AIR CHINA
中国国际航空公司
A STAR ALLIANCE MEMBER

2023
ANNUAL REPORT

Air China Limited

Stock code: 00753 Hong Kong 601111 Shanghai AIRC London

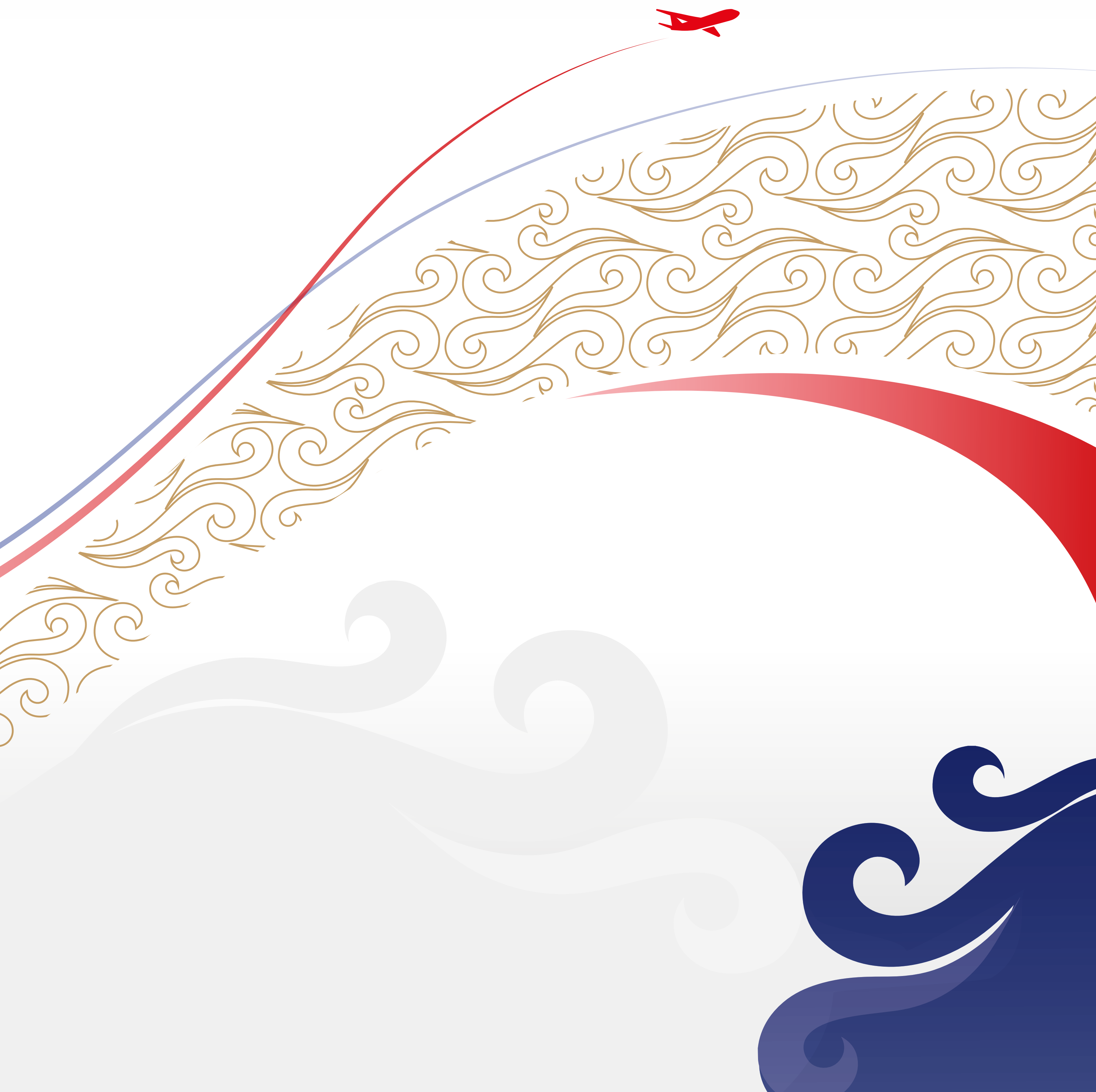
中國國際航空股份有限公司 (short name: 中國國航) (English name: Air China Limited, short name: Air China) is the only national flag carrier of China.

As the old saying goes, "Phoenix, a bird symbolizing benevolence" and "The whole world will be at peace once a phoenix reveals itself". The corporate logo of Air China is composed of an artistic phoenix figure, the Chinese characters of "中國國際航空公司" in calligraphy written by Deng Xiaoping, by whom the China's reform and opening-up blueprint was designed, and the characters of "AIR CHINA" in English. Signifying good auspices in the ancient Chinese legends, phoenix is the king of all birds. It "flies from the eastern Happy Land and travels over mountains and seas and bestows luck and happiness upon all parts of the world". Air China advocates the core spirit of phoenix which is to "serve the world, to lead and move forward to higher goals". By virtue of the immense historical heritage, Air China strives to create perfect travel experience and keep passengers safe by upholding the spirit of phoenix of being a practitioner, promoter and leader for the development of the Chinese civil aviation industry. The Company is also committed to leading the industrial development by establishing itself as a national brand, at the same time pursuing outstanding performance through innovation and excelling efforts.

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

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

With the goal of becoming "the world's leading airline", Air China remains committed to the mission of "put safety first, serve passengers with credibility, convenience, comfort and choice, maintain stable development, help employees achieve success and fulfill corporate responsibilities", advocates the values of "people-oriented, accountable, excelling efforts and enjoyable flights" and positions the brand as "professional and reliable with both international quality and Chinese temperament". The "Air China Miles" programme of Air China is the oldest frequent flier programme in China, under which all members of the frequent flier programmes of Air China member airlines have been consolidated into the brand of "Phoenix Miles".



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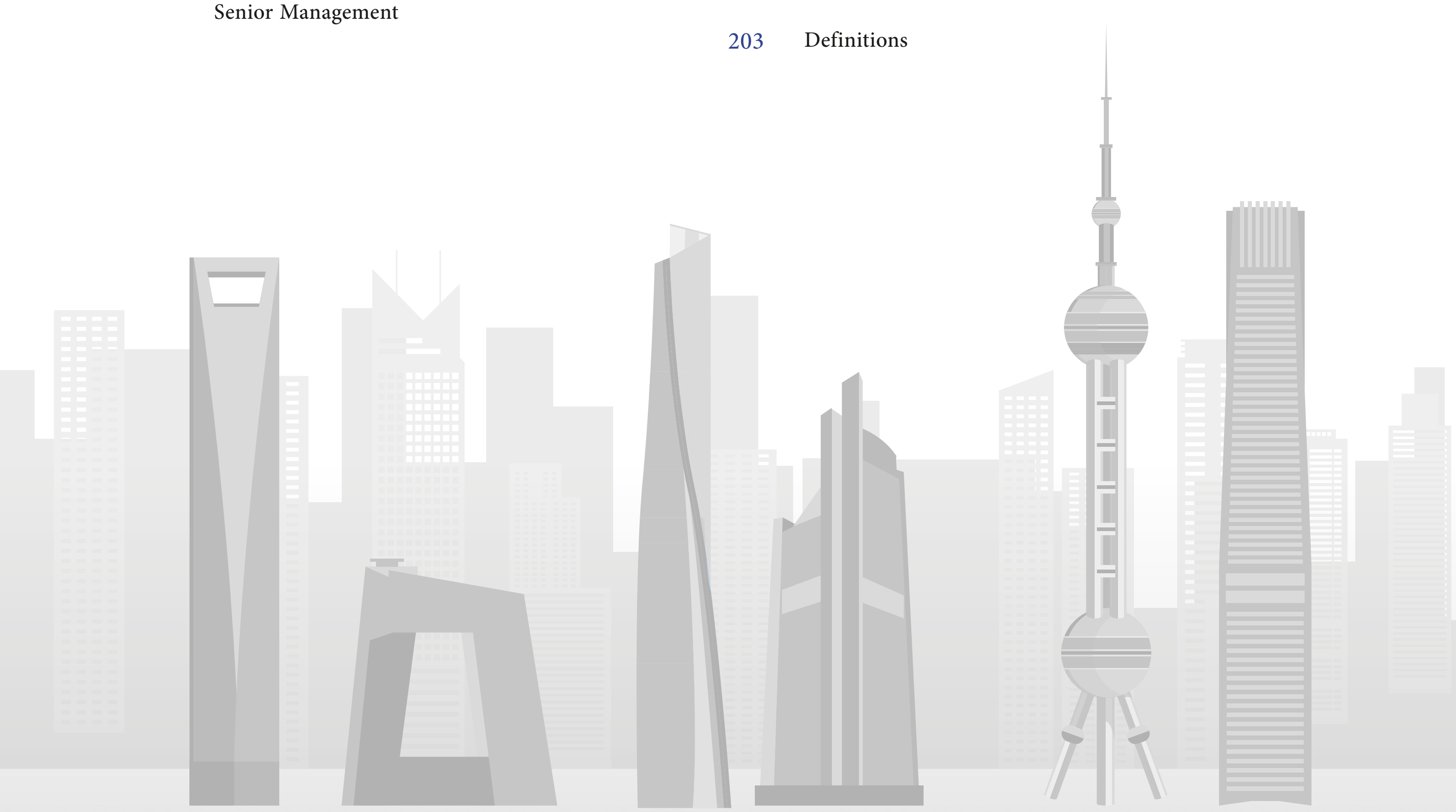


