>(158,983)</u>
	<u><u>1,649,356</u></u>	<u><u>2,991,037</u></u>

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

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Within 30 days	871,543	1,841,788
31 to 60 days	354,939	912,729
61 to 90 days	103,925	68,098
Over 90 days	<u>318,949</u>	<u>168,422</u>
	<u><u>1,649,356</u></u>	<u><u>2,991,037</u></u>

## 12. 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:

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Within 30 days	4,233,975	4,440,586
31 to 60 days	1,228,802	1,070,102
61 to 90 days	950,354	1,053,190
Over 90 days	<u>4,522,415</u>	<u>6,026,897</u>
	<u><u>10,935,546</u></u>	<u><u>12,590,775</u></u>

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

## CONSOLIDATED BALANCE SHEET

At 31 DECEMBER 2022

(Prepared under the CASs)

<b>ASSETS</b>	<b>31 December 2022 RMB'000</b>	31 December 2021 RMB'000
<b>Current assets</b>		
Cash and bank	11,435,877	16,709,664
Financial assets at fair value through profit or loss	3,398	4,157
Bills receivable	7,483	3,591
Accounts receivable	1,649,356	2,991,037
Accounts receivable	368,692	440,274
Other receivables	2,807,726	3,191,247
Inventories	2,557,823	2,050,282
Assets held for sale	1,302	333,884
Other current assets	3,413,474	4,672,592
<b>Total current assets</b>	<b>22,245,131</b>	<b>30,396,728</b>
<b>Non-current assets</b>		
Debt instruments at fair value through other comprehensive income	1,360,982	1,373,634
Long-term receivables	539,624	574,646
Long-term equity investments	12,574,373	12,081,091
Equity instruments at fair value through other comprehensive income	243,760	178,366
Investment properties	106,118	128,782
Fixed assets	86,369,754	85,009,447
Right-of-use assets	122,591,793	119,213,535
Construction in progress	32,908,551	34,862,651
Intangible assets	4,300,216	3,544,175
Goodwill	1,102,185	1,102,185
Long-term deferred expenses	249,268	249,358
Deferred tax assets	10,417,452	9,700,554
Other non-current assets	2,128	-
<b>Total non-current assets</b>	<b>272,766,204</b>	<b>268,018,424</b>
<b>TOTAL assets</b>	<b>295,011,335</b>	<b>298,415,152</b>

<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>31 December 2022 RMB'000</b>	31 December 2021 RMB'000
<b>Current liabilities</b>		
Short-term loans	19,946,147	22,001,916
Short-term bonds payable	2,006,149	12,332,635
Bills payable	–	199,276
Accounts payable	11,628,611	13,307,360
Air traffic liabilities	2,757,601	2,116,028
Advance	58,970	–
Contract liabilities	1,095,185	1,479,717
Employee compensations payable	4,317,738	3,502,384
Taxes payable	275,930	166,085
Other payables	13,131,744	17,239,846
Non-current liabilities repayable within one year	<u>37,264,533</u>	<u>19,070,477</u>
<b>Total current liabilities</b>	<u>92,482,608</u>	<u>91,415,724</u>
<b>Non-current liabilities</b>		
Long-term loans	66,868,774	43,620,468
Corporate bonds	11,193,342	9,499,579
Long-term payables	20,551,757	5,656,909
Lease liabilities	76,897,347	76,347,051
Defined benefit obligations	202,016	218,336
Accrued liabilities	3,090,965	3,147,357
Deferred income	418,200	544,383
Deferred tax liabilities	323,297	328,063
Other non-current liabilities	<u>1,422,843</u>	<u>1,772,209</u>
<b>Total non-current liabilities</b>	<u>180,968,541</u>	<u>141,134,355</u>
<b>Total liabilities</b>	<u>273,451,149</u>	<u>232,550,079</u>
<b>Shareholders' equity</b>		
Issued capital	14,524,815	14,524,815
Capital reserve	26,270,841	26,270,841
Other comprehensive income	421,075	(405,309)
Reserve funds	11,564,287	11,564,287
Retained earnings	(29,309,022)	9,315,969
General reserve	<u>137,138</u>	<u>131,916</u>
Equity attributable to shareholders of the Company	23,609,134	61,402,519
Non-controlling interests	<u>(2,048,948)</u>	<u>4,462,554</u>
<b>Total shareholders' equity</b>	<u>21,560,186</u>	<u>65,865,073</u>
<b>Total liabilities and shareholders' equity</b>	<u>295,011,335</u>	<u>298,415,152</u>

## EFFECTS OF DIFFERENCES BETWEEN IFRSs AND CASs

The effects of differences between the consolidated financial statements of the Group prepared under IFRSs and CASs are as follows:

	<b>2022</b> <i>RMB'000</i>	2021 <i>RMB'000</i>
Net loss attributable to shareholders of the Company under CASs	<b>(38,619,499)</b>	(16,642,310)
Deferred taxation	<b>(668)</b>	(2,377)
Differences in value of fixed assets and certain non-current assets	<u><b>2,672</b></u>	<u>9,509</u>
Net loss attributable to shareholders of the Company under IFRSs	<u><b>(38,617,495)</b></u>	<u>(16,635,178)</u>
	<b>31 December</b> <b>2022</b> <i>RMB'000</i>	31 December 2021 <i>RMB'000</i>
Equity attributable to shareholders of the Company under CASs	<b>23,609,134</b>	61,402,519
Deferred taxation	<b>55,875</b>	56,543
Differences in value of fixed assets and certain non-current assets	<b>(227,752)</b>	(230,424)
Unrealised profit on the disposal of Hong Kong Dragon Airlines Limited	<u><b>139,919</b></u>	<u>139,919</u>
Equity attributable to shareholders of the Company under IFRSs	<u><b>23,577,176</b></u>	<u>61,368,557</u>

## SUMMARY OF OPERATING DATA

The following is the operating data summary of the Company, Shenzhen Airlines (including Kunming Airlines), Air Macau, Beijing Airlines, Dalian Airlines and Air China Inner Mongolia.

	<b>Current year</b>	Previous year	Increase/ (decrease)
<b>Capacity</b>			
<b>ASK (million)</b>	<b>96,212.39</b>	152,444.53	(36.89%)
International	<b>4,642.62</b>	4,152.23	11.81%
Mainland China	<b>89,945.02</b>	145,939.38	(38.37%)
Hong Kong SAR, Macau SAR and Taiwan, China	<b>1,624.75</b>	2,352.93	(30.95%)
<b>AFTK (million)</b>	<b>8,326.31</b>	10,760.61	(22.62%)
International	<b>5,897.32</b>	6,715.58	(12.18%)
Mainland China	<b>2,311.18</b>	3,937.54	(41.30%)
Hong Kong SAR, Macau SAR and Taiwan, China	<b>117.82</b>	107.49	9.61%
<b>ATK (million)</b>	<b>16,990.72</b>	24,490.45	(30.62%)
<b>Traffic</b>			
<b>RPK (million)</b>	<b>60,354.57</b>	104,625.58	(42.31%)
International	<b>2,046.88</b>	1,880.33	8.86%
Mainland China	<b>57,554.46</b>	101,494.42	(43.29%)
Hong Kong SAR, Macau SAR and Taiwan, China	<b>753.23</b>	1,250.83	(39.78%)
<b>RFTK (million)</b>	<b>3,401.93</b>	4,302.83	(20.94%)
International	<b>2,528.84</b>	2,981.52	(15.18%)
Mainland China	<b>836.22</b>	1,281.20	(34.73%)
Hong Kong SAR, Macau SAR and Taiwan, China	<b>36.85</b>	40.13	(8.16%)
<b>Passengers carried (thousand)</b>	<b>38,605.77</b>	69,045.17	(44.09%)
International	<b>356.31</b>	301.31	18.26%
Mainland China	<b>37,809.82</b>	67,995.09	(44.39%)
Hong Kong SAR, Macau SAR and Taiwan, China	<b>439.64</b>	748.78	(41.29%)
<b>Cargo and mail carried (tonnes)</b>	<b>844,070.47</b>	1,186,701.55	(28.87%)
<b>Kilometres flown (million)</b>	<b>664.31</b>	994.20	(33.18%)
<b>Block hours (thousand)</b>	<b>1,031.79</b>	1,590.15	(35.11%)

