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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)

2023 ANNUAL RESULTS

FINANCIAL HIGHLIGHTS

- During the Reporting Period, the Group recorded a revenue of RMB141,100 million. The net loss attributable to equity shareholders of the Company was RMB1,038 million.
- As considered and approved by the 28th meeting of the sixth session of the Board of the Company, the Company proposed not to make profit distribution for the year of 2023.

 **2023 ANNUAL RESULTS**

The Board hereby announces the audited consolidated financial results of the Group for the year ended 31 December 2023, which have been prepared in accordance with IFRSs, together with the corresponding comparative figures for the year ended 31 December 2022 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED 31 DECEMBER 2023

	NOTES	2023 RMB'000	2022 RMB'000
Revenue	3	141,100,234	52,897,584
Other income and gains	5	<u>7,401,756</u>	<u>3,374,778</u>
		148,501,990	56,272,362
Operating expenses			
Jet fuel costs		(46,725,219)	(22,762,814)
Employee compensation costs		(29,300,310)	(25,338,553)
Depreciation and amortisation		(27,110,507)	(21,233,674)
Take-off, landing and depot charges		(15,554,795)	(6,499,775)
Aircraft maintenance, repair and overhaul costs		(9,921,853)	(5,640,163)
Air catering charges		(3,002,720)	(872,189)
Aircraft and engine lease expense		(237,319)	(135,767)
Other lease expenses		(602,403)	(442,115)
Other flight operation expenses		(7,838,908)	(5,869,052)
Selling and marketing expenses		(3,423,478)	(1,639,889)
General and administrative expenses		(1,683,284)	(1,240,365)
Impairment loss recognised on other non-current assets		(187,054)	(62,584)
Net impairment loss (recognised)/reversed under expected credit loss model		<u>(24,617)</u>	<u>20,784</u>
		(145,612,467)	(91,716,156)
Profit/(loss) from operations	6	2,889,523	(35,443,794)
Finance income		605,004	228,720
Finance costs	7	(6,943,087)	(6,472,620)
Share of results of associates		2,554,412	(477,414)
Share of results of joint ventures		279,566	376,872
Exchange losses, net		<u>(1,035,197)</u>	<u>(4,088,655)</u>
Loss before taxation		(1,649,779)	(45,876,891)
Income tax credit	8	<u>88,531</u>	<u>702,981</u>
Loss for the year		<u>(1,561,248)</u>	<u>(45,173,910)</u>
Attributable to:			
– Equity shareholders of the Company		(1,038,411)	(38,617,495)
– Non-controlling interests		<u>(522,837)</u>	<u>(6,556,415)</u>
		<u>(1,561,248)</u>	<u>(45,173,910)</u>
Loss per share			
– Basic and diluted	9	<u>RMB(6.74) cents</u>	<u>RMB(281.16) cents</u>

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2023

	2023 RMB'000	2022 RMB'000
Loss for the year	<u>(1,561,248)</u>	<u>(45,173,910)</u>
Other comprehensive income/(expense) for the year		
Items that will not be reclassified to profit or loss:		
– Fair value gains on investments in equity instruments at fair value through other comprehensive income	149,253	65,394
– Remeasurement of net defined benefit liability	(912)	(952)
– Share of other comprehensive income of associates and joint ventures	43,458	26,901
– Income tax expense relating to items that will not be reclassified to profit or loss	<u>(37,313)</u>	<u>(16,348)</u>
Items that may be reclassified subsequently to profit or loss:		
– Fair value gains/(losses) on investments in debt instruments at fair value through other comprehensive income	9,138	(9,101)
– Impairment loss recognised on investments in debt instruments at fair value through other comprehensive income	(6,688)	(3,275)
– Share of other comprehensive expense of associates and joint ventures	(472,484)	(550,580)
– Exchange differences on translation of foreign operations	250,817	1,356,971
– Income tax relating to items that may be reclassified subsequently to profit or loss	<u>(613)</u>	<u>3,094</u>
Other comprehensive (expense)/income for the year (net of tax)	<u>(65,344)</u>	<u>872,104</u>
Total comprehensive expense for the year	<u><u>(1,626,592)</u></u>	<u><u>(44,301,806)</u></u>
Attributable to:		
– Equity shareholders of the Company	(1,097,758)	(37,791,121)
– Non-controlling interests	<u>(528,834)</u>	<u>(6,510,685)</u>
	<u><u>(1,626,592)</u></u>	<u><u>(44,301,806)</u></u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2023

		31 December 2023	31 December 2022
	NOTE	RMB'000	RMB'000
Non-current assets			
Property, plant and equipment		117,728,498	99,574,059
Right-of-use assets		120,971,059	125,818,601
Investment properties		726,594	530,510
Intangible assets		106,580	35,031
Goodwill		4,095,732	1,099,975
Interests in associates		12,863,023	10,536,483
Interests in joint ventures		2,413,799	2,177,809
Advance payments for aircraft and flight equipment		26,114,064	20,094,732
Deposits for aircraft under leases		525,463	539,624
Equity instruments at fair value through other comprehensive income		1,547,986	241,717
Debt instruments at fair value through other comprehensive income		1,397,310	1,360,982
Deferred tax assets		13,757,180	10,473,327
Other non-current assets		696,685	251,396
		<u>302,943,973</u>	<u>272,734,246</u>
Current assets			
Inventories		3,682,821	2,557,823
Accounts receivable	11	3,182,797	1,649,356
Bills receivable		3,601	7,483
Prepayments, deposits and other receivables		5,852,345	3,176,418
Financial assets at fair value through profit or loss		2,505	3,398
Restricted bank deposits		611,692	828,166
Cash and cash equivalents		15,016,804	10,607,711
Assets held for sale		108,527	1,302
Other current assets		3,873,629	3,413,474
		<u>32,334,721</u>	<u>22,245,131</u>
Total assets		<u><u>335,278,694</u></u>	<u><u>294,979,377</u></u>

		31 December 2023	31 December 2022
	<i>NOTE</i>	<i>RMB'000</i>	<i>RMB'000</i>
Current liabilities			
Air traffic liabilities		(8,366,222)	(2,757,601)
Accounts payable	12	(17,954,298)	(10,935,546)
Bills payable		(500,160)	–
Dividends payable		(98,000)	(98,000)
Other payables and accruals		(15,701,546)	(16,548,144)
Advance		–	(58,970)
Current taxation		(76,662)	(9,359)
Lease liabilities		(18,175,349)	(17,085,829)
Interest-bearing borrowings		(47,271,768)	(42,957,170)
Provision for return condition checks		(650,777)	(936,804)
Contract liabilities		(1,522,492)	(1,095,185)
		<u>(110,317,274)</u>	<u>(92,482,608)</u>
Net current liabilities		<u>(77,982,553)</u>	<u>(70,237,477)</u>
Total assets less current liabilities		<u>224,961,420</u>	<u>202,496,769</u>
Non-current liabilities			
Lease liabilities		(64,053,967)	(76,897,347)
Interest-bearing borrowings		(104,759,631)	(92,847,116)
Provision for return condition checks		(17,196,982)	(8,605,418)
Provision for early retirement benefit obligations		(720)	(807)
Long-term payables		(1,082,301)	(251,497)
Contract liabilities		(1,663,987)	(1,422,843)
Defined benefit obligations		(187,810)	(202,016)
Deferred income		(404,103)	(418,200)
Deferred tax liabilities		(347,910)	(323,297)
		<u>(189,697,411)</u>	<u>(180,968,541)</u>
NET ASSETS		<u><u>35,264,009</u></u>	<u><u>21,528,228</u></u>
CAPITAL AND RESERVES			
Issued capital		16,200,793	14,524,815
Treasury shares		(3,047,564)	(3,047,564)
Reserves		24,052,746	12,099,925
Total equity attributable to equity shareholders of the Company		<u>37,205,975</u>	<u>23,577,176</u>
Non-controlling interests		<u>(1,941,966)</u>	<u>(2,048,948)</u>
TOTAL EQUITY		<u><u>35,264,009</u></u>	<u><u>21,528,228</u></u>

NOTES

FOR THE YEAR ENDED 31 DECEMBER 2023

1. BASIS OF PREPARATION

As at 31 December 2023, the Group's current liabilities exceeded its current assets by approximately RMB77,983 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 RMB125,153 million as at 31 December 2023, 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 2023. 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 ("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 NEW AND AMENDMENTS TO IFRSs

New and amendments to IFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following new and 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 2023 for the preparation of the consolidated financial statements:

IFRS 17 (including the June 2020 and December 2021 Amendments to IFRS 17)	<i>Insurance Contracts</i>
Amendments to IAS 1 and IFRS Practice Statement 2	<i>Disclosure of Accounting Policies</i>
Amendments to IAS 8	<i>Definition of Accounting Estimates</i>
Amendments to IAS 12	<i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i>
Amendments to IAS 12	<i>International Tax Reform-Pillar Two model Rules</i>

Except as described below, the application of the new and 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.