Corporate Information

REGISTERED CHINESE NAME:

中國國際航空股份有限公司

ENGLISH NAME:

Air China Limited

REGISTERED OFFICE:

1st Floor-9th Floor 101
Building 1
30 Tianzhu Road
Shunyi District
Beijing, the PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG:

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

WEBSITE:

www.airchina.com.cn

DIRECTORS:[1]

Mr. Ma Chongxian
Mr. Wang Mingyuan
Mr. Feng Gang
Mr. Patrick Healy
Mr. Xiao Peng
Mr. Li Fushen*
Mr. He Yun*
Mr. Xu Junxin*
Ms. Winnie Tam Wan-chi*

SUPERVISORS:[2]

Mr. Xiao Jian
Mr. Wang Mingzhu
Mr. Li Shuxing
Ms. Lyu Yanfang
Ms. Guo Lina

LEGAL REPRESENTATIVE OF THE COMPANY:

Mr. Ma Chongxian

JOINT COMPANY SECRETARIES:

Mr. Xiao Feng
Mr. Huen Ho Yin

* Independent Non-executive Directors

AUTHORISED REPRESENTATIVES:

Mr. Ma Chongxian
Mr. Xiao Feng

LEGAL ADVISERS TO THE COMPANY:

DeHeng Law Offices
(as to domestic laws)

Jingtian & Gongcheng LLP
(as to overseas laws)

INTERNATIONAL AUDITOR:

Deloitte Touche Tohmatsu
Registered Public Interest Entity Auditors

H SHARE REGISTRAR AND TRANSFER OFFICE:

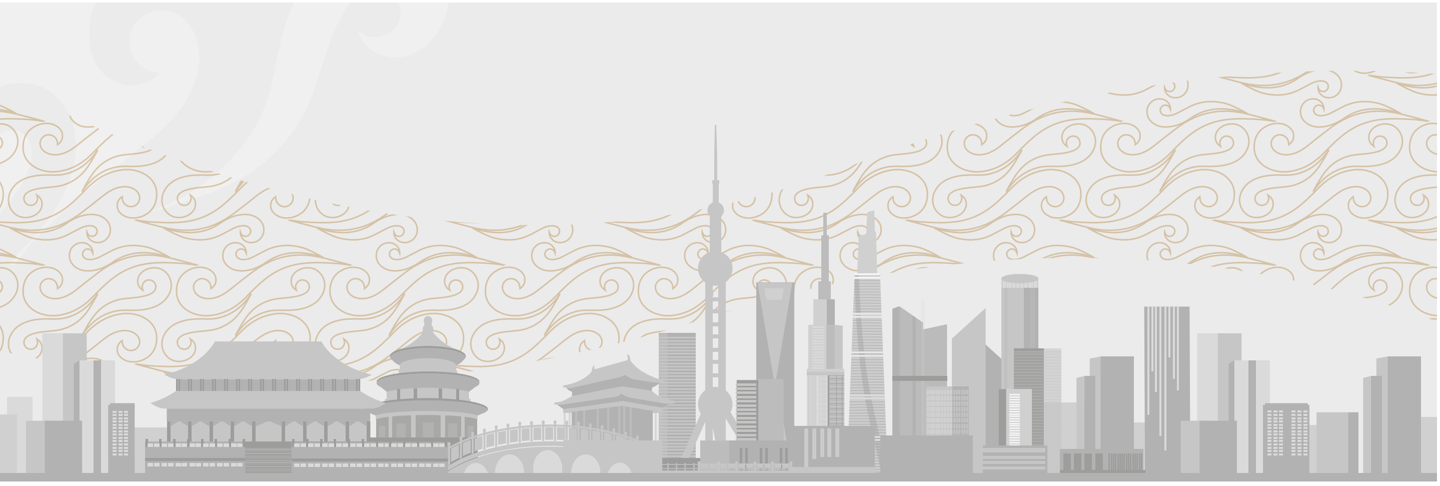
Computershare Hong Kong Investor Services Limited
Rooms 1712-1716, 17th Floor, Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

LISTING VENUES:

Hong Kong, London and Shanghai

1 For details of changes in Directors of the Company during the Reporting Period and up to the date of this annual report, please refer to page 61 of this annual report.
2 For details of changes in Supervisors of the Company during the Reporting Period and up to the date of this annual report, please refer to page 61 of this annual report.

Chairman's Statement



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 implemented 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, completed the functional development of the in-flight catering reservation management system, continuously enhanced 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. The Group has achieved 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.

Ma Chongxian
Chairman

Beijing, China
28 March 2024

Summary of Financial Information

(RMB'000)

	2023	2022	2021	2020	2019
Revenue	**141,100,234**	52,897,584	74,531,670	69,503,749	136,180,690
Profit/(loss) from operations	**2,889,523**	(35,443,794)	(16,862,176)	(11,168,820)	14,641,918
(Loss)/profit before taxation	**(1,649,779)**	(45,876,891)	(21,825,530)	(18,466,406)	9,120,263
(Loss)/profit after taxation (including (loss)/profit attributable to non-controlling interests)	**(1,561,248)**	(45,173,910)	(18,822,238)	(15,816,131)	7,263,764
(Loss)/profit attributable to non-controlling interests	**(522,837)**	(6,556,415)	(2,187,060)	(1,412,788)	843,470
(Loss)/profit attributable to equity shareholders of the Company	**(1,038,411)**	(38,617,495)	(16,635,178)	(14,403,343)	6,420,294
EBITDA[(1)]	**30,000,030**	(14,210,120)	4,072,326	9,239,497	35,921,002
EBITDAR[(2)]	**30,839,752**	(13,632,238)	4,981,874	9,925,796	37,452,389
(Loss)/earnings per share attributable to equity shareholders of the Company (RMB)	**(0.07)**	(2.81)	(1.21)	(1.05)	0.47
(Loss)/return on equity attributable to equity shareholders of the Company (%)	**(2.79)**	(163.79)	(27.11)	(18.58)	6.87

Notes:

(1) EBITDA represents earnings before finance income and finance costs, exchange gains/losses, income tax, share of profits or losses of associates and joint ventures, depreciation and amortisation as computed under IFRSs.