	<b>Current year</b>	Previous year	Increase/ (decrease)
<b>Number of flights</b>	<b>363,886</b>	572,264	(36.41%)
International	<b>15,787</b>	18,179	(13.16%)
Mainland China	<b>342,004</b>	545,724	(37.33%)
Hong Kong SAR, Macau SAR and Taiwan, China	<b>6,095</b>	8,361	(27.10%)
<b>RTK (million)</b>	<b>8,739.54</b>	13,598.95	(35.73%)
<b>Load factor</b>			
<b>Passenger load factor (RPK/ASK)</b>	<b>62.73%</b>	68.63%	(5.90 ppt)
International	<b>44.09%</b>	45.28%	(1.20 ppt)
Mainland China	<b>63.99%</b>	69.55%	(5.56 ppt)
Hong Kong SAR, Macau SAR and Taiwan, China	<b>46.36%</b>	53.16%	(6.80 ppt)
<b>Cargo and mail load factor (RFTK/AFTK)</b>	<b>40.86%</b>	39.99%	0.87 ppt
International	<b>42.88%</b>	44.40%	(1.52 ppt)
Mainland China	<b>36.18%</b>	32.54%	3.64 ppt
Hong Kong SAR, Macau SAR and Taiwan, China	<b>31.28%</b>	37.33%	(6.05 ppt)
<b>Overall load factor (RTK/ATK)</b>	<b>51.44%</b>	55.53%	(4.09 ppt)
<b>Utilisation</b>			
<b>Daily utilisation of aircraft (block hours per day per aircraft)</b>	<b>3.95</b>	6.28	(2.32 hours)
<b>Yield</b>			
<b>Yield per RPK (RMB)</b>	<b>0.6345</b>	0.5574	13.83%
International	<b>2.3444</b>	1.8523	26.57%
Mainland China	<b>0.5688</b>	0.5318	6.96%
Hong Kong SAR, Macau SAR and Taiwan, China	<b>1.0105</b>	0.6872	47.05%
<b>Yield per RFTK (RMB)</b>	<b>2.9644</b>	2.5828	14.77%
International	<b>3.3614</b>	3.0329	10.83%
Mainland China	<b>1.4926</b>	1.3722	8.77%
Hong Kong SAR, Macau SAR and Taiwan, China	<b>9.1181</b>	7.7885	17.07%
<b>Unit cost</b>			
<b>Operating expense per ASK (RMB)</b>	<b>0.9533</b>	0.6262	52.24%
<b>Operating expense per ATK (RMB)</b>	<b>5.3980</b>	3.8980	38.48%

## FLEET INFORMATION

During the year of 2022, the Group introduced a total of 36 aircraft, including seven A350, nine A320NEO, twelve A321NEO and eight ARJ21-700, and phased out 20 aircraft, including four A330-200, eight B737-800, five B737-900 and three A319 aircraft.

As at the end of the Reporting Period, the Group had a total of 762 aircraft including business jets, with an average age of 8.59 years, of which the Company operated a fleet of 487 aircraft in total, with an average age of 8.61 years. The Company introduced 31 aircraft and phased out 11 aircraft.

Details of the fleet of the Group as at 31 December 2022 are set out in the table below:

	<b>Sub-total</b>	<b>Self-owned</b>	<b>Finance leases</b>	<b>Operating leases</b>	<b>Average age (year)</b>
<b>Airbus</b>	<b>429</b>	<b>167</b>	<b>142</b>	<b>120</b>	<b>8.26</b>
A319	38	32	6	–	15.06
A320/A321	308	110	107	91	7.49
A330	60	23	8	29	10.20
A350	23	2	21	–	2.29
<b>Boeing</b>	<b>313</b>	<b>141</b>	<b>93</b>	<b>79</b>	<b>9.38</b>
B737	261	117	73	71	9.49
B747	10	8	2	–	13.47
B777	28	4	18	6	8.71
B787	14	12	–	2	5.86
<b>COMAC</b>	<b>15</b>	<b>3</b>	<b>12</b>	<b>–</b>	<b>0.95</b>
ARJ21	15	3	12	–	0.95
<b>Business jets</b>	<b>5</b>	<b>1</b>	<b>–</b>	<b>4</b>	<b>9.52</b>
<b>Total</b>	<b>762</b>	<b>312</b>	<b>247</b>	<b>203</b>	<b>8.59</b>

	Introduction Plan			Phase-out Plan		
	2023	2024	2025	2023	2024	2025
<b>Airbus</b>	<b>17</b>	<b>32</b>	<b>34</b>	<b>12</b>	<b>8</b>	<b>6</b>
A319	–	–	5	3	4	4
A320/A321	10	32	29	5	–	–
A330	–	–	–	4	4	2
A350	7	–	–	–	–	–
<b>Boeing</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>8</b>	<b>–</b>	<b>–</b>
B737	–	–	–	8	–	–
<b>COMAC</b>	<b>11</b>	<b>9</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
ARJ21	11	9	–	–	–	–
<b>Total</b>	<b>28</b>	<b>41</b>	<b>34</b>	<b>20</b>	<b>8</b>	<b>6</b>

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

## 2022 REVIEW

The year 2022 is an important year for the comprehensive implementation of the “14th Five-Year” Plan and the commencement of the new journey of building a modern socialist country in an all-round manner. Over the past year, the Group rose to challenges and fought hard to ensure safe operation with its best endeavors, exert itself to respond to operating difficulties, persistently improve its services, steadily deepen the reform, continue to push ahead with the in-depth development of the Board and comprehensively promote party building and sustained smooth and orderly development in all aspects of work.

**Fulfilling its responsibilities by maintaining safe and stable development.** The Group always regards safety as its primary political responsibility and top priority and adopts intense and solid measures in this regard. The concept of safe development has been applied comprehensively and the responsibilities of safe operation have been strictly implemented. In order to conscientiously implement the work requirements of the Work Safety Committee of the State Council and the Civil Aviation Administration, the Group further conducted major inspection for safety purpose and investigation and rectification of hidden safety hazards, thereby drawing a successful end to the Three-year Action Plan for Specific Safety Rectification. Based on the characteristics of its operation, the Group also carried out in-depth general survey of the technological conditions of all of its fleet, continued to strengthen the prevention and control of operation risks of flights and improved the security assessment of key routes, which have enhanced its safety security capability and ensured safe operation. Strenuous efforts have been made to promote style development and enhance the awareness of safety issues as well as the relevant rules and regulations among the frontline staff to consolidate the foundation of security work. Important transportation safeguard missions for the Beijing Winter Olympics, the 20th National Congress of the CPC and other major events were completed with high quality during the period.