2.1 Impacts on application of Amendments to IAS 12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The Group has applied the amendments for the first time in the current year. The amendments narrow the scope of the recognition exemption of deferred tax liabilities and deferred tax assets in paragraphs 15 and 24 of IAS 12 Income Taxes so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences.

In accordance with the transitional provisions:

- (i) the Group has applied the new accounting policy retrospectively to leasing transactions that occurred on or after 1 January 2022;
- (ii) the Group also, as at 1 January 2022, recognised a deferred tax asset (to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised) and a deferred tax liability for all deductible and taxable temporary difference associated with lease liabilities, provision for return condition checks, the provision for major overhauls and related right-of-use assets separately.

The application of the amendments has had no material impact on the Group's financial position and performance, except that the Group recognised the related deferred tax assets and deferred tax liabilities on a gross basis, but it has no material impact on the retained earnings at the earliest period presented.

2.2 Impacts on application of Amendments to IAS1 and IFRS Practice Statement 2 Disclosure of Accounting Policies

The Group has applied the amendments for the first time in the current year. IAS 1 *Presentation of Financial Statements* is amended to replace all instances of the term "significant accounting policies" with "material accounting policy information". Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The amendments also clarify that accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material. If an entity chooses to disclose immaterial accounting policy information, such information must not obscure material accounting policy information.

IFRS Practice Statement 2 *Making Materiality Judgements* (the "Practice Statement") is also amended to illustrate how an entity applies the "four-step materiality process" to accounting policy disclosures and to judge whether information about an accounting policy is material to its financial statements. Guidance and examples are added to the Practice Statement.

The application of the amendments has had no material impact on the Group's financial positions and performance but has affected the disclosure of the Group's accounting policies.

Amendments to IFRSs in issue but not yet effective

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

Amendments to IFRS 10 and IAS 28	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture¹</i>
Amendments to IFRS 16	<i>Lease Liability in a Sale and Leaseback²</i>
Amendments to IAS 1	<i>Classification of Liabilities as Current or Non-current²</i>
Amendments to IAS 1	<i>Non-current Liabilities with Covenants²</i>
Amendments to IAS 7 and IFRS 7	<i>Supplier Finance Arrangements²</i>
Amendments to IAS 21	<i>Lack of Exchangeability³</i>

¹ Effective for annual periods beginning on or after a date to be determined.

² Effective for annual periods beginning on or 1 January 2024.

³ Effective for annual periods beginning on or 1 January 2025.

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

3. REVENUE

	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Revenue from contracts with customers	140,721,730	52,612,867
Rental income (included in revenue of airline operations segment)	378,504	284,717
Total revenue	<u>141,100,234</u>	<u>52,897,584</u>

Disaggregation of revenue from contracts with customers

Segments	2023		2022	
	Airline operations RMB'000	Other operations RMB'000	Airline operations RMB'000	Other operations RMB'000
Type of goods or services				
Airline operations				
Passenger	130,516,558	–	38,296,190	–
Cargo and mail	4,164,743	–	10,084,634	–
Others	1,704,339	–	1,621,602	–
	<u>136,385,640</u>	<u>–</u>	<u>50,002,426</u>	<u>–</u>
Other operations				
Aircraft engineering income	–	4,238,926	–	2,505,219
Others	–	97,164	–	105,222
	<u>–</u>	<u>4,336,090</u>	<u>–</u>	<u>2,610,441</u>
Total	<u>136,385,640</u>	<u>4,336,090</u>	<u>50,002,426</u>	<u>2,610,441</u>
Geographical markets				
Mainland China	108,050,710	4,336,090	35,606,207	2,610,441
Hong Kong Special Administrative Region (“SAR”), Macau SAR and Taiwan, China	4,126,997	–	1,097,125	–
International	24,207,933	–	13,299,094	–
Total	<u>136,385,640</u>	<u>4,336,090</u>	<u>50,002,426</u>	<u>2,610,441</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 RMB1,455 million (2022: RMB1,483 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 2023 and 2022, and the reconciliations of reportable segment revenue and loss before taxation to the Group's consolidated amounts under IFRSs:

Year ended 31 December 2023

	Airline operations <i>RMB'000</i>	Other operations <i>RMB'000</i>	Elimination <i>RMB'000</i>	Total <i>RMB'000</i>
Revenue				
Sales to external customers	136,764,144	4,336,090	–	141,100,234
Inter-segment sales	<u>206,970</u>	<u>7,909,425</u>	<u>(8,116,395)</u>	<u>–</u>
Revenue for reportable segments under CASs and IFRSs	<u>136,971,114</u>	<u>12,245,515</u>	<u>(8,116,395)</u>	<u>141,100,234</u>
Segment (loss)/profit before taxation				
(Loss)/profit before taxation for reportable segments under CASs	<u>(2,084,670)</u>	<u>475,041</u>	<u>(50,778)</u>	<u>(1,660,407)</u>
Effect of differences between IFRSs and CASs				<u>10,628</u>
Loss before taxation for the year under IFRSs				<u>(1,649,779)</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>
Revenue				
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>
Segment loss before taxation				
Loss before taxation for reportable segments under CASs	<u>(44,354,029)</u>	<u>(1,418,775)</u>	<u>(106,759)</u>	<u>(45,879,563)</u>
Effect of differences between IFRSs and CASs				<u>2,672</u>
Loss before taxation for the year under IFRSs				<u>(45,876,891)</u>

The following tables present the assets, liabilities and other information of the Group's operating segments under CASs as at 31 December 2023 and 2022 and the reconciliations of reportable segment assets, segment liabilities and other segment information to the Group's consolidated amounts under IFRSs:

	Airline operations RMB'000	Other operations RMB'000	Elimination RMB'000	Total RMB'000
Segment assets				
Total assets for reportable segments as at 31 December 2023 under CASs	<u>323,324,926</u>	<u>30,250,454</u>	<u>(18,272,699)</u>	335,302,681
Effect of differences between IFRSs and CASs				<u>(23,987)</u>
Total assets under IFRSs				<u><u>335,278,694</u></u>
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>	295,011,335
Effect of differences between IFRSs and CASs				<u>(31,958)</u>
Total assets under IFRSs				<u><u>294,979,377</u></u>
	Airline operations RMB'000	Other operations RMB'000	Elimination RMB'000	Total RMB'000
Segment liabilities				
Total liabilities for reportable segments as at 31 December 2023 under CASs and IFRSs	<u>294,072,306</u>	<u>23,748,047</u>	<u>(17,805,668)</u>	<u>300,014,685</u>
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>

Year ended 31 December 2023

	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>
Other segment information						
Share of profit of associates and joint ventures	2,501,992	331,986	–	2,833,978	–	2,833,978
Net impairment losses (recognised)/ reversed on financial assets	(18,271)	41,094	(47,440)	(24,617)	–	(24,617)
Impairment losses recognised on non-financial assets	192,203	29,900	–	222,103	–	222,103
Depreciation and amortisation	26,839,044	437,075	(154,982)	27,121,137	(10,630)	27,110,507
Income tax credit/(expense)	254,127	(170,957)	8,018	91,188	(2,657)	88,531
Interests in associates and joint ventures	12,559,126	2,656,782	(79,005)	15,136,903	139,919	15,276,822
Additions to non-current assets	<u>25,053,588</u>	<u>346,788</u>	<u>(17,211)</u>	<u>25,383,165</u>	<u>–</u>	<u>25,383,165</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>
Other segment information						
Share of (loss)/profit of associates and joint ventures	(484,499)	383,957	–	(100,542)	–	(100,542)
Net 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	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>

Geographical information

The following table presents the Group's consolidated revenue under IFRSs by geographical location for the years ended 31 December 2023 and 2022, respectively:

Year ended 31 December 2023

	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>112,765,304</u>	<u>4,126,997</u>	<u>24,207,933</u>	<u>141,100,234</u>

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>

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

There was no individual customer that amounted to 10% or more of the Group's revenue during the year ended 31 December 2023 (2022: CNAHC and its subsidiaries (other than the Group) amounted to 21% of the Group's revenue).