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

(RMB'000)

	31 December 2023	31 December 2022	31 December 2021	31 December 2020	31 December 2019
Total assets	**335,278,694**	294,979,377	298,381,190	284,029,616	294,206,373
Total liabilities	**300,014,685**	273,451,149	232,550,079	200,256,580	192,876,910
Non-controlling interests	**(1,941,966)**	(2,048,948)	4,462,554	6,231,709	7,870,786
Equity attributable to equity shareholders of the Company	**37,205,975**	23,577,176	61,368,557	77,541,327	93,458,677
Equity attributable to equity shareholders of the Company per share (RMB)	**2.30**	1.62	4.23	5.34	6.43

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%

Summary of Operating Data

	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 "FLEET INFORMATION" in this annual report 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.

Fleet Information

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.

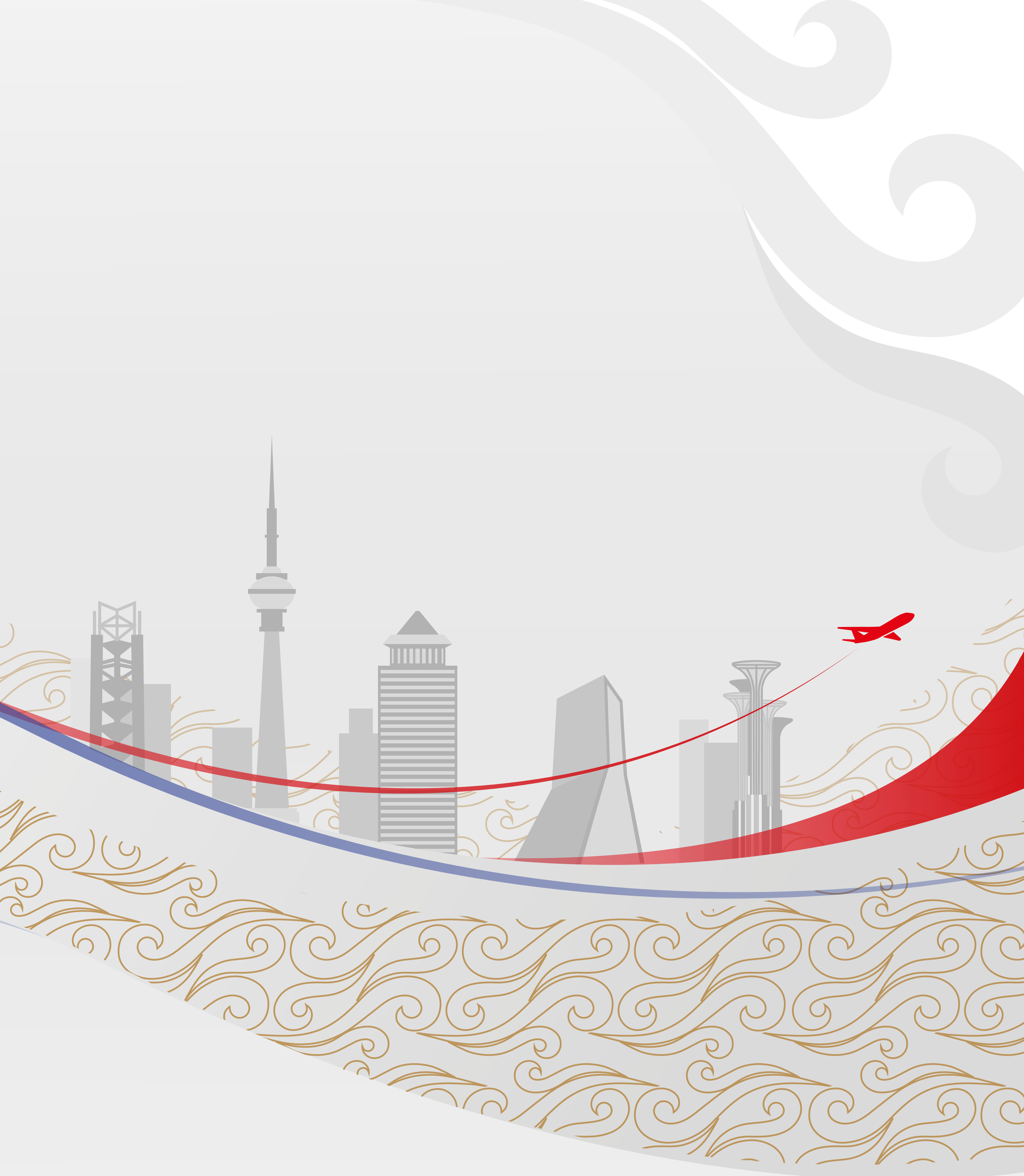
Details of the fleet of the Group are set out in the table below:

	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	**45**	**30**	**66**	**12**	**6**	**11**

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

Business Overview



Business Overview

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

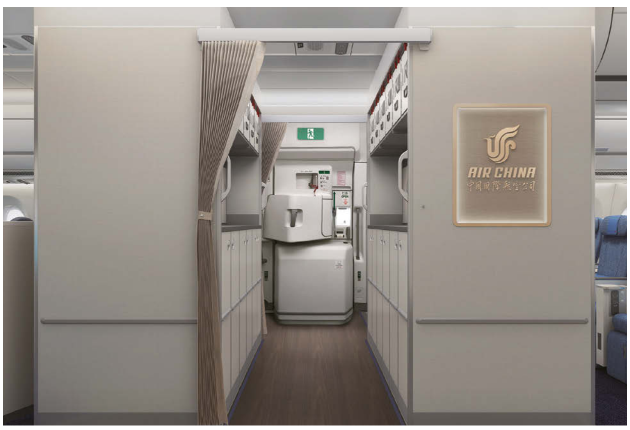
Seizing the opportunity presented by the recovery of the air passenger transportation market, and prioritizing safe operation, the Group further advanced various initiatives aimed at enhancing quality and efficiency. The Group made every effort to maximise operational performance, actively pursue revenue 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.

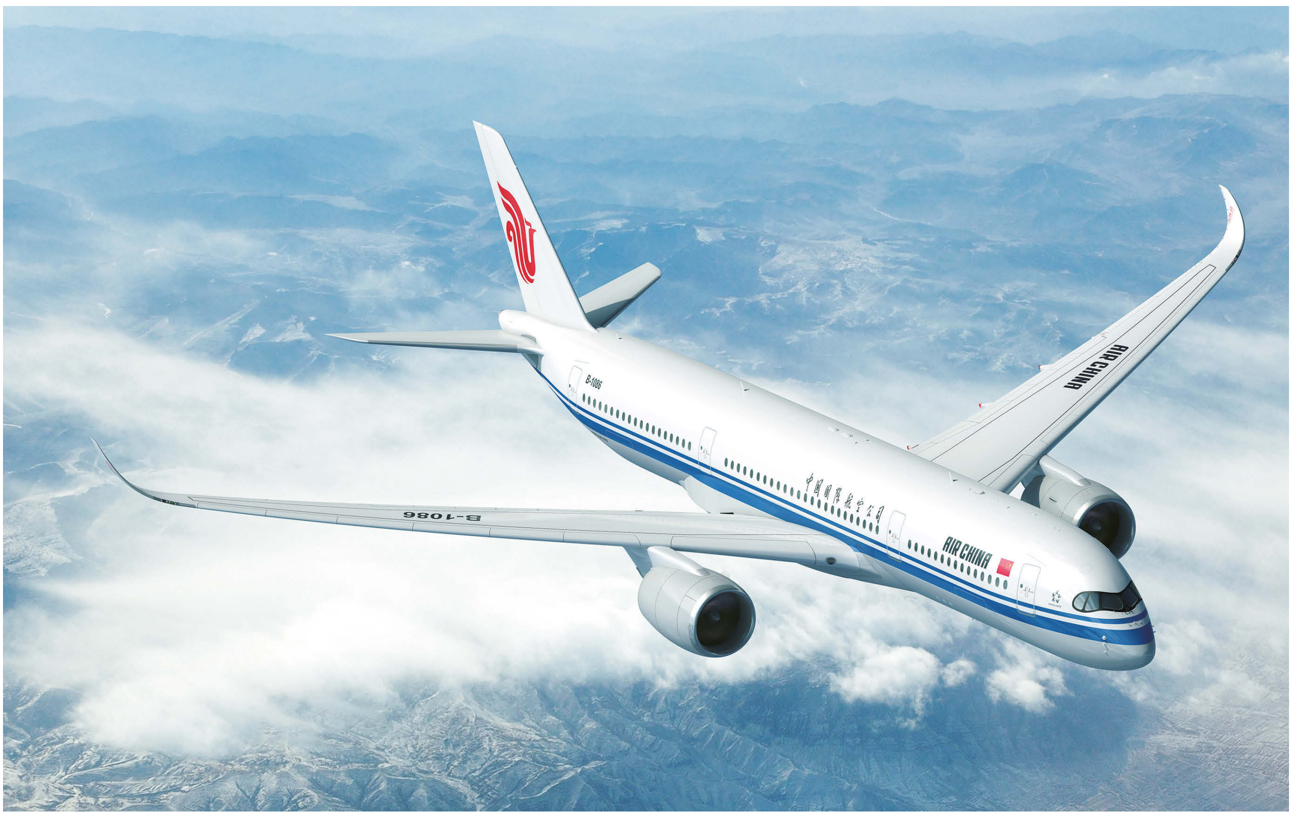
Focusing on improving passenger service quality, the Group has comprehensively promoted the system development in the full-process passenger service domain. The Group introduced facial recognition functionality at lounges in Hangzhou to provide passengers with an intelligent access method and, at the 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.