**Stabilizing the fundamentals of operation with a tenacious spirit.** Upholding the strong determination to control loss and bottom out, the Group coordinated work in relation to operation arrangement and safe operation and kept the fundamentals of its operation stable amidst the challenging and complicated operation conditions. The Group dynamically adjusted its transport capacity based on market demand, aiming to promote the optimization of both domestic and international fleet capacity structure, consolidate the market share of its main bases and maintain its operation scale on the basis of serving the large domestic market. It has also exercised refined control over marketing activities, actively maintained the order of the passenger transportation market, improved sales arrangement and revenue management and enriched the service and product mix in order to stabilize flight revenue. Furthermore, the Group further implemented the mechanism that covert passenger aircraft for cargo operations to consolidate the economies of scale of cargo flights by passenger aircraft with a view to actively broadening its revenue base. The Group exercised stringent cost control and strived to reduce costs and expenses by all means, and has therefore adjusted the phase-out plan of aircraft and exercised more precise management and control over major cost items. While resolutely guarding the bottom line for risk management, the Group actively adjusted the debt structure and enhanced its capital management and control to ensure the liquidity safety.

**Enhancing the service level with unremitting tenacity.** The Group was dedicated to the people-oriented development philosophy and made great efforts in improving its services. In order to further improve the service management system, the Group promoted in-depth development during the “Civil Aviation Service Planning and Implementation Year” with an aim to improve the standard service system and promote the professional development of its staff. Flight regularity was enhanced in an effort to optimize the air travel services process on a continuous basis. It also launched featured services and products of Air China’s brand and upgraded a series of software and hardware, thereby creating a service brand with increased competitiveness and influence to offer better travel experience for the passengers. In addition, all the domestic terminals have realized the full coverage of “paperless” travel services and the global platform for ground service and flight support services has commenced operation at fully capacity, enhancing the level of service digitalization.

**Reform and innovate in the spirit of striving for the success aggressively.** The Group precisely grasped its responsibility and mission in building the new development paradigm, and promoted high-quality development in pursuit of the concept of the country’s fundamental interests. Maintaining its strategic focus, the Group has accelerated the development of Beijing Capital International Airport as a world-class hub, and at the same time actively participated in the operation of Daxing Airport in a bid to create new drivers for national development. The Group further promoted the improvement of the corporate governance mechanism, achieved a full coverage of the tenure system and contractual management for members of the management, and successfully completed its primary tasks of the three-year action of reform. In addition, the Group accelerated digital transformation, enhanced data asset management capabilities, deepened data security management and completed the development of a data asset centre. By implementing the concept of green and low-carbon development, the Group formulated the ” Dual-carbon” action plan, improved the management system of green development, and enhanced the capability and efficiency of environmental governance.

**Enhancing the corporate governance capabilities with a focus on the development of the Board.**

Focusing on the promotion of the development of the Board that is characterized by “professional, dedicated, regulated and efficient” operation, the Group has organized and completed the re-election and appointment of members of the Board with strong emphasis placed on ensuring the operation, decision-making and services of the Board, and to enhance the quality of both operation and decision-making of the Board in a systematic manner. The Group has also strengthened the supervisory role of the Board and enhance the Company’s risk resistant ability, striving to contribute to the development of a world-class aviation transportation group through the high-quality development of the Board.

**Pursuing high-quality party building to ensure high-quality development.** The Group has effectively pushed forward the learning, promotion and implementation of the philosophy of the 20th National Congress of the CPC to further clarify the direction of our struggle for quality development in the future. Always adhering to political work as the priority, the Group has strengthened the leadership of the Party in improving the corporate governance, consolidated the development of the Party’s internal rules and regulations, strengthened the team building of talented cadres, further promoted the full and strict self-governance of the Party, and continued to create an honourable and upright political ecology and development environment.

The year 2023 is the first year of the implementation of the spirit of the 20th National Congress of the CPC, which is also a crucial year for the implementation of the “14th Five-Year” Plan regarding its continuity. The Group will adhere to the underlying principle of pursuing progress while ensuring stability, fully, precisely and comprehensively implement the new development philosophy, contribute to and integrate with the new development paradigm, thereby focusing on promoting high-quality development. With solid actions to accelerate its development into a world-class aviation and transportation group, the Group will make new and greater contributions to building a modern socialist country in an all-round manner!

## **Safe Operation**

The Group firmly established the awareness that safety responsibility is political responsibility, conscientiously implemented the 15 measures of operation safety of the Work Safety Committee of the State Council, focused on the goal of creating a world-class model enterprise, enforced the responsibility of operation safety at all levels, constantly improved the operation safety system, and continuously enhanced the development of the “four systems”, namely safety management, flight training, aircraft maintenance, and operation management. Based on the characteristics of its operation, the Group continuously strengthened the operation safety process control and key risk control, and focused on improving the quality of flight technology. With flight data management and application system successfully put into use, the Group further promoted major inspection for safety purpose and investigation and rectification of hidden safety hazards.

The Group effectively ensured the proper implementation of preventing and eliminating major safety risks and special improvement annual actions in “8 safety areas” such as aviation, air defense, cargoes and dangerous goods. It continued to improve the Company’s overall emergency response plan and enhance the Company’s emergency response capability. The Group promoted the style development and education of safety personnel, improved the quantitative assessment mechanism of safety style, and organized and carried out lecture activities on operation safety. It successfully accomplished a series of important transportation missions such as the 20th National Congress of the CPC, the Beijing Winter Olympics/Paralympics, the Spring Festival travel rush, the Two Sessions, evacuation of nationals, and China International Import Expo. Regarding the safeguard tasks for the Beijing Winter Olympics and Winter Paralympics, we achieved zero error in safety, zero infection in personnel and zero complaint in service.

During the Reporting Period, the Group recorded 1.0318 million safe flight hours, transported 38.6058 million passengers safely, continuously maintaining an overall stable and safe operation.

## **Maximising Operating Performance**

Focusing on the core air traffic business, the Group made every effort to maximise operating performance. The Group was determined to control losses and extricate itself from difficulties, coordinated its safe operation and business operation, organized production and operation based on the principles of “maximizing revenue, marginal contribution, yield and profit”, effectively promoted quality improvement and efficiency enhancement and stabilized the operation fundamentals.

Relying on the domestic market, the Group strived to increase its investment in major domestic cities, and continuously built six high-quality express routes from Beijing to Shanghai, Hangzhou, Chengdu, Chongqing, Guangzhou and Shenzhen. By increasing flight density, stabilizing the input of wide-body aircraft and optimizing flight schedules, the Group further matched the travel demand of business passengers, and thus achieved improvement of service quality and revenue quality. The Group refined the adjustment of flight schedules, destinations, aircraft articulation and other elements, and reduced operating costs by optimizing the flight-, aircraft- and crew-related aspects to ensure simultaneous improvement of safety, operation management level and operational efficiency. It closely monitored market changes, balanced the relationship between volume and price, and enhanced the quality of income. The Group continued to push forward the integration mechanism of passenger aircraft for cargo operations and consolidated the advantages in economies of scale of cargo flights by passenger aircraft, operating 15,000 cargo flights by passenger aircraft during the reporting period.