5. OTHER INCOME AND GAINS

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Co-operation routes income and subsidy income	4,450,650	2,899,943
Dividend income	14,286	9,368
Gains/(losses) on disposal of:		
– Property, plant and equipment and right-of-use assets	934,614	64,922
– Asset held for sale	18,519	(6,774)
– Investment in an associate	–	4,599
– Investment properties	(315)	–
(Loss)/gain arising on financial assets at FVTPL	(893)	168
Others (<i>Note</i>)	<u>1,984,895</u>	<u>402,552</u>
	<u>7,401,756</u>	<u>3,374,778</u>

Note: These mainly include flight operation remedies.

6. PROFIT/(LOSS) FROM OPERATIONS

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

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Depreciation of property, plant and equipment	11,611,121	8,784,570
Depreciation of right-of-use assets	15,468,124	12,425,265
Depreciation of investment properties	31,256	23,839
Amortisation of intangible assets	<u>6</u>	<u>–</u>
Total depreciation and amortisation	<u>27,110,507</u>	<u>21,233,674</u>
Impairment losses recognised on property, plant and equipment	184,166	62,584
Impairment losses recognised on inventories	35,049	3,168
Impairment losses recognised on interests in associates	2,888	–
Auditors' remuneration:		
– Audit related services	19,395	17,817
– Other services	<u>1,088</u>	<u>4,443</u>

7. FINANCE COSTS

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Interest on interest-bearing borrowings	3,872,746	3,383,021
Interest on lease liabilities	3,328,563	3,363,993
Imputed interest expenses on defined benefit obligations	<u>6,204</u>	<u>6,573</u>
	7,207,513	6,753,587
Less: Interest capitalised (<i>Note</i>)	<u>(264,426)</u>	<u>(280,967)</u>
	<u><u>6,943,087</u></u>	<u><u>6,472,620</u></u>

Note: The interest capitalisation rates ranged from 2.40% to 4.45% per annum (2022: 2.73% to 5.80% per annum) relating to the costs of related borrowings during the year.

8. INCOME TAX CREDIT

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Current income tax:		
– Mainland China	214,771	26,148
– Hong Kong SAR and Macau SAR, China	–	1,587
Under provision in respect of prior years	13,600	1,310
Deferred tax	<u>(316,902)</u>	<u>(732,026)</u>
	<u><u>(88,531)</u></u>	<u><u>(702,981)</u></u>

Under the Law of the PRC on Enterprise Income Tax (the “EIT Law”) and Implementation Regulation of the EIT Law, except for three (2022: three) branches and five (2022: three) subsidiaries of the Company, and some branches of two subsidiaries of the Company which are taxed at a preferential rate of 15% (2022: 15%), all group companies located in Mainland China are subject to a income tax rate of 25% during the year (2022: 25%). Subsidiaries in Hong Kong SAR, China are taxed at profits tax rate of 16.5% (2022: 16.5%) and subsidiaries in Macau SAR, China are taxed at profits tax rate of 12% (2022: 12%), for each reporting period.

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:

	2023	2022
	RMB'000	RMB'000
Loss before taxation	<u>(1,649,779)</u>	<u>(45,876,891)</u>
Tax at the applicable tax rate of 25%	(412,445)	(11,469,223)
Preferential tax rates on income of group entities	85,063	676,241
Tax effect of share of results of associates and joint ventures	(703,457)	98,907
Tax effect of non-deductible expenses	139,600	259,889
Tax effect of non-taxable income	(18,395)	(8,112)
Tax effect of deductible temporary differences and tax losses not recognised	1,005,444	9,734,551
Utilisation of tax losses and deductible temporary differences not recognised in prior years	(197,941)	(1,188)
Under provision in respect of prior years	13,600	1,310
Others	<u>–</u>	<u>4,644</u>
Income tax credit	<u>(88,531)</u>	<u>(702,981)</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:

	2023	2022
	RMB'000	RMB'000
Loss		
Loss for the purpose of basic and diluted loss per share	<u>(1,038,411)</u>	<u>(38,617,495)</u>

	2023	2022
	'000	'000

Number of shares

Number of ordinary shares for the purpose of basic and diluted loss per share	<u>15,401,755</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 2022 and 2023, nor has any dividend been proposed since the end of both reporting periods.

11. ACCOUNTS RECEIVABLE

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Accounts receivable	3,357,916	1,794,464
Less: Allowance for expected credit losses	<u>(175,119)</u>	<u>(145,108)</u>
	<u>3,182,797</u>	<u>1,649,356</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:

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Within 30 days	2,349,927	871,543
31 to 60 days	265,953	354,939
61 to 90 days	155,337	103,925
Over 90 days	<u>411,580</u>	<u>318,949</u>
	<u>3,182,797</u>	<u>1,649,356</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:

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Within 30 days	7,517,749	4,233,975
31 to 60 days	2,479,368	1,228,802
61 to 90 days	3,411,397	950,354
Over 90 days	<u>4,545,784</u>	<u>4,522,415</u>
	<u>17,954,298</u>	<u>10,935,546</u>

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

CONSOLIDATED BALANCE SHEET

At 31 DECEMBER 2023

(Prepared under the CASs)

	31 December 2023 RMB'000	31 December 2022 RMB'000
ASSETS		
Current assets		
Cash and bank	15,628,496	11,435,877
Financial assets at fair value through profit or loss	2,505	3,398
Bills receivable	3,601	7,483
Accounts receivable	3,182,797	1,649,356
Prepayments	414,431	368,692
Other receivables	5,437,914	2,807,726
Inventories	3,682,821	2,557,823
Assets held for sale	108,527	1,302
Other current assets	3,873,629	3,413,474
Total current assets	32,334,721	22,245,131
Non-current assets		
Debt instruments at fair value through other comprehensive income	1,397,310	1,360,982
Long-term receivables	847,273	539,624
Long-term equity investments	15,136,903	12,574,373
Equity instruments at fair value through other comprehensive income	1,550,029	243,760
Investment properties	320,827	106,118
Fixed assets	104,970,803	86,369,754
Right-of-use assets	116,342,903	122,591,793
Construction in progress	38,407,989	32,908,551
Intangible assets	5,817,144	4,300,216
Goodwill	4,097,942	1,102,185
Long-term deferred expenses	286,247	249,268
Deferred tax assets	13,703,962	10,417,452
Other non-current assets	88,628	2,128
Total non-current assets	302,967,960	272,766,204
TOTAL assets	335,302,681	295,011,335

LIABILITIES AND SHAREHOLDERS' EQUITY	31 December 2023 RMB'000	31 December 2022 RMB'000
Current liabilities		
Short-term loans	21,363,178	19,946,147
Short-term bonds payable	–	2,006,149
Bills payable	500,160	–
Accounts payable	18,595,075	11,628,611
Air traffic liabilities	8,366,222	2,757,601
Advance	–	58,970
Contract liabilities	1,522,492	1,095,185
Employee compensations payable	3,088,820	4,317,738
Taxes payable	571,838	275,930
Other payables	16,085,401	13,131,744
Non-current liabilities repayable within one year	<u>40,224,088</u>	<u>37,264,533</u>
Total current liabilities	<u>110,317,274</u>	<u>92,482,608</u>
Non-current liabilities		
Long-term loans	80,777,799	66,868,774
Corporate bonds	9,196,832	11,193,342
Long-term payables	28,752,343	20,551,757
Lease liabilities	64,053,967	76,897,347
Defined benefit obligations	187,810	202,016
Accrued liabilities	4,312,660	3,090,965
Deferred income	404,103	418,200
Deferred tax liabilities	347,910	323,297
Other non-current liabilities	<u>1,663,987</u>	<u>1,422,843</u>
Total non-current liabilities	<u>189,697,411</u>	<u>180,968,541</u>
Total liabilities	<u>300,014,685</u>	<u>273,451,149</u>
Shareholders' equity		
Issued capital	16,200,793	14,524,815
Capital reserve	39,587,767	26,270,841
Other comprehensive income	215,566	421,075
Reserve funds	11,564,287	11,564,287
Retained earnings	(30,495,138)	(29,309,022)
General reserve	153,747	137,138
Safety funds	<u>2,940</u>	<u>–</u>
Equity attributable to shareholders of the Company	<u>37,229,962</u>	<u>23,609,134</u>
Non-controlling interests	<u>(1,941,966)</u>	<u>(2,048,948)</u>
Total shareholders' equity	<u>35,287,996</u>	<u>21,560,186</u>
Total liabilities and shareholders' equity	<u>335,302,681</u>	<u>295,011,335</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:

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Net loss attributable to shareholders of the Company under CASs	(1,046,382)	(38,619,499)
Deferred taxation	(2,657)	(668)
Differences in value of fixed assets and certain non-current assets	10,628	2,672
	<u>(1,038,411)</u>	<u>(38,617,495)</u>
Net loss attributable to shareholders of the Company under IFRSs		
	31 December 2023 <i>RMB'000</i>	31 December 2022 <i>RMB'000</i>
Equity attributable to shareholders of the Company under CASs	37,229,962	23,609,134
Deferred taxation	53,218	55,875
Differences in value of fixed assets and certain non-current assets	(217,124)	(227,752)
Unrealised profit on the disposal of Hong Kong Dragon Airlines Limited	139,919	139,919
	<u>37,205,975</u>	<u>23,577,176</u>
Equity attributable to shareholders of the Company under IFRSs		

SUMMARY OF OPERATING DATA

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

	Current year	Previous year	Increase/ (decrease)
Capacity			
ASK (million)	292,513.16	110,735.88	164.15%
International	47,693.43	4,691.31	916.63%
Mainland China	237,326.42	104,413.50	127.29%
Hong Kong SAR, Macau SAR and Taiwan, China	7,493.31	1,631.07	359.41%
AFTK (million)	9,648.19	8,510.90	13.36%
International	2,939.26	5,904.80	(50.22%)
Mainland China	6,511.56	2,488.21	161.70%
Hong Kong SAR, Macau SAR and Taiwan, China	197.37	117.88	67.43%
ATK (million)	36,002.19	18,482.42	94.79%
Traffic			
RPK (million)	214,172.87	69,966.58	206.11%
International	32,306.61	2,076.48	1455.84%
Mainland China	176,788.86	67,134.33	163.34%
Hong Kong SAR, Macau SAR and Taiwan, China	5,077.40	755.76	571.82%
RFTK (million)	3,015.54	3,502.13	(13.89%)
International	1,637.80	2,532.04	(35.32%)
Mainland China	1,337.20	933.23	43.29%
Hong Kong SAR, Macau SAR and Taiwan, China	40.55	36.86	10.01%
Passengers carried (thousand)	125,454.54	45,086.67	178.25%
International	6,730.76	379.10	1675.48%
Mainland China	115,547.16	44,266.54	161.03%
Hong Kong SAR, Macau SAR and Taiwan, China	3,176.62	441.04	620.25%
Cargo and mail carried (tonnes)	1,070,372.96	902,821.18	18.56%
Kilometres flown (million)	1,565.96	748.10	109.33%
Block hours (thousand)	2,529.46	1,166.89	116.77%

	Current year	Previous year	Increase/ (decrease)
Number of flights	902,517	409,870	120.20%
International	46,956	16,189	190.05%
Mainland China	830,317	387,566	114.24%
Hong Kong SAR, Macau SAR and Taiwan, China	25,244	6,115	312.82%
RTK (million)	21,887.15	9,688.36	125.91%
Load factor			
Passenger load factor (RPK/ASK)	73.22%	63.18%	10.03 ppt
International	67.74%	44.26%	23.48 ppt
Mainland China	74.49%	64.30%	10.20 ppt
Hong Kong SAR, Macau SAR and Taiwan, China	67.76%	46.34%	21.42 ppt
Cargo and mail load factor (RFTK/AFTK)	31.26%	41.15%	(9.89 ppt)
International	55.72%	42.88%	12.84 ppt
Mainland China	20.54%	37.51%	(16.97 ppt)
Hong Kong SAR, Macau SAR and Taiwan, China	20.54%	31.27%	(10.72 ppt)
Overall load factor (RTK/ATK)	60.79%	52.42%	8.37 ppt
Utilisation			
Daily utilisation of aircraft (block hours per day per aircraft)	8.14	3.90	4.24 hours
Yield			
Yield per RPK (RMB)	0.6094	0.6345	(3.96%)
International	0.6627	2.3444	(71.73%)
Mainland China	0.5948	0.5688	4.57%
Hong Kong SAR, Macau SAR and Taiwan, China	0.7785	1.0105	(22.96%)
Yield per RFTK (RMB)	1.3811	2.9644	(53.41%)
International	1.7094	3.3614	(49.15%)
Mainland China	0.8907	1.4926	(40.33%)
Hong Kong SAR, Macau SAR and Taiwan, China	4.2950	9.1181	(52.90%)
Unit cost			
Cost of operation per ASK (RMB)	0.4978	0.9533	(47.78%)
Cost of operation per ATK (RMB)	4.0445	5.3980	(25.07%)

Note: As at 21 March 2023, the Company has gained control of Shandong Aviation Group Corporation, and its subsidiaries within the consolidation scope of Shandong Aviation Group Corporation, including Shandong Airlines, have become companies within the scope of the consolidated financial statements of the Group. For details, please refer to the announcement of the Company dated 21 March 2023. The sections headed “SUMMARY OF OPERATING DATA” and “DEVELOPMENT OF FLEET” in this results announcement include relevant operating data and fleet information of Shandong Airlines, and the historical data in the above table have been adjusted to a comparable basis.

DEVELOPMENT OF FLEET

During the year of 2023, the Group introduced a total of 23 aircraft, including seven A350, three A321NEO, three A320NEO, one B737-800 and nine ARJ21-700, and phased out a total of 12 aircraft, including three A330-200, one A320, seven B737-800 and one business jet.

As at the end of 2023, the Group had a total of 905 aircraft with an average age of 9.36 years, of which the Company operated a fleet of 495 aircraft in total, with an average age of 9.12 years. The Company introduced 20 aircraft and phased out 12 aircraft.

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

	31 December 2023				
	Sub-total	Self-owned	Finance leases	Operating leases	Average age (year)
Airbus	438	195	123	120	8.96
A320	351	161	97	93	9.15
A330	57	24	6	27	11.07
A350	30	10	20	–	2.63
Boeing	439	183	81	175	10.19
B737	387	150	70	167	10.23
B747	10	8	2	–	14.47
B777	28	13	9	6	9.71
B787	14	12	–	2	6.86
COMAC	24	12	12	–	1.35
ARJ21	24	12	12	–	1.35
Business jets	4	1	–	3	10.28
Total	905	391	216	298	9.36

	Introduction Plan			Phase-out Plan		
	2024	2025	2026	2024	2025	2026
Airbus	4	26	33	11	6	11
A320	4	26	33	6	4	11
A330	–	–	–	5	2	–
Boeing	32	2	33	1	–	–
B737	32	–	23	1	–	–
B787	–	2	10	–	–	–
COMAC	9	2	–	–	–	–
ARJ21	9	2	–	–	–	–
Total	<u>45</u>	<u>30</u>	<u>66</u>	<u>12</u>	<u>6</u>	<u>11</u>

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

2023 REVIEW

2023 is the year of marking the beginning of comprehensive implementation of the spirit of the 20th National Congress of the Communist Party of China and a critical year for carrying forward the “14th Five-Year Plan” development blueprint. Over the past year, the Group has adhered to the underlying principle of seeking progress while maintaining stability, coordinated safety and development, made full efforts to reduce losses and break through difficulties, accelerated its development into a world-class enterprise, continued to promote in-depth reforms, improved service quality, strengthened Party building for its leadership and support, and made significant progress in all aspects of work.

Steadily maintaining safe development to lay a more solid safety foundation. Faced with a complex environment and severe challenges, the Group has always regarded safety as its primary political mission and a matter of paramount importance. The Group comprehensively implements the overall national security concept, and maintained a stable situation in safe operation. **The Group has rigorously implemented its safety responsibilities**, firmly established the concept of safety development, resolutely implemented the Law on the Production Safety (《安全生產法》) and the “15 Hard Measures” (“十五條硬措施”) adopted by the Work Safety Committee of the State Council (國務院安委會), and continuously strengthened organisational leadership in safety work. **The Group thoroughly carried out key tasks**, diligently implemented the safety supervision and inspection requirements of the Civil Aviation Administration of China, earnestly conducted rectification and reform and improved the long-term mechanism in a bid to enhance the overall level of safety management. **By earnestly focusing on the key aspects**, the Group carried out specialised risk assessments in conjunction with the characteristics of market recovery at various stages and seasonal environmental changes so as to ensure that the operation support capability matched the actual flight operations. In 2023, the Group successfully safeguarded major transportation tasks such as the Chengdu Summer World University Games, the Hangzhou Asian Games, “Belt and Road” Forum and earthquake relief.