Actively in response to the “Belt and Road” initiative, Air China meticulously organized the inaugural flights of the Xi’an-Astana and Beijing-Hetian routes. It participated in important exhibitions such as the Exposition of China Brand, the Western China International Fair, the China International Tourism Fair, the International Exhibition on Transport Technology and Equipment and the first CATA Aviation Conference at a high level. In addition, by sponsoring the China International Fair for Investment and Trade and the China International Supply Chain Expo, Air China has actively demonstrated its operational strength and good brand image.

According to the ranking list released by the World Brand Lab, Air China ranked no. 283 in the “World’s Top 500 Brands” in 2023 and no. 24 in the “China’s 500 Most Valuable Brands” with a brand value of RMB235.162 billion, maintaining a leading position in the domestic aviation service industry. Besides, Air China won the “2023 Annual No.1 Chinese Brand Award in the aviation services category”.

CORE COMPETENCE ANALYSIS

Strong brand advantage

Air China positioned its brand as “professional and reliable with both international quality and Chinese temperament”. By virtue of the immense historical heritage, Air China strives to create perfect travel experience and help passengers to stay safe by upholding the spirit of phoenix of being a practitioner, promoter and leader for the high-quality development of the aviation transportation industry in the PRC. While pursuing outstanding performance through innovation and excelling efforts, the Company is also committed to leading the industrial development and establishing itself as a “National Brand”. By maintaining its world-class safety operation performance and leading comprehensive operating strengths in Mainland China, the Group has extensive brand recognition and excellent brand reputation.

In 2023, Air China established a leading organization for branding to further promote the in-depth integration of brand building with its production and operation, with a view to facilitating the high-quality development of the Company.

Market leader of the Beijing hub

In 2023, basing itself on the domestic cycle, Air China actively promoted hub construction in a bid to establish Beijing Capital International Airport into a world-class aviation hub, and contribute to the development of Beijing Daxing International Airport becoming a new driver for the national development. Seizing the opportunity of the further release of flight schedules in Beijing, Air China made every effort to secure flight schedules at the Beijing Capital Airport. The average daily number of Air China's flights at Beijing Capital Airport has reached 720 flights per day.

At the same time, Air China continued to focus its resources and efforts on accelerating the optimization of hub functions, enhancing the operation efficiency and quality assurance of services, constantly improving its route network. During the Reporting Period, in addition to increasing its investment, Air China carefully developed well-established express route products and strong express route brands. In 2023, it has added the Beijing-Xiamen express route; and in the IATA winter and spring seasons, Air China increased investment in seven express routes between Beijing Capital – Shuangliu, Chengdu/Chongqing/Hongqiao, Shanghai/Hangzhou/Guangzhou/Shenzhen/Xiamen, respectively, realizing a year-on-year increase in investment, with the proportion of wide-body aircraft reaching 71%.

Balanced and complementary route network

In 2023, being dedicated to the "people-oriented" development philosophy, Air China actively implemented the requirements of the Central Government to "increase international flights and ensure the steady and smooth flow of China-European flights", and accelerated the resumption of key routes for which people have a keen travel demand, in order to ensure smooth traffic flow of the "bridges in the air" and meet the needs of personnel travel and economic and trade exchange. As of the end of 2023, Air China had 94 international routes and 12 regional routes, with flights to 36 countries, 55 international cities and 3 regional cities, of which 6 were new and 45 were resumed international routes, and 6 were resumed regional routes. As of the end of 2023, the number of international and regional weekly flights was recovered to 74% of that in the same period of 2019, with a rate of resumption ranking among the top in the industry.

Meanwhile, Air China continued to serve for the national "Going Global" strategy by implementing the eight actions proposed by the General Secretary to support the joint construction of the "Belt and Road" by China and actively promoting the resumption and launch of "Belt and Road" related routes. As of the end of 2023, the number of executed "Belt and Road" related routes reached 55, involving 25 countries and 31 cities, and the number of flights was close to 90% of that of the same period in 2019, which was higher than the overall level of international recovery. Six new "Belt and Road" routes have been launched, including Beijing-Istanbul, Hangzhou-Dubai, Chengdu-Manila, Chengdu-Kuala Lumpur, Chongqing-Singapore and Beijing-Xi'an-Astana.

On the domestic front, serving for the national strategy of expanding domestic demand, Air China efficiently coordinated its production organization and continued to expand its effective investment in the domestic market. In 2023, the Company's annual investment in domestic flight seat kilometres increased by 33.7% as compared to 2019, and eight new domestic routes were launched, including Tianjin-Shenyang, Wuhan-Dazhou and Beijing Capital-Lianyungang, resulting in the opening of flights to 123 cities in Mainland China with a total number of 336 flight routes. Upon acquiring the control of Shandong Aviation Group Corporation and its shareholding control, the Company's domestic route network has been effectively replenished, which is more conducive to serving for the new development pattern which is mainly based on the domestic circulation.

High quality customer base

In line with the Company's strategy for hub network, the Group is positioned in the mid-to-high-end business mainstream traveler market and currently has the most valuable traveler base in China. As at the end of the Reporting Period, the number of "Phoenix Miles" members has exceeded 82.296 million, revenue contributed by frequent fliers accounted for 52.8% of the Company's air passenger revenue, the total number of users of Air China APP have reached 20.31 million, and the total number of effective major customers amounted to 6,680.