Adhering to strict cost control, the Group adjusted the pace of aircraft introduction and retirement to ease cost rigidity. It improved the precision of major cost control and further explored the potential of operating cost reduction. The Group seized the opportunities arising from the interest rate window period to promote debt swaps, reduce the average borrowing rate and save financial costs. Sticking to safeguarding the bottom line of risks, the Group properly made medium and long-term funding arrangements and ensured the security and stability of funds.

### **Enhancing Services**

Always staying committed to the people-centered development ideology, the Group insisted on the strategic goal of developing world-class services. The Group continued to upgrade services and products, optimize and improve various aspects of its services, accelerate the digital transformation of services, systematically enhance the quality of services, effectively enhance passenger satisfaction, and develop a more competitive and influential service brand.

To optimize all aspects of the full-process of air travel service, the Group supplemented and revised the “General Conditions for passenger and luggage transportation of Air China”, including the important provisions on transport services for people with disabilities, ticket refund and change rules as well as the standards for handling irregular tickets, and further improved the friendliness of ticket and passenger regulations. The Group strengthened the management and control of flight operations, resulting in a higher flight regularity rate than the industry average. The Group has made good efforts in safeguarding services for passengers and protecting their health and safety during air travel, and has properly made ticket handling and passenger reminders. The Group issued 705 special handling plans for passenger tickets, sent travel reminders to 542,000 passengers who had purchased tickets, taking the lead in automatically verifying passengers’ health information online. In addition, the Group launched the “Healthy Travel” service as the first-mover, covering 28 overseas terminals. It also offered the automatic seat protection function for specific passengers such as transit passengers on irregular flights and unaccompanied children, optimized the service process of irregular flights, and increased the service efficiency for irregular flights.

To create a new visual and comfy experience with Air China's brand features, the Group promoted the implementation of the new design standards of the "Zixuan" and "Zichen" self-owned lounges to create more culturally appealing and interactive lounges. It also launched the new "Phoenix Dance in the Cloud" cabin visual package products, the operating interface of the in-flight entertainment system, and the new IP images of "Air China Boabei – Long Xiaobao and Feng Xiaobei" with more Air China cultural characteristics, bringing passengers a refreshing visual enjoyment and a unique cultural experience with oriental aesthetics. The Group created the "Cloud China" in-flight catering concept, established the Airline Gourmet Research Institute, built an "Airline Wine Cellar", created a new model of snack meals and breakfast for economy class, thereby promoting Air China's reputation for catering and shaping the taste of Air China.

## **Digital Transformation**

To accelerate the digital transformation and speed up the promotion of high-quality development, the Group set up a digital transformation integration team to complete the top-level structural design of the aircraft asset management system. With the project construction of Business Model Phase II officially commenced, the Group has completed the construction of the product centre and marketing centre and the redevelopment of the call centre. The Group also completed the development of the data asset centre and coordinated data management for material IT construction projects by enhancing data asset management capabilities and intensifying data security management. It put into full operation of Air China's safeguarding platform of global ground flights, realizing the triangular closed-loop management of flight monitoring and command, smart resource allocation and mobile empowerment of the front-line, and comprehensively enhancing flight operation control capabilities. The Group optimized and upgraded the flight attendant qualification management system, achieving electronic operation of flight attendant training and qualification.

The Group expanded digital and smart service support, and steadily upgraded the level of digitalization. All the domestic terminals have realized full coverage of "paperless" travel services. The Air China App accomplished smart transit guidance at four airports, including the airports in Beijing and Chengdu, while 30 domestic terminals commenced full-process and real-time baggage tracking and inquiry. Ten types of special services, including unaccompanied children, realized automatic booking. Paying attention to the elderly passenger group, the Group introduced a check-in function specially designed for elderly passengers, fulfilling the barrier-free renovation of the domestic website. It also completed the retrofitting of in-cabin Wi-Fi LAN services on 354 aircraft and realized the capability of air-ground interconnection service on 23 A350 aircraft. It continued to optimize and improve the service knowledge base system, service quality management system and other service management information systems, thus promoting the level of service digitalization.

## **Risk Prevention and Control**

Focusing on the prevention and elimination of major risks, the Group continued to further push forward the four-in-one collaboration mechanism of “emphasizing the rule of law, strengthening internal control, promoting compliance and preventing risks”, put great efforts to improve the development of risk control and compliance system and enhance foreign-related compliance capabilities, and organized and carried out the special action of “the year of strengthening compliance management”. Adhering to the problem-oriented and goal-oriented principle, the Group accelerated the implementation of the full-process, full-chain and full-coverage risk prevention and control.

The Group secured a stable operation mechanism of risk research and assessment. Following the governance decision-making procedures, the Group actively and steadily reviewed and assessed annual major risks through in-depth research and thematic diagnosis, and implemented measures comprehensively. Through increasing the precision degree of risk quantification, it further improved the graded and classified rolling monitoring of important risk issues and conducted closed-loop management. The Group implemented a regular mechanism for annual inspection on overseas legal risks, which highlighted the focused areas on risk control over foreign-related compliance operation. It enhanced the quality of risk assessment for the purpose of decision-making. Based on the premise of ensuring compliance, the Group evaluated the risk of decision-making on the “three key and one major issues” as far as possible and took the initiative to prevent and eliminate risks. It promoted the in-depth integration of risk assessment into reform and development, central tasks and material project management. The Group soundly improved the coordinated mechanism of risk prevention and control. The management supervised the progress of key tasks, focused on research and assessment on the difficulties in risk control and management, and promoted the practical experience of risk control and management. It continued to strengthen the information sharing mechanism among risk control compliance and discipline inspection, patrol and audit, and jointly established three lines of defense for risk prevention in management coordination. The risk prevention and control responsibility mechanism was comprehensively consolidated. With strict risk classification and hierarchical management, the Group enforced the responsibilities of risk mitigation to the specific position and individual staff to enhance the ability to oversee the full-process of risk management.

## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL POSITION AND OPERATING RESULTS

The following discussion and analysis are based on the Group's consolidated financial statements and the notes thereto prepared in accordance with the IFRSs and are designed to assist the readers in further understanding the information provided in this announcement so as to better understand the financial conditions and results of operations of the Group as a whole.

### Revenue

During the Reporting Period, the Group's revenue was RMB52,898 million, representing a decrease of RMB21,634 million or 29.03% as compared with last year. Among which, air traffic revenue was RMB48,381 million, representing a decrease of RMB21,049 million or 30.32% as compared with last year; other operating revenue was RMB4,517 million, representing a year-on-year decrease of RMB585 million or 11.47%.