Significant improvement in operating performance with effective strides in profitability. During the year, the Group seized the opportunity of market recovery, implementing comprehensive measures to enhance quality and efficiency, resulting in a substantial reduction in operational losses. Capitalising on opportunities of increasing flight schedules at major domestic airports, the Group continued to upgrade the quality of express routes, enhanced the efficiency of utilizing advantageous aircraft types, and made every effort to expand effective investment in the domestic market. With a commitment to high-quality service for the country’s “Going Global” and “Belt and Road” initiatives, the Group strived to promote the resumption and expansion of international routes. As of the end of the Reporting Period, the number of weekly flights on international and regional routes had been restored to 74% of the level in the same period in 2019. Proactively maintaining market order, strengthening sales arrangement and yield level management, the Group ensured yield level remaining stable. Furthermore, by further integrating passenger and cargo operations and leveraging international passenger aircraft capacity and hub networks, revenue from bellyhold capacity saw significant year-on-year growth. Through rigorous cost reduction and efficiency enhancement efforts, adhering to the concept of “living within our means” (“過緊日子”), controlling major costs throughout the entire process and tightening control over non-budgetary expenses, the Group achieved cost reduction and efficiency improvements.

Enhancing standard quality management and steadily elevating service standards. The Group is deeply committed to the people-centred ideology, continuously refining and enhancing the quality of its aviation services. The Group actively advanced the construction of the service standard system, redesigned the top-level management of service standards, strengthened the implementation of service standards, and promoted consistency in key service standards among member companies. With efforts made to create outstanding service products, expedite the launch of branded lounges, and introduce new onboard products, the Group has continued to enhance the image of the service brand. It strived to improve the management capabilities for service quality, consolidate flight regularity management, optimise ticket refund and change services, and enhance passenger service experience. In addition, the Group accelerated the digital transformation of services, completing the functional development of the in-flight catering reservation management system, continuously enhancing the application of mobile-end scenarios, and steadily upgraded the digitalisation of services.

Contributing to the “national priorities” and exemplifying our mission and responsibility. The Group remains steadfast in its functional mission, dedicated to the national strategies and fulfilling its political and social responsibilities. New progress has been made in supporting regional strategies. Proactively aligning with the national strategies, the Group further refined regional development plans to continuously optimise market layout and route networks. Achieving new results in technology innovation, focusing on the three major areas in safety operation, service marketing and management synergy, resulting in the formulation of a top-level design for the Group’s digital development. Embracing the concept of green development, the Group actively participated in formulating rules for the civil aviation carbon market, released its action plan for achieving the “Carbon Peak” initiative and drove its implementation. Demonstrating new roles in fulfilling social responsibility, the Group effectively facilitated rural revitalisation and consolidated achievements in poverty alleviation, earning the highest rating for six consecutive years.

Strengthening Party building and its leadership to ensure high-quality development. The Group fully implemented the spirit of the 20th National Congress of the Communist Party of China, reinforcing Party leadership in corporate governance, enhancing the development of cadre talent, and steadfastly advancing comprehensive and strict Party self-governance. Such effort aims to cultivate a clean and upright political environment, providing a robust foundation for promoting high-quality development and advancing the Group's transformation into a world-class enterprise.

The year 2024 marks the 75th anniversary of the founding of the People's Republic of China, and an important year for the Group's journey towards becoming a world-class enterprise. The Group will adhere to the principle of seeking progress while ensuring stability, fully, precisely and comprehensively implementing the new development philosophy, and contributing to accelerating the establishment of the new development paradigm. The Group will coordinate high-quality development and top-level safety, strengthen core functions and enhance core competitiveness. By focusing on tasks such as ensuring safe operations, enhancing quality and efficiency, deepening reform, improving services and strengthening Party building, the Group aims to enhance its ability for value creation, and will play its role in technological innovation, industrial control and safety support, so as to make new contributions to advancing civil aviation and building a strong transportation nation.

Safe Operation

The Group firmly rooted the concept of safety development, and diligently conducted specific investigations and rectification of major hidden safety hazards. The Group exerted full effort to ensure the support for safe and orderly restoration of flight operation, conducting comprehensive risk assessment for flight resumption work covering the aspects such as human factors, mechanical issues, environmental concerns and management practices, to ensure operational support capabilities aligned with actual flight operations. Furthermore, the Group continued to bolster the development of four safety operation systems encompassing safety management, flight training, aircraft maintenance and operation management, The Group also deepened the utilisation of the flight data management and application system (QBD). Additionally, efforts were continued to advance the establishment of a safety management system for the air transport of dangerous goods (SMS-DG), implementing the dual prevention mechanism for risk control and hidden hazard investigation. The Group organised and conducted the self-inspections to ensure compliance with qualifications for personnel involved in air transport of dangerous goods, including outsourced personnel. Moreover, comprehensive enhancements were made to the construction of aviation security management systems and capabilities, with the organisation of aviation security tests, air defense drills, special fire safety inspections and firefighting and rescue drills. Key personnel in fire safety management were duly licensed for their duties.

The Group earnestly implemented all the directives from safety supervision units, conducting comprehensive investigations and research in safety areas. The Group exerted significant efforts to translate the findings of thematic education research into action, successfully achieving the safety improvement goals set during thematic education. The Group continued to improve its emergency planning system, promptly responded to and effectively managed emergencies. Through a focused cultivation of safety culture and the practical promotion of safety practices, the Group launched qualification training for safety officers in charge and management personnel at all levels, all of whom successfully passed the assessments. The Group successfully safeguarded major transportation tasks such as the Chengdu Summer World University Games, the Hangzhou Asian Games, “Belt and Road” Forum and earthquake relief.

During the Reporting Period, the Group recorded 2.5295 million safe flight hours, transported 125 million passengers safely, continuously maintaining an overall stable and safe operation.

Maximising Operating Performance

Seizing the opportunity presented by the recovery of the air passenger transportation market, and prioritizing safe operation, the Group further advanced various initiatives aimed at enhancing quality and efficiency. The Group made every effort to maximise operational performance, actively pursue revenue generation and reduce costs. As a result, there was a year-on-year increase in revenue of 166.74%, coupled with a decrease of RMB44,227 million in loss before taxation, demonstrating a significant improvement in operational performance amid stable economic conditions and operations.

Adhering to the principal of “increasing investment, maintaining price level and competing for business volume”, the Group bolstered its capacity for “synergistic” development and focused on optimizing the allocation of core resources. The Group enhanced the efficiency of utilizing advantageous aircraft types and expanded effective inputs. By capturing opportunities of increasing flight schedules at major domestic airports, the Group continued to upgrade the express route products. To support the national “Going Global” strategy and the “Belt and Road” initiative with high-quality service, the Group has operated 55 “Belt and Road” related routes across 31 cities in 25 countries, with flight numbers close to 90% of those in the same period in 2019. The Group continued to promote the resumption and expansion of international routes accordingly. Furthermore, the Group expedited marketing innovation and digital transformation, and further implemented the linkage between passenger aircraft and cargo operations, driving the year-on-year growth in passenger and cargo transportation revenue.

Maintaining strict cost control and upholding the concept of “living within our means” (“過緊日子”), the Group implemented rigorous budgetary constraints and diligently reduced costs throughout the entire business chain and the business. The Group optimised operational costs and effectively managed fixed costs to reduce overall expenditure. Emphasizing the importance of secure and sustainable cash flow, the Group strengthened its capital management and control, enhanced the efficiency of fund using, continued to optimise debt structure, effectively controlled interest-bearing liabilities and reduced financial costs. In addition, the Group focused on improving labor productivity across all levels and scientifically managed labor costs.

Enhancing Services

The Group has firmly embraced a “people-centred” development ideology and put the concept of “sincere services” into practice. The Group has continuously refined its service standard system, promoted the branding of its services and products, optimised the end-to-end service experience and expedited the enhancement of its high-quality service standards to consistently meet passengers’ expectations for a pleasant air travel experience.

In order to improve service standard system and revamp the service standard management structure, the Group has ensured stable presentation of products and services by refining the product and service standards and establishing or revising several quality management standards and work standards. It promoted the branding of service and products, with the opening of the “Zixuan” (“紫軒”) and “Zichen” (“紫宸”) branded self-operated lounges in Hangzhou and Guiyang, the introducing of the “Phoenix Dance in the Cloud” (“鳳舞雲端”) cabin new visual package products and a new version of in-flight entertainment system, offering passengers a comprehensive and exclusive audio-visual experience. The Group actively integrated regional food and beverage cultures to launch featured meal sets and beverages, creating a distinctive flavor for Air China. Besides, Air China Express Routes were expanded to seven routes, and free ticket change and transfer services were launched between Air China family airlines to facilitate convenient travel for passengers.