Leading cost control mechanism

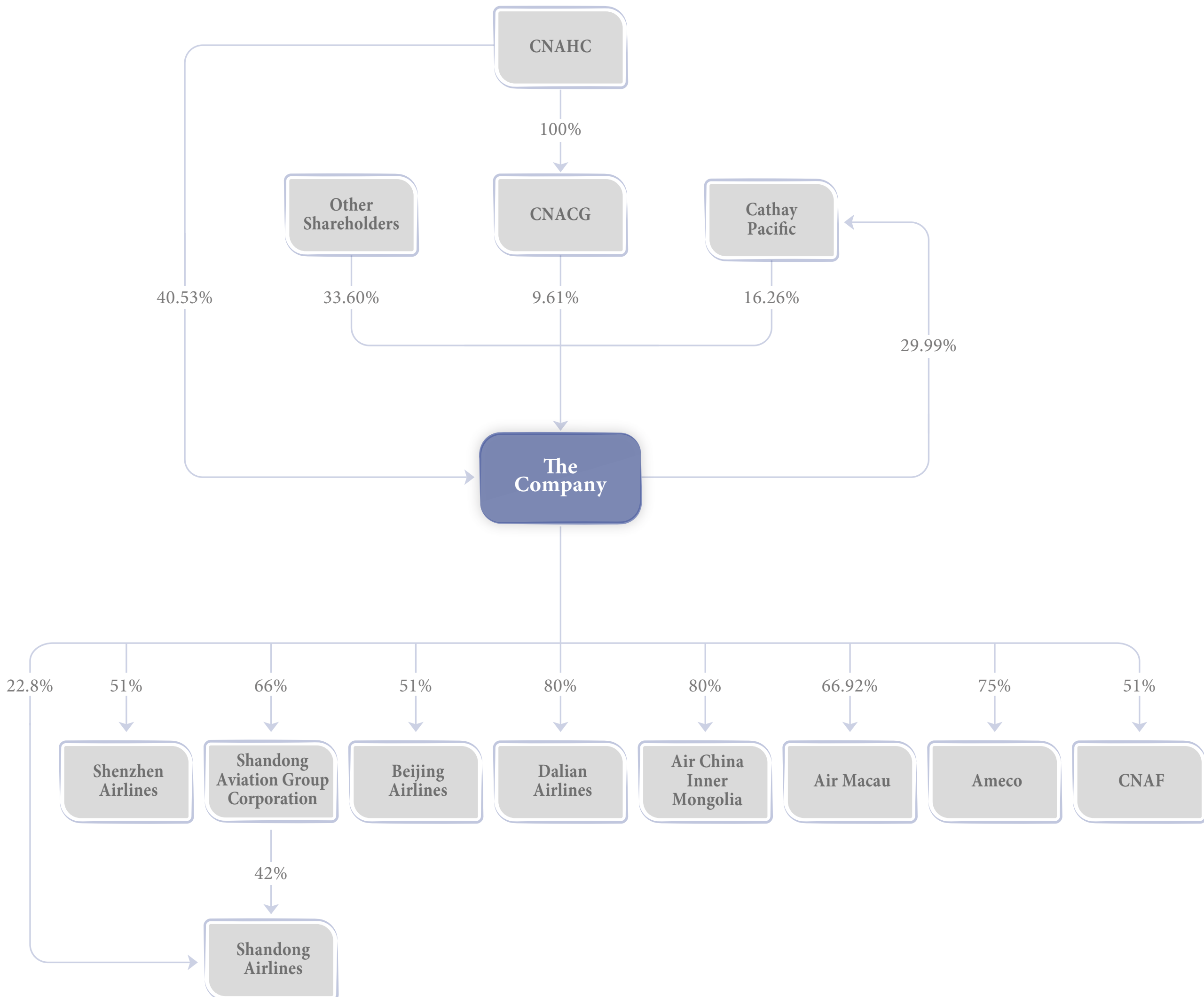
Adhering to strict cost control and upholding the idea of "living within our means", the Group exercised stringent budgetary control with rigid discipline, while further curbing full-chain and full-business costs and expenses, and tapping the potential of squeezing operating costs to control full-process fixed costs and reduce the cost level. Highlighting the principle of secure and sustainable cash flow, the Group strengthened its capital management and control, enhanced the efficiency of use of funds, continued to optimize the debt structure, effectively control the scale of interest-bearing liabilities and save finance costs. In addition, it promoted the labor productivity of all employees and controlled the labor costs in a scientific manner.

Continuous innovation of management mechanism

The Group persisted with innovation as the primary driving force for corporate development, and continued to promote the implementation of specific technological innovation plans under the "14th Five-year" plan. It has made great efforts to build up the dominant position of enterprise technology innovation, and actively deployed the layout of strategic emerging industries. The Group also further participated in collaboration for major technological breakthroughs and solidly promoted innovation from the stage of system construction to the stage of efficiency enhancement.

To promote the transformation and application of innovative achievements, the Group published its "Recommended Catalogue of Innovative Achievements", and set up an information channel for matching supply and demand in terms of innovative achievements. To create a favorable atmosphere for encouraging innovation, the Group held its first Innovation Competition, in which young employees actively participated to resolve production-related problems and a number of outstanding innovation projects emerged. The "Carbon emission monitoring and analysis platform of CNAHC Group" won the First Prize of the 19th Innovation Achievement Award for Corporate Management Modernization in Transportation Enterprises. The "Civil Aircraft Avionic System Maintenance and Testing Key Technologies and Equipment" won the First Prize of the Civil Aviation Science and Technology Award of the China Air Transportation Association (CATA) for the year 2021. The accumulation of innovative achievements accelerated.

MAJOR SUBSIDIARIES AND ASSOCIATES AND THEIR OPERATING RESULTS



Notes: 1. As at the end of the Reporting Period, CNACG is a wholly-owned subsidiary of CNAHC. Accordingly, CNAHC is directly and indirectly interested in 50.14% of the shares of the Company.

2. As at the end of the Reporting Period, Shandong Aviation Group Corporation is owned as to 66% by the Company, while Shandong Airlines is owned as to 42% by Shandong Aviation Group Corporation. Shandong Airlines is directly owned as to 22.8% by the Company, hence the Company directly and indirectly holds 64.8% of the equity interests of Shandong Airlines.

3. The shareholding percentages of the Company's shareholders in the above chart represent the figures as of the end of the Reporting Period.

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

	Shenzhen Airlines	Shandong Aviation Group Corporation	Beijing Airlines	Dalian Airlines	Air China Inner Mongolia	Air Macau	Ameco	CNAF	Cathay Pacific
Year of establishment	1992	1995	2011	2011	2013	1994	1989	1994	1946
Place of domicile	Shenzhen	Shandong	Beijing	Dalian	Inner Mongolia	Macau	Beijing	Beijing	Hong Kong
Principal business	Air passenger and air cargo services	Air passenger and air cargo services	Business charter and public air passenger and air cargo services	Air passenger and air cargo services	Air passenger and air cargo services	Air passenger and air cargo services	Repair and overhaul of aircraft, engines and components	Provision of financial services to CNAHC Group and the Group	Air passenger and air cargo services
Registered capital	RMB5,360,000,000	RMB10,454,489,846.24	RMB1,000,000,000	RMB3,000,000,000	RMB1,000,000,000	MOP842,042,000	USD300,052,800	RMB1,127,961,864	6,437,900,319 shares in issue
Percentage of shareholding by the Company	51%	66%	51%	80%	80%	66.92%	75%	51%	29.99%
Revenue (RMB100 million)	299.88 (on a consolidated basis)	156.75 (on a consolidated basis)	4.29	18.77	16.67	26.87	110.26	2.20	850.12 (on a consolidated basis)
Year-on-year changes (%)	139.12	N/A	184.11	216.53	199.82	274.23	57.31	(25.17)	94.72
Total assets (RMB100 million)	631.72	317.76	9.38	37.15	19.99	55.88	69.60	203.84	1,577.87
Profit/(loss) attributable to parent company (RMB100 million)	(17.22)	6.02	(0.81)	(0.06)	0.00	(1.75)	2.35	0.47	81.58
Profit/(loss) attributable to parent company in the corresponding period of last year (RMB100 million)	(111.27)	N/A	(1.90)	(5.93)	(4.25)	(8.71)	(11.53)	0.47	(61.27)

Note: The period for the above financial data in profit or loss of Shandong Aviation Group Corporation during the year was 21 March to 31 December 2023.