### Revenue Contributed by Geographical Segments

<i>(in RMB'000)</i>	2022		2021		Change
	Amount	Percentage	Amount	Percentage	
Mainland China	<b>38,501,365</b>	<b>72.79%</b>	60,833,951	81.63%	<b>(36.71%)</b>
International	<b>13,299,094</b>	<b>25.14%</b>	12,525,607	16.80%	<b>6.18%</b>
Hong Kong SAR, Macau SAR and Taiwan, China	<u><b>1,097,125</b></u>	<u><b>2.07%</b></u>	<u>1,172,112</u>	<u>1.57%</u>	<u><b>(6.40%)</b></u>
Total	<u><b>52,897,584</b></u>	<u><b>100.00%</b></u>	<u>74,531,670</u>	<u>100.00%</u>	<u><b>(29.03%)</b></u>

## Air Passenger Revenue

During the Reporting Period, the Group recorded an air passenger revenue of RMB38,296 million, representing a decrease of RMB20,021 million over the previous year. Among the air passenger revenue, the decrease of capacity contributed a decrease of RMB21,511 million in the revenue, and the decrease of passenger load factor led to a decrease of RMB3,165 million in the revenue, while the increase of passenger yield resulted in an increase in revenue of RMB4,655 million. The Group's capacity, passenger load factor and yield per RPK in 2022 are as follows:

	2022	2021	Change
ASK ( <i>million</i> )	<b>96,212.39</b>	152,444.53	(36.89%)
Passenger load factor (%)	<b>62.73</b>	68.63	(5.90 ppt)
Yield per RPK ( <i>RMB</i> )	<b>0.6345</b>	0.5574	13.83%

## Air Passenger Revenue Contributed by Geographical Segments

<i>(in RMB'000)</i>	2022		2021		Change
	Amount	Percentage	Amount	Percentage	
Mainland China	<b>32,736,473</b>	<b>85.48%</b>	53,974,171	92.56%	(39.35%)
International	<b>4,798,616</b>	<b>12.53%</b>	3,482,930	5.97%	37.78%
Hong Kong SAR, Macau SAR and Taiwan, China	<b>761,101</b>	<b>1.99%</b>	859,594	1.47%	(11.46%)
Total	<b><u>38,296,190</u></b>	<b><u>100.00%</u></b>	<b><u>58,316,695</u></b>	<b><u>100.00%</u></b>	<b><u>(34.33%)</u></b>

## Air Cargo and Mail Revenue

During the Reporting Period, the Group's air cargo and mail revenue was RMB10,085 million, representing a decrease of RMB1,029 million as compared with last year. Among which, the decrease of capacity contributed a decrease of RMB2,514 million in the revenue, while the increase of cargo and mail load factor resulted in an increase in revenue of RMB186 million, and the increase of yield of cargo and mail resulted in an increase of RMB1,299 million in the revenue. The capacity, cargo and mail load factor and yield per RFTK in 2022 are as follows:

	2022	2021	Change
Available freight tonne kilometres ( <i>million</i> )	<b>8,326.31</b>	10,760.61	(22.62%)
Cargo and mail load factor (%)	<b>40.86</b>	39.99	0.87 ppt
Yield per RFTK ( <i>RMB</i> )	<b>2.9644</b>	2.5828	14.77%

## Air Cargo and Mail Revenue Contributed by Geographical Segments

<i>(in RMB'000)</i>	2022		2021		Change
	Amount	Percentage	Amount	Percentage	
Mainland China	<b>1,248,132</b>	<b>12.38%</b>	1,758,093	15.82%	(29.01%)
International	<b>8,500,478</b>	<b>84.29%</b>	9,042,677	81.37%	(6.00%)
Hong Kong SAR, Macau SAR and Taiwan, China	<b>336,024</b>	<b>3.33%</b>	312,518	2.81%	7.52%
Total	<b><u>10,084,634</u></b>	<b><u>100.00%</u></b>	<u>11,113,288</u>	<u>100.00%</u>	<u>(9.26%)</u>

## Operating Expenses

During the Reporting Period, the Group's operating expenses were RMB91,716 million, representing a decrease of 3.93% from RMB95,465 million of last year. The breakdown of the operating expenses is set out below:

<i>(in RMB'000)</i>	2022		2021		Change
	Amount	Percentage	Amount	Percentage	
Jet fuel costs	<b>22,762,814</b>	<b>24.82%</b>	20,703,780	21.69%	<b>9.95%</b>
Take-off, landing and depot charges	<b>6,499,775</b>	<b>7.09%</b>	9,667,650	10.13%	<b>(32.77%)</b>
Depreciation and amortisation	<b>21,233,674</b>	<b>23.15%</b>	20,934,502	21.93%	<b>1.43%</b>
Aircraft maintenance, repair and overhaul costs	<b>5,640,163</b>	<b>6.15%</b>	6,910,741	7.24%	<b>(18.39%)</b>
Employee compensation costs	<b>25,338,553</b>	<b>27.63%</b>	24,230,071	25.38%	<b>4.57%</b>
Air catering charges	<b>872,189</b>	<b>0.95%</b>	1,650,028	1.73%	<b>(47.14%)</b>
Selling and marketing expenses	<b>1,639,889</b>	<b>1.79%</b>	2,576,346	2.70%	<b>(36.35%)</b>
General and administrative expenses	<b>1,240,365</b>	<b>1.35%</b>	1,263,044	1.32%	<b>(1.80%)</b>
Others	<b>6,488,734</b>	<b>7.07%</b>	7,528,446	7.88%	<b>(13.81%)</b>
Total	<b><u>91,716,156</u></b>	<b><u>100.00%</u></b>	<b><u>95,464,608</u></b>	<b><u>100.00%</u></b>	<b><u>(3.93%)</u></b>

- Jet fuel costs increased by RMB2,059 million on a year-on-year basis, mainly due to the increase in the prices of jet fuel, net off by the decrease in the consumption of jet fuel.
- Take-off, landing and depot charges decreased by RMB3,168 million on a year-on-year basis, mainly due to the year-on-year decrease in the number of take-offs and landings.
- Aircraft maintenance, repair and overhaul costs decreased by RMB1,271 million on a year-on-year basis, mainly due to the year-on-year decrease in the investment in production and operation.
- Employee compensation costs increased by RMB1,108 million on a year-on-year basis, mainly due to the resumption of contribution to the Group's annuity scheme.
- Air catering charges decreased by RMB778 million on a year-on-year basis, mainly due to the year-on-year decrease in the number of passengers.

- Selling and marketing expenses decreased by RMB936 million on a year-on-year basis, mainly due to the decrease in handling fees for agency services resulting from the decrease in the sales volumes and the number of passengers.
- Other operating expenses mainly included aircraft and engine lease expenses, civil aviation development fund and non-above-mentioned ordinary expenses arising from the core air traffic business, which decreased by 13.81% on a year-on-year basis, mainly due to decrease in the investment in production and operation.

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

During the Reporting Period, the Group recorded a finance income of RMB229 million, representing a year-on-year increase of RMB117 million or 104.10%; and incurred finance costs (excluding the capitalised portion) of RMB6,473 million, representing a year-on-year increase of RMB978 million. During the Reporting Period, the Group recorded a net exchange losses of RMB4,089 million, as compared to a net exchange gains of RMB1,235 million of previous year.

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

During the Reporting Period, the net loss from the Group's share of results of its associates and joint ventures was RMB101 million, representing a year-on-year decrease in loss of RMB715 million. Among which, during the Reporting Period, the Group recognised a gain on investment of Cathay Pacific of RMB252 million, as compared to a loss on investment of RMB865 million recognised in previous year.

### **Material Acquisitions and Disposals**

The Company did not make any material acquisitions and disposals of subsidiaries, associates or joint ventures during the Reporting Period.

## **Assets Structure Analysis**

As at the end of the Reporting Period, the total assets of the Group was RMB294,979 million, representing a decrease of 1.14% from that of 31 December 2021, among which current assets accounted for RMB22,245 million or 7.54% of the total assets, while non-current assets accounted for RMB272,734 million or 92.46% of the total assets.