To optimise the end-to-end service experience, the Company has strengthened flight plan management, flight regularity monitoring and analysis as well as comprehensive ground control over flights. As a result, the Company's flight regularity has consistently surpassed the industry average. The Company has formulated and implemented 11 measures to improve passenger ticket services, enhancing the friendliness and convenience of ticket refunds and changes services. Catering to the travel needs of special passengers, the Company has provided special counters and terminal guidance for "first-time passengers". With the launch of "automatic check-in" services on three routes in Guangzhou, travel procedures have been effectively simplified for passengers. The Company has also launched whole-process luggage tracking and inquiry services at 23 terminals, including Xi'an and Changsha, bringing the total number of terminals having such services to 53.

Digital Transformation

To accelerate the promotion of digital transformation, the Group insisted on safety operations as the bottom line, placing passenger service at the forefront. By leveraging management synergy as the foundation, the Group focused on cultivating the construction of three major digital platforms, promoting the convergence of business and technology, and facilitating the integration of the entire business process.

In 2023, the Group pushed forward the deepening application and dissemination of the global ground flight support platform, on which four major modules have been launched, namely flight monitoring, smart scheduling, mobile ground services and data platform, covering over 1,200 functional points such as flight plan management, security task monitoring and real-time dispatching. Since its launch, the platform has safeguarded over 250,000 inbound and outbound flights, benefiting approximately 6,000 business users including the Ground Services Department, Comprehensive Security Support Department and Beijing Aviation Catering, which significantly enhanced large-scale ground production organisation efficiency. At the same time, the Group completed the full-scale deployment of the Tianjin Branch, encompassing the Production Command Centre, Ground Services Department, aircraft services and other major security units.

Focusing on improving passenger service quality, the Group has comprehensively promoted the system development in the full-process passenger service domain. The Group introduced facial recognition functionality at lounges in Hangzhou to provide passengers with an intelligent access method and, at the same time, implemented management service functions on the mobile end to empower frontline staff. Since January 2024, it has been rolling out mobile-end functions across all 32 self-operated lounges in China, and expanding the face recognition access scenarios in the lounges in regions including Xinjiang and Shanghai.

To establish a high-quality air-to-ground interconnection network and increase the speed of passengers' Internet access in order to significantly improve the passengers' Internet experience, Air China's A350 fleet pioneered the extension of in-flight Internet services to the take-off and landing phases in September 2023, covering the entire passenger flight and laying the groundwork for Internet services to encompass passenger trips "door-to-door". Moving forward, the Group will continue to accelerate the building of an internationally leading Internet fleet.

Risk Prevention and Control

Continuing to deepen the integrated collaborative mechanism of "emphasizing the rule of law, strengthening internal control, preventing risks and promoting compliance", the Group accelerated the implementation of risk prevention and control across all processes, chains and areas, comprehensively strengthening safety operation risk management and operational risk prevention.

The Group secured a stable mechanism of risk assessment. Adhering to governance decision-making procedures, the Group actively and steadily reviewed and assessed major risks annually through in-depth research and thematic diagnosis, and implemented comprehensive measures accordingly. By enhancing the precision of risk quantification and quantifying key risk indicators, the Group further improved graded and classified rolling monitoring of important risk issues, carrying out closed-loop management. The Group implemented a regular mechanism for annual inspection on overseas legal compliance risks, emphasising the focus on risk control in foreign-related legal compliance. Extending decision-making risk assessment mechanisms, the Group ensured comprehensive risk evaluation for major decisions while prioritising compliance as the premise, proactively mitigating and eliminating risks. The Group 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 key task progress, focused on researching and assessing risk control and management difficulties, and promoted practical experience of risk control and management. The Group continued to strengthen the information sharing mechanism among risk control, compliance, discipline inspection, inspection and audit, collectively establishing three lines of defense for risk prevention in management coordination. The responsibility mechanism for risk prevention and control 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 overall handling capacity of risk management throughout the entire process.

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 RMB141,100 million, representing an increase of RMB88,203 million or 166.74% as compared with last year. Among which, air traffic revenue was RMB134,681 million, representing an increase of RMB86,300 million or 178.38% as compared with last year; other operating revenue was RMB6,419 million, representing a year-on-year increase of RMB1,902 million or 42.11%.

Revenue Contributed by Geographical Segments

<i>(in RMB'000)</i>	2023		2022		Change
	Amount	Percentage	Amount	Percentage	
Mainland China	112,765,304	79.92%	38,501,365	72.79%	192.89%
International	24,207,933	17.16%	13,299,094	25.14%	82.03%
Hong Kong SAR, Macau SAR and Taiwan, China	<u>4,126,997</u>	<u>2.92%</u>	<u>1,097,125</u>	<u>2.07%</u>	<u>276.16%</u>
Total	<u>141,100,234</u>	<u>100.00%</u>	<u>52,897,584</u>	<u>100.00%</u>	<u>166.74%</u>

Air Passenger Revenue

During the Reporting Period, the Group recorded an air passenger revenue of RMB130,517 million, representing an increase of RMB92,220 million over the previous year. Among the air passenger revenue, the increase of capacity contributed an increase of RMB78,135 million in the revenue, and the increase of passenger load factor led to an increase of RMB19,465 million in the revenue, while the decrease of passenger yield resulted in a decrease in revenue of RMB5,380 million. The Group's capacity, passenger load factor and yield per RPK in 2023 are as follows:

	2023	2022	Change
ASK (<i>million</i>)	292,513.16	96,212.39	204.03%
Passenger load factor (%)	73.22	62.73	10.49 ppt
Yield per RPK (<i>RMB</i>)	0.6094	0.6345	(3.96%)

Note: The operating data for the corresponding period in 2022 in the above table does not include the operating data of Shandong Airlines.

Air Passenger Revenue Contributed by Geographical Segments

<i>(in RMB'000)</i>	2023		2022		Change
	Amount	Percentage	Amount	Percentage	
Mainland China	105,155,385	80.57%	32,736,473	85.48%	221.22%
International	21,408,328	16.40%	4,798,616	12.53%	346.14%
Hong Kong SAR, Macau SAR and Taiwan, China	<u>3,952,845</u>	<u>3.03%</u>	<u>761,101</u>	<u>1.99%</u>	<u>419.36%</u>
Total	<u><u>130,516,558</u></u>	<u><u>100.00%</u></u>	<u><u>38,296,190</u></u>	<u><u>100.00%</u></u>	<u><u>240.81%</u></u>

Air Cargo and Mail Revenue

During the Reporting Period, the Group's air cargo and mail revenue was RMB4,165 million, representing a decrease of RMB5,920 million as compared with last year. Among which, the increase of capacity contributed an increase of RMB1,601 million in the revenue, while the decrease of cargo and mail load factor resulted in a decrease in revenue of RMB2,746 million, and the decrease of yield of cargo and mail resulted in a decrease of RMB4,775 million in the revenue. The capacity, cargo and mail load factor and yield per RFTK in 2023 are as follows:

	2023	2022	Change
Available freight tonne kilometres (<i>million</i>)	9,648.19	8,326.31	15.88%
Cargo and mail load factor (%)	31.26	40.86	(9.60 ppt)
Yield per RFTK (<i>RMB</i>)	1.3811	2.9644	(53.41%)

Note: The operating data for the corresponding period in 2022 in the above table does not include the operating data of Shandong Airlines.

Air Cargo and Mail Revenue Contributed by Geographical Segments

<i>(in RMB'000)</i>	2023		2022		Change
	Amount	Percentage	Amount	Percentage	
Mainland China	1,190,986	28.60%	1,248,132	12.38%	(4.58%)
International	2,799,606	67.22%	8,500,478	84.29%	(67.07%)
Hong Kong SAR, Macau SAR and Taiwan, China	<u>174,151</u>	<u>4.18%</u>	<u>336,024</u>	<u>3.33%</u>	<u>(48.17%)</u>
Total	<u><u>4,164,743</u></u>	<u><u>100.00%</u></u>	<u><u>10,084,634</u></u>	<u><u>100.00%</u></u>	<u><u>(58.70%)</u></u>

Operating Expenses

During the Reporting Period, the Group's operating expenses were RMB145,612 million, representing an increase of 58.76% from RMB91,716 million of last year. The breakdown of the operating expenses is set out below:

<i>(in RMB'000)</i>	2023		2022		Change
	Amount	Percentage	Amount	Percentage	
Jet fuel costs	46,725,219	32.09%	22,762,814	24.82%	105.27%
Take-off, landing and depot charges	15,554,795	10.68%	6,499,775	7.09%	139.31%
Depreciation and amortisation	27,110,507	18.62%	21,233,674	23.15%	27.68%
Aircraft maintenance, repair and overhaul costs	9,921,853	6.81%	5,640,163	6.15%	75.91%
Employee compensation costs	29,300,310	20.12%	25,338,553	27.63%	15.64%
Air catering charges	3,002,720	2.06%	872,189	0.95%	244.27%
Selling and marketing expenses	3,423,478	2.35%	1,639,889	1.79%	108.76%
General and administrative expenses	1,683,284	1.16%	1,240,365	1.35%	35.71%
Others	8,890,301	6.11%	6,488,734	7.07%	37.01%
Total	<u>145,612,467</u>	<u>100.00%</u>	<u>91,716,156</u>	<u>100.00%</u>	<u>58.76%</u>

- Jet fuel costs increased by RMB23,962 million on a year-on-year basis, mainly due to the combined effect of the increase in the consumption of jet fuel and decrease in the prices of jet fuel.
- Take-off, landing and depot charges increased by RMB9,055 million on a year-on-year basis, mainly due to the year-on-year increase in the number of take-offs and landings.
- Depreciation and amortisation expenses increased by RMB5,877 million on a year-on-year basis, mainly due to the acquisition of Shandong Aviation Group Corporation, the expansion of fleet as well as the year-on-year increase in flying hours.
- Aircraft maintenance, repair and overhaul costs increased by RMB4,282 million on a year-on-year basis, mainly due to the year-on-year increase in flying hours.
- Employee compensation costs increased by RMB3,962 million on a year-on-year basis, mainly due to the acquisition of Shandong Aviation Group Corporation and the year-on-year increase in flight hour fees.
- Air catering charges increased by RMB2,131 million on a year-on-year basis, mainly due to the increase in the number of passengers.

- Selling and marketing expenses increased by RMB1,784 million on a year-on-year basis, mainly due to the acquisition of Shandong Aviation Group Corporation, and the increase in handling fees for agency services and booking fees resulting from the increase in the sales volumes and the number of passengers.
- General and administrative expenses increased by RMB443 million on a year-on-year basis, mainly due to the acquisition of Shandong Aviation Group Corporation.
- Other operating expenses mainly included aircraft and engine operating lease expenses, civil aviation development fund and non-above-mentioned ordinary expenses arising from the core air traffic business, which increased by RMB2,402 million on a year-on-year basis, mainly due to the acquisition of Shandong Aviation Group Corporation and the increase 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 RMB605 million, representing a year-on-year increase of RMB376 million or 164.52%; and incurred finance costs (excluding the capitalised portion) of RMB6,943 million, representing a year-on-year increase of RMB470 million. During the Reporting Period, the Group recorded net exchange losses of RMB1,035 million, which is decreased by RMB3,053 million on a year-on-year basis.

Share of Results of Associates and Joint Ventures

During the Reporting Period, the net gain from the Group's share of results of its associates and joint ventures was RMB2,834 million, as compared to a net loss of RMB101 million for the previous year. Among which, during the Reporting Period, the Group recognised a gain on investment of Cathay Pacific of RMB2,432 million, representing a year-on-year increase of RMB2,180 million.

Material Acquisitions and Disposals

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 “**Equity Transfer**”). The Company held 51.7178% equity interest in Shandong Aviation Group Corporation upon the completion of the Equity Transfer. Meanwhile, as the shareholders of Shandong Aviation Group Corporation proposed to implement certain equity interest transfer arrangements in relation to the equity interests of Shandong Aviation Group Corporation, upon the completion of implementing the relevant Equity Transfer, the Company and Shandong Hi-Speed Group Co., Ltd. (山東高速集團有限公司) proposed to make capital increase to Shandong Aviation Group Corporation collectively, of which the Company shall invest RMB6,600,000,000 (the “**Capital Increase**”). Upon the completion of the Capital Increase, the Company held 66% equity interest in Shandong Aviation Group Corporation.

As at 7 April 2023, the registration procedures for industrial and commercial changes in respect of the transactions under the abovementioned equity transfer agreements and capital increase agreement were completed, and the closing thereof was also completed. The Company has acquired the control of Shandong Aviation Group Corporation and the percentage of the equity interest of Shandong Aviation Group Corporation held by the Company increased from 49.4067% to 66%. Shandong Aviation Group Corporation, Shandong Airlines and their subsidiaries within the scope of consolidated financial statements have been consolidated into the financial statements of the Company. The Company also completed the registration of transfer of shares involved in the offer to acquire Shandong Airlines on 26 April 2023. Finally, 25 accounts with a total of 5,832 listed tradable shares (B shares) accepted the offer issued by the Company. As at 26 April 2023, the Company directly held 22.8% of the shares of Shandong Airlines and indirectly held, through Shandong Aviation Group Corporation, 42% of the shares of Shandong Airlines. For details, please refer to the announcements of the Company dated 21 March 2023 and 7 April 2023 and the overseas regulatory announcement of the Company dated 26 April 2023.

Save as disclosed above, 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 RMB335,279 million, representing an increase of 13.66% from that of 31 December 2022, among which current assets accounted for RMB32,335 million or 9.64% of the total assets, while non-current assets accounted for RMB302,944 million or 90.36% of the total assets.

Among the current assets, cash and cash equivalents were RMB15,017 million, accounting for 46.44% of the current assets and representing an increase of 41.56% from that as at 31 December 2022.

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 RMB238,700 million, accounting for 78.79% of the non-current assets and representing an increase of 5.90% from that of 31 December 2022.

Asset Mortgage/Pledge

As of 31 December 2023, the Group, pursuant to certain bank loans and finance leasing agreements, had secured aircraft and buildings with an aggregated book value of approximately RMB84,599 million (RMB95,499 million as at 31 December 2022) and land use rights with book value of approximately RMB24 million (RMB25 million as at 31 December 2022). Meanwhile, the Group had monetary capital with restricted ownership of approximately RMB612 million (approximately RMB828 million as at 31 December 2022), which was mainly statutory reserves deposited in the People's Bank of China.

Capital Expenditure

In 2023, the Group's capital expenditure totalled RMB27,505 million, of which the total investment in aircraft was RMB15,425 million, mainly including procurement of aircraft and engines, aircraft modifications, flight simulators, etc. The cash component for the long-term investments amounted to RMB9,297 million, mainly including the acquisition of Shandong Aviation Group Corporation, the capital increase of Shandong Airlines in Sichuan Airlines, etc. Other capital expenditure investment amounted to RMB2,783 million, mainly including infrastructure construction, IT system construction, ground equipment procurement, etc.

Equity Investment

As at the end of the Reporting Period, the Group's equity investment in its associates amounted to RMB12,863 million, representing an increase of 22.08% from that of 31 December 2022, mainly due to the combined effect of recognising the share of gains of associates and other comprehensive income during the year. Among this, the balance of the equity investment of the Group in Cathay Pacific amounted to RMB12,596 million.

As at the end of the Reporting Period, the Group's equity investment in its joint ventures was RMB2,414 million, representing an increase of 10.84% from that as at 31 December 2022, mainly due to new investments and recognising the share of gains of joint ventures during the Reporting Period.

Debt Structure Analysis

At the end of the Reporting Period, the Group's total liabilities were RMB300,015 million, representing an increase of 9.71% from that as at 31 December 2022. Among them, current liabilities amounted to RMB110,317 million, accounting for 36.77% of the total liabilities; and non-current liabilities amounted to RMB189,698 million, accounting for 63.23% of the total liabilities.

Among the current liabilities, interest-bearing debts (including interest-bearing borrowings and lease liabilities) amounted to RMB65,447 million, representing an increase of 9.00% from that as at 31 December 2022. Among the non-current liabilities, interest-bearing debts (including interest-bearing borrowings and lease liabilities) amounted to RMB168,814 million, representing a decrease of 0.55% from that as at 31 December 2022. The increase in interest-bearing debts was mainly due to the acquisition of Shandong Aviation Group Corporation. Excluding this effect, the Group's interest-bearing debts demonstrated a decreasing trend as compared with that as at 31 December 2022.

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

<i>(in RMB'000)</i>	31 December 2023		31 December 2022		Change
	Amount	Percentage	Amount	Percentage	
RMB	197,161,354	84.16%	187,990,038	81.81%	4.88%
US dollars	36,018,880	15.38%	39,999,600	17.41%	(9.95%)
Others	1,080,481	0.46%	1,797,824	0.78%	(39.90%)
Total	<u>234,260,715</u>	<u>100.00%</u>	<u>229,787,462</u>	<u>100.00%</u>	<u>1.95%</u>

Commitments and Contingent Liabilities

The Group's capital commitments, which mainly consisted of the expenditure in the next few years for purchasing certain number of aircraft and related equipment, increased by 23.19% from RMB58,509 million as at 31 December 2022 to RMB72,079 million as at 31 December 2023. The Group's investment commitments mainly represented the investment agreements entered into, amounted to RMB457 million as at 31 December 2023, as compared to RMB512 million as at 31 December 2022.