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

As at the end of the Reporting Period/ During the Reporting Period	Shenzhen Airlines	Shandong Airlines	Beijing Airlines*	Dalian Airlines	Air China Inner Mongolia	Air Macau	Cathay Pacific
Fleet size (unit)	226 (on a consolidated basis)	133	3	13	11	20	230 (on a consolidated basis)
Average age (year)	9.42	10.08	14.08	10.24	10.67	7.54	10.8 (on a consolidated basis)
ASK (100 million)	**682.61**	**356.38**	**7.70**	**41.38**	**35.16**	**48.64**	**856.07**
Year-on-year changes (%)	**97.08**	**145.38**	**574.30**	**150.73**	**146.57**	**277.29**	**326.8**
RPK (100 million)	**519.39**	**283.34**	**4.85**	**30.36**	**25.44**	**34.86**	**733.42**
Year-on-year changes (%)	**145.83**	**194.78**	**740.02**	**193.60**	**213.72**	**443.45**	**396.8**
Passengers carried (10 thousand)	**3,321.57**	**1,927.21**	**36.46**	**208.32**	**189.85**	**205.32**	**1,798.5**
Year-on-year changes (%)	**127.40**	**197.37**	**757.48**	**189.98**	**174.24**	**448.82**	**541.4**
Average passenger load factor (%)	**76.09**	**79.50**	**63.00**	**73.37**	**72.37**	**71.66**	**85.7**
Year-on-year changes (ppt)	**11.43**	**13.32**	**12.43**	**10.71**	**15.49**	**21.91**	**12.1**

*Note: As at the end of the Reporting Period, Beijing Airlines operated a fleet of three entrusted business jets and one self-owned business jet with an average age of 10.28 years. During the Reporting Period, in terms of business charter service, Beijing Airlines completed 311 flights, representing a year-on-year increase of 0.32%; it completed 1,092.79 flying hours, representing a year-on-year increase of 30.53%; it carried a total of 2,344 passengers, representing a year-on-year decrease of 0.72%.

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 boost 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.

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 report 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

	2023		2022		
(in RMB'000)	**Amount**	**Percentage**	Amount	Percentage	**Change**
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	**4,126,997**	**2.92%**	1,097,125	2.07%	**276.16%**
Total	**141,100,234**	**100.00%**	52,897,584	100.00%	**166.74%**

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 (million)	**292,513.16**	96,212.39	**204.03%**
Passenger load factor (%)	**73.22**	62.73	**10.49 ppt**
Yield per RPK (RMB)	**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

	2023		2022		
(in RMB'000)	**Amount**	**Percentage**	Amount	Percentage	**Change**
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	**3,952,845**	**3.03%**	761,101	1.99%	**419.36%**
Total	**130,516,558**	**100.00%**	38,296,190	100.00%	**240.81%**

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 (million)	**9,648.19**	8,326.31	**15.88%**
Cargo and mail load factor (%)	**31.26**	40.86	**(9.60 ppt)**
Yield per RFTK (RMB)	**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

	2023		2022		
(in RMB'000)	Amount	Percentage	Amount	Percentage	Change
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	174,151	4.18%	336,024	3.33%	(48.17%)
Total	4,164,743	100.00%	10,084,634	100.00%	(58.70%)

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:

	2023		2022		
(in RMB'000)	Amount	Percentage	Amount	Percentage	Change
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	145,612,467	100.00%	91,716,156	100.00%	58.76%

- 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 was 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:

	31 December 2023		31 December 2022		
(in RMB'000)	Amount	Percentage	Amount	Percentage	Change
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	**234,260,715**	**100.00%**	229,787,462	100.00%	**1.95%**

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.

Details of the contingent liabilities of the Group are set out in note 41 to the consolidated financial statements of the Group for 2023.

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.

RISK FACTORS

Risks of External Environment

Market Fluctuation

With the gradual resumption of normal social and economic activities, the domestic market has shown better performance than the international market from the perspective of the overall aviation industry. During the Reporting Period, the progress of recovery in the international market was lagging behind under the influence of factors such as the restrictions of the immigration policy of certain countries. Based on the characteristics of the new development stage, the Group will fully, precisely and comprehensively implement the new development philosophy, take the initiative to contribute to and integrate with the new development paradigm, seek development based on the domestic market and optimize international fleet capacity structure to accelerate the recovery of profitability.

Oil Price Fluctuation

Jet fuel is one of the main operating costs of the Group. The results of the Group are relatively more affected by the changes in jet fuel price. During the Reporting Period, with other variables remaining unchanged, if the average price of the jet fuel rises or falls by 5%, the Group's jet fuel costs will rise or fall by approximately RMB2,336 million.

Exchange Rate Fluctuation

The Group's certain assets and liabilities are denominated in US dollar. Certain international income and expenses of the Group are denominated in currencies other than RMB. Assuming that the risk variables other than the exchange rate stay unchanged, the appreciation or depreciation of RMB against US dollar by 1% due to the changes in the exchange rate will result in the increase or decrease in the Group's net profit and shareholders' equity as at 31 December 2023 by RMB229 million.

Risks of Competition

Industry competition

During the Reporting Period, as there was no significant reduction in the number of operating entities in the market, the Company still faced relatively huge industry competition pressure. In respect of the domestic market, due to the slow recovery of the international market, a large number of wide-body aircraft were used in the domestic market, which intensified the imbalance between supply and demand in the domestic market. In respect of the international market, the newly resumed routes of domestic airlines were mainly concentrated in destinations such as Hong Kong, Macau, Taiwan, Southeast Asia and Europe, resulting in an intense competition in certain regions within a short period of time. Adhering to its strategy for hub network, the Company spared no efforts in building Beijing Capital Airport into a world-class hub and Chengdu Tianfu Airport into an international hub, realising differentiated development with other competing entities in the market. Main routes and express routes were launched centering on hubs as well as principal bases and markets with a view to consolidating its competitiveness in the core markets with its high-quality products.

Alternative competition

As of the end of 2023, the mileage of high-speed railway in China reached 45,000 kilometres, achieving the goal scheduled for 2025 in advance. With the increasing station density of high-speed railway, the existing passengers flow of short- and medium-haul flights were gradually diverted to high-speed railway, which posed challenges to the civil aviation industry. At the same time, the efficient and mass transportation network of high-speed railway also swiftly transported more passengers of medium- and long-haul routes from different regions to airports on time, while more and more passengers chose the air-rail interlink transportation mode. Leveraging the enhanced cooperation and competition between civil aviation and high-speed railway with complementary advantages, the integrated development of the air-rail interlink operation will accelerate the construction of a modern comprehensive transportation system.