Among the current assets, cash and cash equivalents were RMB10,608 million, accounting for 47.69% of the current assets and representing a decrease of 33.43% from that as at 31 December 2021.

Among the non-current assets, the aggregated book value of property, plant and equipment and right-of-use assets as at the end of the Reporting Period amounted to RMB225,393 million, accounting for 82.64% of the non-current assets and representing an increase of 2.26% from that of 31 December 2021.

## **Asset Mortgage/Pledge**

As at the end of the Reporting Period, the Group, pursuant to certain bank loans and finance leasing agreements, had secured certain aircraft and flight equipment, buildings and other equipment with an aggregated book value of approximately RMB95,499 million (RMB89,565 million as at 31 December 2021) and land use rights with book value of approximately RMB25 million (RMB26 million as at 31 December 2021). In addition, as at the end of the Reporting Period, the Group had restricted bank deposits of approximately RMB828 million (approximately RMB775 million as at 31 December 2021), which were mainly statutory reserves deposited in the People's Bank of China.

## **Capital Expenditure**

In 2022, the Group's capital expenditure totalled RMB21,201 million, of which the total investment in aircraft was RMB17,479 million, mainly including procurement of aircraft and engines, aircraft modifications, flight simulators, etc. Other capital expenditure investment amounted to RMB3,722 million, mainly including infrastructure construction, IT system construction, ground equipment procurement and cash component of the long-term investments.

## **Equity Investment**

As at the end of the Reporting Period, the Group's equity investment in its associates amounted to RMB10,536 million, representing an increase of 1.40% from that of 31 December 2021. Among this, the balance of the equity investment of the Group in Cathay Pacific amounted to RMB10,364 million.

As at the end of the Reporting Period, the Group's equity investment in its joint ventures was RMB2,178 million, representing an increase of 19.02% from that as at 31 December 2021, mainly due to the impact of newly invested enterprise and the share of gains on investment of joint ventures during the Reporting Period.

## Debt Structure Analysis

At the end of the Reporting Period, the Group's total liabilities were RMB273,451 million, representing an increase of 17.59% from that as at 31 December 2021. Among them, current liabilities amounted to RMB92,482 million, accounting for 33.82% of the total liabilities; and non-current liabilities amounted to RMB180,969 million, accounting for 66.18% of the total liabilities.

Among the current liabilities, interest-bearing debts (including interest-bearing borrowings, bills payable, and lease liabilities) amounted to RMB60,043 million, representing an increase of 9.30% from that as at 31 December 2021.

Among the non-current liabilities, interest-bearing debts (including interest-bearing borrowings, and lease liabilities) amounted to RMB169,744 million, representing an increase of 31.11% from that as at 31 December 2021.

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

<i>(in RMB'000)</i>	<b>31 December 2022</b>		31 December 2021		Change
	<b>Amount</b>	<b>Percentage</b>	Amount	Percentage	
RMB	<b>187,990,038</b>	<b>81.81%</b>	139,158,663	75.46%	35.09%
US dollars	<b>39,999,600</b>	<b>17.41%</b>	43,949,421	23.84%	(8.99%)
Others	<b>1,797,824</b>	<b>0.78%</b>	1,294,474	0.70%	38.88%
Total	<b><u>229,787,462</u></b>	<b><u>100.00%</u></b>	<b><u>184,402,558</u></b>	<b><u>100.00%</u></b>	<b><u>24.61%</u></b>

## 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 flight equipment, buildings and other equipments, increased by 91.69% from RMB30,522 million as at 31 December 2021 to RMB58,509 million as at the end of the Reporting Period. The Group's investment commitments, which was mainly used in the investment agreements entered into, amounted to RMB512 million as at the end of the Reporting Period, as compared to RMB22 million as at 31 December 2021.

## **Gearing Ratio**

As at the end of the Reporting Period, the Group's gearing ratio (total liabilities divided by total assets) was 92.70%, representing an increase of 14.76 percentage points from that of 31 December 2021.

## **Working Capital and its Sources**

At the end of the Reporting Period, the Group's net current liabilities (current liabilities minus current assets) were RMB70,237 million, representing an increase of RMB9,014 million from that as at 31 December 2021. Based on the structure of current assets and current liabilities, the Group's current ratio (current assets divided by current liabilities) was 0.24, representing a decrease from 0.33 as at 31 December 2021.

The Group meets its working capital needs mainly through its operating activities and external financing activities. During the Reporting Period, the Group's net cash used in operating activities was RMB23,341 million, as compared to the net cash inflow of RMB7,130 million for the corresponding period in 2021, which was mainly due to the decline in revenue on a year-on-year basis. Net cash outflow from investing activities was RMB6,871 million, representing an increase of 54.30% from RMB4,453 million for the corresponding period in 2021, mainly due to the year-on-year increase in advance payments for aircraft and flight equipment. Net cash inflow from financing activities amounted to RMB24,677 million, representing an increase of 230.39% from RMB7,469 million for the corresponding period in 2021, mainly due to the increase of its financing scale to ensure the liquidity.

The Company has obtained bank facilities of RMB196,101 million in aggregate granted by several banks in China, among which approximately RMB85,156 million has been utilised. The remaining amount is sufficient to meet the Group's demands on working capital and future capital commitments.

## OPERATIONAL PLAN

The Company has established its operational focuses for 2023, including (1) insisting on achieving safe operation with the highest standards and strictest requirements; (2) safeguarding the recovery of operation with more precise measures; (3) staying committed to win the hard battle to reduce losses and extricate itself from difficulties in a concerted effort; (4) focusing on key issues and continuing to promote in-depth reform and innovative development; (5) putting unremitting efforts to improve service and product standards; (6) continuing to strengthen the political assurance of high-quality development.

## OUTLOOK FOR FUTURE

### **Making contributions to the national development strategies by the civil aviation industry in China**

China's civil aviation industry will pursue the mission of giving full play to its role as a strategic industry during the process of high-quality development of China. Playing a supporting role in promoting the economic circulation and expanding traffic flows, it will further improve the modern airport system and route network mutually in line with national economic and social development, the spatial development pattern of the country and the layout of major productivity, contributing to the major national regional strategies and regional coordinated development strategies. Promoting the development of the "Silk Road in the Sky", the industry will further optimize its overseas market layout and expand the global coverage to facilitate China's further participation in the division of labor and cooperation among the industries globally. Playing the role of promoting the structural transformation and upgrade of the economy, the civil aviation industry will encourage manufacturers to continuously improve the quality and performance of their products, thereby promoting the development and robust growth of China's aviation industry. Playing the leading role of civil aviation industry in the upgrading of consumption, it will continue to innovate services and products to improve the people's quality of life. Giving play to its leading role in the comprehensive transportation system, the civil aviation industry will develop a modern comprehensive transportation hub and implement multiple-modal interlink operation to facilitate the rapid development of China into a strong nation in terms of transport.

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

There is no change in the fundamentals of the Chinese economy or in the basic trend of economic stability and long-term improvement, thereby the economy will achieve steady recovery. Although the world economy is undergoing profound adjustment, the overall trend of economic globalization will remain unchanged, while China's development still sees strategic opportunities. Leveraging the super large-scale domestic demand market formed with a population of 1.4 billion, including a middle-class group of more than 400 million, China is striving to build a new development paradigm which is based on domestic macro-circulation, along with the international and domestic dual-circulation under mutual promotion. Civil aviation demand in China will continue to rise and market potential will remain immense.