Gearing Ratio

As at the end of the Reporting Period, the Group's gearing ratio (total liabilities divided by total assets) was 89.48%, representing a decrease of 3.22 percentage points from that of 31 December 2022.

Working Capital and its Sources

At the end of the Reporting Period, the Group's net current liabilities (current liabilities minus current assets) were RMB77,983 million, representing an increase of RMB7,745 million from that as at 31 December 2022. Based on the structure of current assets and current liabilities, the Group's current ratio (current assets divided by current liabilities) was 0.29, representing an increase of 0.05 as compared to that of 31 December 2022.

The Group meets its working capital needs mainly through its operating activities and external financing activities. During the Reporting Period, the Group's net cash inflow from operating activities was RMB27,905 million, as compared to the net cash outflow of RMB23,341 million for the corresponding period in 2022, which was mainly due to the significant increase in revenue on a year-on-year basis. Net cash outflow from investing activities was RMB15,246 million, representing an increase of net outflow of 121.89% from RMB6,871 million for the corresponding period in 2022, mainly due to the year-on-year increase in the cash payments for the purchase of property, plant and equipment, and the effect of the acquisition of Shandong Aviation Group Corporation. Net cash outflow from financing activities amounted to RMB8,333 million, as compared to the net cash inflow of RMB24,677 million for the corresponding period in 2022, mainly due to the year-on-year increase in repayment of borrowings and rental payments.

The Company has obtained bank facilities of RMB217,683 million in aggregate granted by several banks in China, among which approximately RMB92,530 million has been utilised and approximately RMB125,153 million remained unutilised. 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 2024, which included (1) to unwaveringly uphold the principle of safety first and firmly secure the bottom line of safety; (2) to vigorously enhance efficiency and quality, and significantly boosting the level of profitability; (3) to intensify efforts in reform and innovation, and accelerating the development into a world-class enterprise; (4) to focus on creating “four excellence” and promoting comprehensive improvement in service quality; (5) to strengthen the leading and supporting roles, further enhancing the Party’s leadership and Party building.

OUTLOOK FOR FUTURE

1. Making contributions to the national development strategies by the civil aviation industry in China

As a strategic pillar industry, China’s civil aviation industry will shoulder the mission and task of promoting high-quality development of the country. It will leverage the supportive role of civil aviation in promoting circulation and expanding circulation, further improve the modern airport system and route network mutually in line with the development of the national economy and society, the spatial layout of national land and space development, and major production layout and serve the national major strategies for regional development and coordination. Promoting the development of the “Silk Road in the Sky” (“空中絲綢之路”), the Group will further optimise the overseas market layout, expand global coverage and serve China’s deeper participation in global industrial division and cooperation. Playing its role of promoting economic structural transformation and upgrading, 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 consumption upgrade, the Group will continue to innovate services and products to improve the quality of life for the people. Giving play to its leading role in the comprehensive transport system, the civil aviation industry will develop a modern and comprehensive transport hub and implement multiple-modal interlink operation to accelerate the development of China into a strong nation in terms of transport.

2. Passenger volume will resume natural growth in China’s civil aviation industry

There is no change in the fundamentals of the Chinese economy with the basic trend of economic stability and long-term improvement still intact. China continues to be in a period of strategic opportunities. Leveraging the super large-scale domestic demand market formed by a population of 1.4 billion, including a middle income group of over 400 million people, China is striving to build a new development paradigm centred around domestic circulation, with the international and domestic circulations mutually reinforcing each other. The demand for civil aviation in China will continue to maintain a positive growth momentum.

3. Competition landscape of the domestic aviation market

It is expected that the competitive pressures in the domestic aviation market will alleviate. On the demand side, with the continued rebound and improvement of the national economy, the foundation for industrial recovery and development will become more solid. This will lead to steady growth in the domestic passenger transportation market, and the international passenger transportation market will sooner recover, effectively alleviating the situation of oversupply in the domestic aviation market. In terms of policy, the CAAC has been advancing a series of reform measures to strengthen the foundation for the industry building and development, enhance the international competitiveness of aviation hubs, leading to diversified operations among various types of airlines in the market and reducing disorderly market competition.

SHARE CAPITAL STRUCTURE

As at the end of the Reporting Period, the Company had a total share capital of RMB16,200,792,838, divided into 16,200,792,838 shares with par value of RMB1.00 each. The following table sets out the share capital structure of the Company as at the end of the Reporting Period:

	Number of shares	Percentage of the total share capital
A Shares	11,638,109,474	71.84%
H Shares	<u>4,562,683,364</u>	<u>28.16%</u>
Total	<u><u>16,200,792,838</u></u>	<u><u>100.00%</u></u>

The Company completed the issuance of new H Shares to specific investor 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 D2 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 long-term return to its shareholders. The Company has complied with the code provisions in Part 2 of the Corporate Governance Code in Appendix C1 to the Listing Rules throughout the Reporting Period.

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 2023. As considered and approved by the 28th meeting of the sixth session of the Board of the Company, the Company proposed not to make profit distribution for the year of 2023.

SUBSEQUENT EVENTS

The Company convened the 25th meeting of the sixth session of the Board on 22 December 2023 and convened the first extraordinary general meeting of 2024 on 26 January 2024, at which relevant resolutions, including the proposal in relation to the issuance of A Shares and H Shares to specific investors by the Company in 2023, were considered and approved. On 7 February 2024, the Company completed the issuance of H Shares to the specific investor, CNACG. 392,927,308 H Shares were issued at the issue price of HKD5.09 per share. Upon completion of the issue of H Shares to CNACG, the total share capital of the Company increased to 16,593,720,146 shares, comprising 11,638,109,474 A Shares and 4,955,610,672 H Shares. For details, please refer to the announcements of the Company dated 7 February 2024, 26 January 2024 and 22 December 2023.

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

The Company proposed to hold the AGM on Thursday, 30 May 2024. The register of members of H Shares will be closed from Thursday, 23 May 2024 to Thursday, 30 May 2024 (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, 22 May 2024. The holders of H Shares whose names appear on the register of members of the Company at the close of business on Wednesday, 22 May 2024 are entitled to attend and vote at the AGM.

ANNUAL REPORT

The annual report for the year ended 31 December 2023 containing all information required by Appendix D2 to the Listing Rules will be published on the HKEXnews website of the Hong Kong Stock Exchange (www.hkexnews.hk) as well as the website of the Company (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 2023 annual results announcement of the Company contains, inter alia, certain forward-looking statements, such as forward-looking statements on the global and Chinese economies and aviation markets. Such forward-looking statements are subject to some uncertainties and risks.

AUDIT AND RISK CONTROL COMMITTEE (SUPERVISION COMMITTEE)

The 2023 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., a company established in Toulouse, France
“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
“CAAC”	Civil Aviation Administration of China
“CASs”	China Accounting Standards for Business Enterprises
“Cathay Pacific”	Cathay Pacific Airways Limited, an associate of the Company
“CNACG”	China National Aviation Corporation (Group) Limited, a wholly-owned subsidiary of CNAHC
“CNAHC”	China National Aviation Holding Corporation Limited
“COMAC”	Commercial Aircraft Corporation of China, Ltd.
“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

“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)”	ordinary share(s) in the share capital of the Company, with a nominal value of RMB1.00 each, which are listed on the Hong Kong Stock Exchange as primary listing venue and have been admitted into the Official List of the UK Listing Authority as secondary listing venue
“International Financial Reporting Standards” or “IFRSs”	International Financial Reporting Standards
“Kunming Airlines”	Kunming Airlines Company Limited, a subsidiary of Shenzhen Airlines
“Listing Rules”	The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 to the Listing Rules
“Reporting Period”	the period from 1 January 2023 to 31 December 2023
“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 the Company
“Shandong Aviation Group Corporation”	Shandong Aviation Group Company Limited, a non-wholly owned subsidiary of the Company

“Shenzhen Airlines”	Shenzhen Airlines Company Limited, a non-wholly owned subsidiary of the Company
“Sichuan Airlines”	Sichuan Airlines Co., Ltd., a company incorporated under the laws of the PRC
“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
Xiao Feng Huen Ho Yin
Joint Company Secretaries

Beijing, the PRC, 28 March 2024

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*