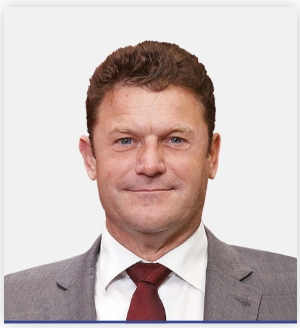
CORPORATE GOVERNANCE REPORT

MEMBERS OF THE SIXTH SESSION OF THE BOARD


Mr. Ma Chongxian


Mr. Wang Mingyuan


Mr. Feng Gang


Mr. Patrick Healy


Mr. Xiao Peng


Mr. Li Fushen


Mr. He Yun


Mr. Xu Junxin


Ms. Winnie Tam Wan-chi

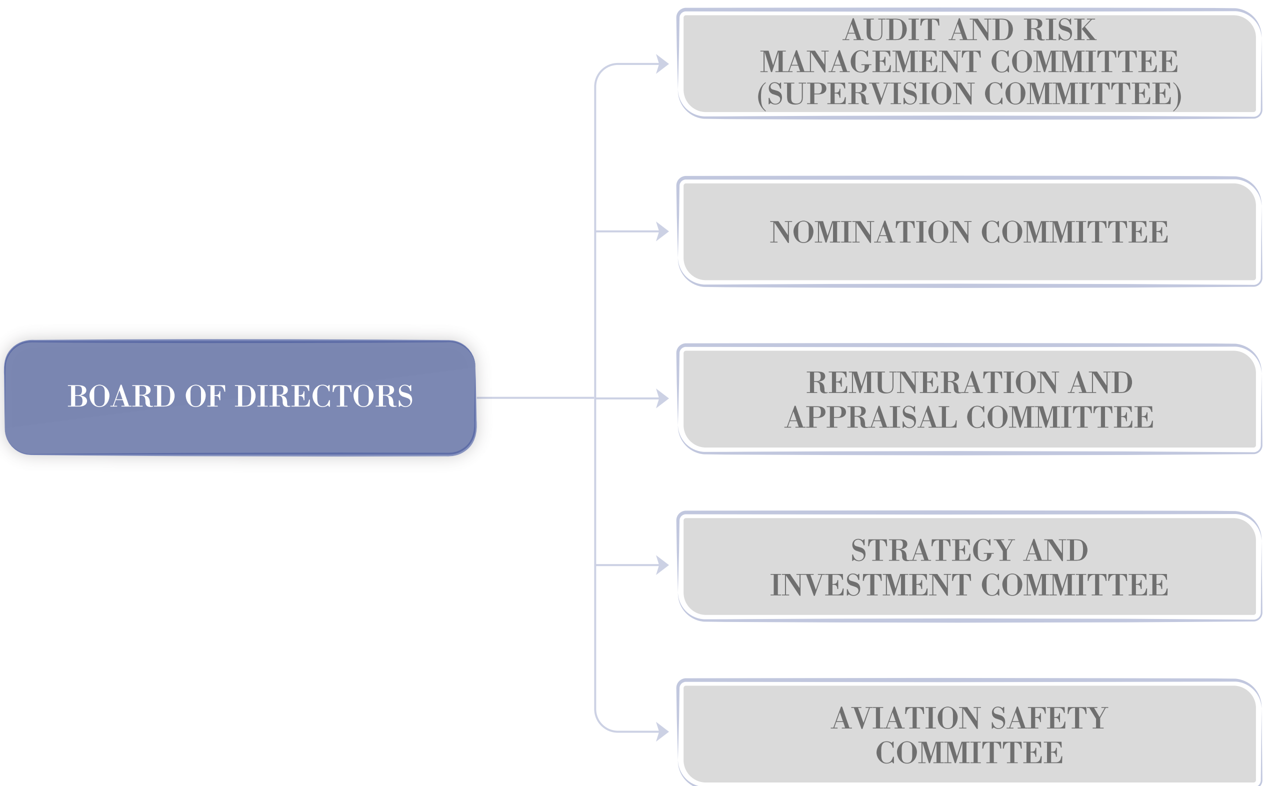
With the goal of becoming "the world's leading airline", the Company remains committed to the mission of "put safety first, serve passengers with credibility, convenience, comfort and choice, maintain stable development, help employees achieve success and fulfill corporate responsibilities", advocates the values of "people-oriented, accountable, excelling efforts and enjoyable flights" and positions the brand as "professional and reliable with both international quality and Chinese temperament".

The Company has 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 as set out in the Corporate Governance Code in Appendix C1 to the Listing Rules (the "**Code**") during the Reporting Period. The Company has established a Corporate Governance System in accordance with the requirements of the corporate governance policy stipulated in the Code. The Company's corporate governance practices are summarised and discussed below.

BOARD OF DIRECTORS

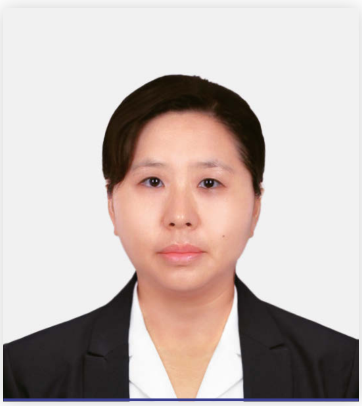
Governance Structure

As at the end of the Reporting Period, the structure of the Board and each special committee is set out as follows:



MEMBERS OF THE SIXTH SESSION OF THE SUPERVISORY COMMITTEE


Mr. Xiao Jian


Ms. Lyu Yanfang


Ms. Guo Lina


Mr. Wang Mingzhu


Mr. Li Shuxing

As at the date of this annual report, the sixth session of the Board comprises nine Directors, out of which four are independent non-executive Directors. All of the Directors of the sixth session of the Board have actively participated in the activities of the Company during the Reporting Period.

The attendance records of all the Directors of the sixth session of the Board present in person at general meetings, Board meetings and meetings of each special committee during the Reporting Period are as follows:

	Number of meetings attended in person/should be attended						
	General Meeting	Board Meeting	Audit and Risk Management Committee (Supervision Committee) Meeting	Nomination and Remuneration Committee Meeting	Remuneration and Appraisal Committee Meeting	Strategy and Investment Committee Meeting	Aviation Safety Committee Meeting
Executive Directors							
Ma Chongxian	4/4	11/11	—	—	—	5/5	3/3
Wang Mingyuan	2/2	6/7	—	—	—	—	0/0
Non-executive Directors							
Feng Gang	2/4	11/11	—	—	—	—	—
Patrick Healy	3/4	10/11	—	—	—	—	—
Xiao Peng	3/3	9/10	—	—	—	—	—
Independent Non-executive Directors							
Li Fushen	2/4	10/11	5/6	—	1/1	1/1	2/3
He Yun	3/4	10/11	6/6	5/6	1/1	—	—
Xu Junxin	3/4	11/11	—	6/6	1/1	5/5	—
Winnie Tam Wan-chi	2/4	7/11	4/6	—	—	—	—

Notes:

1. The Nomination Committee was established after the amendments to the Articles of Association came into effect on 26 October 2023, and the Nomination Committee did not convene any meeting since its establishment up to the end of the Reporting Period.

2. On 2 March 2023, the Company convened the eighth meeting of the third session of the employee representative congress where Mr. Xiao Peng was elected as the employee representative Director of the Company. On 30 March 2023, the Company convened the 2023 second extraordinary general meeting where Mr. Wang Mingyuan was elected as an executive Director of the Company.

3. On 26 October 2023, the Board reviewed and approved the resolution in relation to the adjustment of the members of special committees of the Board. Mr. Li Fushen was appointed as a member of the Strategy and Investment Committee, and Mr. Wang Mingyuan was appointed as a member of the Aviation Safety Committee.

For the Reporting Period, the number of Board meetings held, the convening procedures, minutes and records, rules of procedure and other relevant matters in connection with such meetings were in compliance with the relevant code provisions of the Code. It can be shown from the attendance rates that all Directors have discharged their duty of diligence and are dedicated to making contribution for the interest of the Company and its shareholders as a whole.

The Responsibilities of the Board

The Board is accountable to the general meeting and exercises the power according to the Articles of Association and the "Rules and the Procedures of the Board". Pursuant to the Articles of Association, the main responsibilities of the Board include: (1) to determine the Company's business policies and investment plans; (2) to formulate the Company's preliminary and final annual financial budgets; (3) to formulate the Company's profit distribution proposals and loss recovery proposals; (4) to determine the establishment of the Company's internal management bodies; and (5) to appoint or dismiss the President of the Company and the Secretary to the Board, as well as appraise them and determine their remuneration; and based on the nomination of the President, to appoint or dismiss the Vice President, the Chief Financial Officer, the Chief Pilot, the general counsel and other senior management personnel of the Company, as well as appraise them and determine their remuneration.

The Board shall be responsible for performing the following corporate governance duties: (1) to develop and review the Company's policies and practices on corporate governance, and provide recommendations in this regard; (2) to review and monitor the training and continuous professional development of the Directors and senior management; (3) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements; (4) to develop, review and monitor the code of conduct and compliance manual applicable to employees and Directors; and (5) to review the Company's compliance with the Code and the disclosure in the Corporate Governance Report. During the Reporting Period, the Board actively performed the corporate governance duties. Please refer to the disclosure in this Corporate Governance Report for details of the implementation in this regard.

The Board has independent access to the senior management personnel for enquiries in relation to the Company's management. The Board has established special committees to provide support to the Board in its decision-making process. For details, please refer to the section headed "Special Committees of the Board" below.