In 2023, China’s civil aviation industry will embrace a turning point for recovery. Business travel and holiday tours will accordingly continue to be growth drivers of the aviation industry, and air travel demand will become increasingly diverse, customized and popular. During the “14th Five-Year Plan” period, construction of new airports and airport renovations and expansions are underway in various regions and the capability in air traffic management is steadily increased, which will better satisfy the demand of the industrial development.

### **Competition landscape of the domestic aviation market**

It is expected that the competitive pressure will be mitigated in the domestic aviation market. Regarding the demand side, as the national economy remains stable and improved, the foundation of industrial recovery and development will be more solid, envisaging the domestic market demand will continue its revival. On the supply side, the major airlines will proactively adjust the pace of fleet retirement in accordance with market conditions, with the industry-wide fleet size (cumulative annual average number of aircraft registered) growing at a slower pace in 2022 than in 2021. The slowdown in growth of the industry’s fleet size during the “14th Five-Year Plan” period is conducive to alleviating the operating pressure arising from the overall excess capacity in the short term and the competition in the industry during the recovery and growth period of post-“14th Five-Year Plan”. In terms of policy, the reform of the civil aviation flight schedule management system and mechanism supports the tilting of core resources towards the main operators of hub airports, leading to the differentiated operation of various types of airlines in the market and reducing homogeneous competition.

### **SHARE CAPITAL STRUCTURE**

As at the end of the Reporting Period, the Company had a total share capital of RMB14,524,815,185, divided into 14,524,815,185 shares of RMB1.00 each. The following table sets out the share capital structure of the Company as at the end of the Reporting Period:

<b>Category of shares</b>	<b>Number of shares</b>	<b>Percentage of the total share capital</b>
A Shares	9,962,131,821	68.59%
H Shares	<u>4,562,683,364</u>	<u>31.41%</u>
Total	<u><u>14,524,815,185</u></u>	<u><u>100.00%</u></u>

The Company completed the non-public issuance of A Shares after the Reporting Period. For the share capital structure of the Company as at the date of this announcement, please refer to the section headed “SUBSEQUENT EVENT” in this announcement.

### **PURCHASES, SALES OR REDEMPTION OF LISTED SECURITIES**

During the Reporting Period, neither the Company nor any of its subsidiaries 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).

## CORPORATE GOVERNANCE

### **Compliance with the Corporate Governance Code**

The Company has always been committed to maintaining and enhancing the level of its corporate governance so as to ensure greater accountability and transparency of the Group and deliver longterm return to its shareholders. The Company has complied with the code provisions as set out in the Corporate Governance Code in Appendix 14 to the Listing Rules (the “Code”) during the Reporting Period, except for code provision B.2.2.

Code provision B.2.2 stipulates that, among others, every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years. As disclosed in the announcement of the Company dated 23 October 2020, the terms of the fifth session of the Board and the Supervisory Committee expired on 26 October 2020. As the nomination process of candidates for Directors and Supervisors of the new session of the Board and the Supervisory Committee has not been fully completed during the Reporting Period, the re-election and appointment of members of the Board and the Supervisory Committee of the Company have been postponed. The terms of the special committees of the fifth session of the Board of the Company have also been extended accordingly. The Company completed the re-election and appointment of members of the Board and the Supervisory Committee on 25 February 2022 and fulfilled respective information disclosure obligations in a timely manner. When nominating candidates of Directors for the new session of the Board, the Nomination and Remuneration Committee has provided recommendations to the Board by taking into account the actual conditions of the Company and following the Board Diversity Policy. All members of the fifth session of the Board and the Supervisory Committee of the Company have continued to fulfill their respective duties and responsibilities of Directors and Supervisors in accordance with the requirements of the laws, administrative rules and the Articles of Association until the re-election work was completed. The postponed re-election of the members of the Board and the Supervisory Committee of the Company did not affect the normal operation of the Company.

### **Compliance with the Model Code**

The Company has adopted and formulated a code of conduct on terms no less stringent than the required standards of the Model Code. 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.

## DIVIDENDS

According to the audited financial statements of the Company prepared in accordance with the CASs and the IFRSs, the Company recorded negative profits available for distribution to Shareholders in 2022. As considered and approved by the 18th meeting of the sixth session of the Board of the Company, the Company proposed not to make profit distribution for the year of 2022.

## SUBSEQUENT EVENT

### 1. Non-public issuance of A Shares

On 16 January 2023, the Company completed the non-public issuance of a total of 1,675,977,653 A shares to 22 investors at an issue price of RMB8.95 per share. These investors include CNAHC, UBS AG, China National Aviation Fuel Group Corporation (中國航空油料集團有限公司), China Structural Reform Fund Co., Ltd. (中國國有企業結構調整基金股份有限公司), Caitong Fund Management Co., Ltd. (財通基金管理有限公司), E Fund Management Co., Ltd. (易方達基金管理有限公司), GF Fund Management Co., Ltd. (廣發基金管理有限公司), Greatwall Wealth Insurance Asset Management Co., Ltd. – Greatwall Wealth Zhuque Hongying No. 1 Asset Management Product (長城財富保險資產管理股份有限公司–長城財富朱雀鴻盈一號資產管理產品), Sichuan Capital Market Bailout Development Securities Investment Fund Partnership (Limited Partnership) (四川資本市場紓困發展證券投資基金合夥企業(有限合夥)), China Merchants Securities Co., Ltd. (招商證券股份有限公司), Guotai Junan Asset Management (Asia) Limited (國泰君安資產管理(亞洲)有限公司), Bosera Asset Management Co., Limited (博時基金管理有限公司), Ningbo Cinda Huajian Investment Co., Ltd. (寧波信達華建投資有限公司), Huashang Fund Management Limited (華商基金管理有限公司), WT Asset Management Limited (WT資產管理有限公司), Beijing Chengtong Financial Control Investment Co., Ltd. (北京誠通金控投資有限公司), Zhuhai Xuyuan Nuocheng Equity Investment Partnership (Limited Partnership) (珠海煦遠諾成股權投資合夥企業(有限合夥)), Taikang Life Insurance Co., Ltd. – Dividends – Individual Dividend Products (泰康人壽保險有限責任公司–分紅–個人分紅產品), Taikang Life Insurance Co., Ltd. Investment-Linked Innovation Dynamic Investment Account (泰康人壽保險有限責任公司投連創新動力型投資賬戶), Ping An Annuity Insurance Company of China, Ltd. – Ping An Anying Share-based Pension Products (平安養老保險股份有限公司–平安安贏股票型養老金產品), Ping An Annuity Insurance Company of China, Ltd. – Universal Insurance – Group Universal Insurance (平安養老保險股份有限公司–萬能–團險萬能) and Jinan Jiangshan Investment Partnership (Limited Partnership) (濟南江山投資合夥企業(有限合夥)). Among which, the 614,525,150 A Shares subscribed by CNAHC shall not be transferred within eighteen months from the date of completion of the issuance of A Shares, and the 11,061,452,503 A Shares subscribed by other subscribers shall not be transferred within 6 months from the date of completion of the issuance of A Shares. Upon the completion of this non-public issuance of A Shares, CNAHC will hold directly and indirectly 8,123,096,767 Shares of the Company, representing a shareholding of 50.14%, and will remain the controlling shareholder of the Company. For details, please refer to the announcement published by the Company on the website of the Hong Kong Stock Exchange on 17 January 2023.

Upon completion of this non-public issuance of A Shares and as at the date of this announcement, the total number of issued shares of the Company was 16,200,792,838, including 11,638,109,474 A Shares and 4,562,683,364 H Shares.

## 2. Acquired the control of Shandong Aviation Group Corporation

On 30 December 2022, the Company entered into the equity transfer agreements with Shansteel Financial Holdings Asset Management (Shenzhen) Company Limited (山鋼金控資產管理(深圳)有限公司) and Qingdao Qifa Trading Co., Ltd. (青島市企發商貿有限公司), respectively, pursuant to which the Company shall acquire the 1.4067% and 0.9043% equity interest in Shandong Aviation Group Corporation held by each of the above companies at the consideration of RMB20,064,883.27 and RMB12,898,394.49, respectively; the Company, Shandong Province Finance Investment Group Co., Ltd. (山東省財金投資集團有限公司), Shandong Hi-Speed Group Co., Ltd. (山東高速集團有限公司) and Shandong Aviation Group Corporation entered into the capital increase agreement, pursuant to which the Company and Shandong Hi-Speed Group Co., Ltd. shall make capital increase of RMB6,600,000,000 and RMB3,400,000,000 to Shandong Aviation Group Corporation, respectively.

As of 21 March 2023, the registration procedures for industrial and commercial changes in respect of the transactions under the abovementioned equity transfer agreements was completed, and the closing thereof was also completed. The Company has acquired the control of Shandong Aviation Group Corporation and directly holds 22.8% of the equity interest of Shandong Airlines and indirectly holds, through Shandong Aviation Group Corporation, 42% of the equity interest of Shandong Airlines. Shandong Aviation Group Corporation and its subsidiaries (including Shandong Airlines) become subsidiaries of the Company of which their consolidated result. In addition, the transactions under the above-mentioned capital increase agreement and other follow-up work are progressing in an orderly manner. As the Company has direct and indirect aggregate interests in more than 30% in the shares of Shandong Airlines, in accordance with the requirements of the Regulations on the Takeover of Listed Companies 《上市公司收購管理辦法》, the Company has made a general offer to the shareholders of Shandong Airlines other than the Company and Shandong Aviation Group Corporation. For details, please refer to the announcement published by the Company on the website of the Hong Kong Stock Exchange on 21 March 2023.

## ANNUAL GENERAL MEETING (“AGM”) AND CLOSURE OF REGISTER OF MEMBERS

The Company proposed to hold the AGM on 25 May 2023. The register of members of H Shares will be closed from Thursday, 18 May 2023 to Thursday, 25 May 2023 (both days inclusive), during which period no transfer of shares will be effected. In order to qualify for attendance and voting at the AGM, the holders of H Shares must return all the transfer documents to the Company’s H Shares registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen’s Road East, Wan Chai, Hong Kong by 4:30 p.m. on Wednesday, 17 May 2023. The holders of H Shares whose names appear on the register of members of the Company on Thursday, 18 May 2023 are entitled to attend and vote at the AGM.

## ANNUAL REPORT

The annual report for the year ended 31 December 2022 containing all information required by Appendix 16 to the Listing Rules will be dispatched to Shareholders and will be published on the HKEXnews website of the Hong Kong Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) as well as the website of the Company ([www.airchina.com.cn](http://www.airchina.com.cn)) in due course.

## FORWARD-LOOKING STATEMENT

The Company would like to remind the readers of this announcement that the airline operations are substantially influenced by global political and economic developments. Accidental and unexpected incidents may have material impacts on our operations or the industry as a whole. This 2022 annual results announcement of the Company contains, inter alia, certain forward-looking statements, such as forward-looking statements on the Chinese economies and aviation markets. Such forward-looking statements are subject to some uncertainties and risks.

## AUDIT AND RISK CONTROL COMMITTEE

The 2022 annual results of the Company have been reviewed by the audit and risk control committee (supervision committee) of the Board.

## GLOSSARY OF TECHNICAL TERMS

### Capacity Measurements

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

### Traffic Measurements

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

“revenue freight tonne kilometres” or “RFTK(s)”	the revenue cargo and mail load in tonnes multiplied by the kilometres flown
“revenue tonne kilometres” or “RTK(s)”	the revenue load (passenger and cargo) in tonnes multiplied by the kilometres flown

### **Load Factors**

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

### **Yield Measurements**

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

### **DEFINITIONS**

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

“Airbus”	Airbus S.A.S.
“Air China Cargo”	Air China Cargo Co., Ltd., a non-wholly owned subsidiary of CNAHC
“Air China Inner Mongolia”	Air China Inner Mongolia Co., Ltd., a non-wholly owned subsidiary of the Company
“Air Macau”	Air Macau Company Limited, a non-wholly owned subsidiary of the Company
“Ameco”	Aircraft Maintenance and Engineering Corporation, a non-wholly owned subsidiary of the Company

“Articles of Association”	the articles of association of the Company, as amended from time to time
“A Share(s)”	ordinary share(s) in the share capital of the Company, with a nominal value of RMB1.00 each, which are subscribed for and traded in Renminbi and listed on Shanghai Stock Exchange
“Beijing Airlines”	Beijing Airlines Company Limited, a non-wholly owned subsidiary of the Company
“Board”	the board of directors of the Company
“Boeing”	The Boeing Company
“CASs”	China Accounting Standards for Business Enterprises
“Capital Holding”	China National Aviation Capital Holding Co., Ltd., a wholly-owned subsidiary of CNAHC
“Cathay Pacific”	Cathay Pacific Airways Limited, an associate of the Company
“CNACD”	China National Aviation Construction and Development Company, a wholly-owned subsidiary of CNAHC
“CNACG”	China National Aviation Corporation (Group) Limited, a wholly-owned subsidiary of CNAHC
“CNACG Group”	CNACG and its subsidiaries
“CNAF”	China National Aviation Finance Co., Ltd, a non-wholly owned subsidiary of the Company
“CNAHC”	China National Aviation Holding Corporation Limited
“CNAHC Group”	CNAHC and its subsidiaries
“COMAC”	Commercial Aircraft Corporation of China, Ltd.
“CNAMC”	China National Aviation Media Co., Ltd, a wholly-owned subsidiary of CNAHC

“Company, “We”, 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
“Dalian Airlines”	Dalian Airlines Company Limited, a non-wholly owned subsidiary of the Company
“Date of this Announcement”	30 March 2023
“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
“Reporting Period”	from 1 January 2022 to 31 December 2022
“RMB”	Renminbi, the lawful currency of the PRC
“SASAC”	State-owned Assets Supervision and Administration Commission of the State Council

“SFO”	The Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Shandong Airlines”	Shandong Airlines Co., Ltd., a non-wholly owned subsidiary of Shandong Aviation Group Corporation
“Shandong Aviation Group Corporation”	Shandong Aviation Group Company Limited, an associate of the Company
“Shenzhen Airlines”	Shenzhen Airlines Company Limited, a non-wholly owned subsidiary of the Company
“Supervisor(s)”	The supervisor(s) of the Company
“Supervisory Committee”	The supervisory committee of the Company
“US dollars”	United States dollars, the lawful currency of the United States

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

Beijing, the PRC, 30 March 2023

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

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