Procedure of Board Meeting

Board meetings are held regularly throughout the year and generally include annual meeting, interim meeting and meetings for the first and third quarters. The Board shall formulate meeting plans on an annual basis, which mainly include matters such as the time and venue of the Board meeting as well as routine proposals such as review of financial reports, and shall inform all Directors of such plans in the beginning of the year.

Board meetings shall be convened by the Chairman and a notice of 14 days shall be given to all Directors before each meeting. The Directors may attend in person or through other electronic means of communication. If an extraordinary Board meeting is proposed to be convened, the Chairman of the Board shall issue a notice of the extraordinary Board meeting within 10 days from the receipt of the proposal(s). The relevant documents of the meeting shall be given to all Directors, Supervisors and other persons attending the meeting at least three days in advance.

For the purpose of considering resolutions or matters during Board meetings, the Directors may arrange senior management, the persons-in-charge of the relevant departments of the Company and expertise to attend the meetings as necessary to interpret, answer queries or provide advisory opinions on the resolutions involved. The General Counsel shall attend any Board meeting that involves legal affairs to be considered and provide legal advice.

The Secretary to the Board shall be responsible for the communications and liaison with all Directors from the time when the notice is served to the commencement of the meeting, and shall provide in a timely manner the necessary information to the Directors to facilitate their decision-making on matters set out in the agenda. All Directors shall have access to the Secretary to the Board. Under the leadership of the Board and the Chairman, the Secretary to the Board shall take the initiative to keep himself or herself abreast of the implementation progress of the Board resolutions, and report to and advise the Board and the Chairman in a timely manner on major issues arising in the course of implementation. Minutes of Board meetings shall be kept by the Secretary to the Board and made available for inspection by any Director at any time.

Election of Directors

Directors other than employee representative director(s) are elected at the shareholders' general meeting of the Company, while employee representative director(s) is/are elected or dismissed by the employee representative meeting of the Company. Directors are appointed for a term of three years and are eligible for re-election and re-appointment upon expiry of their terms of office.

Chairman and President

The Chairman shall be elected and dismissed by a simple majority of the Directors. The term of office of the Chairman shall be three years, and the Chairman is eligible for re-election and re-appointment upon expiry of the term. The Chairman is responsible for leading the Board and ensuring the Board's efficient operation and that all major and relevant issues are discussed by the Board in a prompt and constructive manner.

The Company has a President who shall be appointed or dismissed by the Board. The President is authorized to oversee the Group's business, implement various strategies and be responsible for the Company's daily operation to attain overall commercial goals.

During the Reporting Report and as of the date of this annual report, the Chairman and President of the Company are held by different persons. Details are set out in the section headed "Changes in Shareholdings and Remuneration of the Existing and Resigned Directors, Supervisors and Senior Management during the Reporting Period" of this annual report.

Mechanism for the Board to Obtain Independent Opinions

The Company understands independent opinions for the Board is critical to good corporate governance and effective operation. The Board has established a mechanism to ensure the Board can obtain independent opinions when necessary so as to enhance the objectivity and effectiveness of decision making. Moreover, the Board reviews the implementation and effectiveness of the following mechanisms annually:

1. The composition of the Board shall comply with the requirements of the Listing Rules that the Board must comprise at least three independent non-executive Directors and the so appointed independent non-executive Directors must account for at least one-third of the Board;

2. Independent non-executive Directors must receive appraisals on independence, qualifications and ability when appointed, and conduct regular assessments on the aforementioned matters after appointment. Each Independent Non-executive Director must promptly notify the Company regarding any changes in circumstances that may affect their independence;

3. The Board receives the performance report by independent non-executive Directors, and evaluates the time spent by independent non-executive Directors on the affairs of the Company and their independent opinions expressed during the year;

4. All Directors shall have the right to request further information from the management on the matters under discussion at the Board meetings. In order to facilitate their professional development, the Directors may seek the assistance from the Company Secretary and external independent professional advice when necessary while the relevant expenses shall be borne by the Company;

5. Directors (including independent non-executive Directors) having material interest in any contract, transaction or arrangement shall abstain from voting and shall not be counted in a quorum for any Board meetings approving such matters; and

6. Chairman shall hold meetings at least annually with independent non-executive Directors without the presence of other Directors.

Board Diversity Policy

The Directors have extensive expertise and experience in the fields of aviation, finance, law and financial management and provide substantial support for the scientific and effective decision-making of the Board. The "Board Diversity Policy" was adopted by the Board, which sets out the approach of the Company towards achieving diversity of the Board.

- The Company takes into consideration a number of factors, including but not limited to professional experience and qualifications, cultural and educational background, skills, industry knowledge and reputation, knowledge of the laws and regulations applicable to the Company, gender, age, language skills and length of service, with a view to achieving construction of the diversified and inclusive Board. The Board shall not be a single gender board. The Nomination Committee shall take into overall consideration of the abovementioned factors and actual situations such as business operation, development and strategy of the Company in reviewing the structure and composition of the Board and making recommendations to the Board on the appointment, re-appointment and succession of Directors.

- The above factors should be balanced as appropriate in determining the optimal composition of the Board. For the appointment of Directors, the above factors shall be considered on a case-by-case basis in light of the actual circumstances of the Company and its business operations, development and strategies. Appointment by the Board should be made based on merits and the contributions that the individual is expected to bring to the Board with due regard for the benefits of diversity in the Board. The Board is structured to include more external Directors than internal Directors, and the members of the Board include one full-time deputy secretary of the Communist Party Committee as Non-executive Director, one shareholder representative Director, one employee representative Director and four independent Directors. Among the four independent Directors, at least one shall possess extensive experience in accounting or relevant financial management areas with appropriate professional qualifications, and other Directors shall possess extensive experience in the aviation, legal and management areas to facilitate scientific decision-making of the Board. At least one female director shall be appointed to the Board of the Company. On 25 February 2022, the Company appointed Ms. Winnie Tam Wan-chi as an Independent Non-executive Director of the Company.

- The Nomination Committee shall monitor the implementation of the Board Diversity Policy on an ongoing basis, and review this policy as appropriate.

Directors' Training and Continuous Professional Development

The management of the Company provides Directors with appropriate and sufficient information in a timely manner so as to update them with the latest developments of the Company and facilitate their discharge of duties.

Newly appointed Directors shall be given introduction in relation to the Company to ensure that they have a sufficient understanding of the management, business and governance practices of the Company. The Company also encourages its Directors to participate in seminars and courses conducted by recognized institutions so as to ensure that they constantly improve their skills and are aware of the latest developments or changes in laws and regulations, the Listing Rules and the Code with which they are required to comply in discharging their duties.

The Directors confirmed that they have complied with code provision C.1.4 of the Code in relation to the training of Directors. All Directors have participated in continuing professional development by attending trainings and courses or reading relevant materials to broaden their knowledge base and sharpen their skills, and have provided their training records to the Company.

Training for Directors during the Reporting Period	Category Notes
Executive Directors	
Ma Chongxian (Chairman)	a, b
Wang Mingyuan (President)	a, b
Non-executive Directors	
Feng Gang	a, b
Patrick Healy	b
Xiao Peng	a, b
Independent Non-executive Directors	
Li Fushen	a, b
He Yun	a, b
Xu Junxin	a, b
Winnie Tam Wan-chi	a

Notes:

a. Trainings on the responsibilities of the Directors provided by the Company's legal advisers and the information about the latest laws and regulations and regulatory developments in the domestic and foreign capital markets prepared by the Company on a regular basis, for the Directors to study by themselves.

b. Special trainings provided by the regulatory authorities.

Biographical Details and Other Information of Directors

The list of Directors and their respective roles on the Board and special committees under the Board are set out in this annual report and published on the websites of the Company and Hong Kong Stock Exchange. For biographical details of the Directors, please refer to the section headed "Profile of Directors, Supervisors and Senior Management" of this annual report.

On 5 September 2005, the Company formulated and adopted the Model Code for Securities Transactions, which was subsequently amended on 19 March 2007 and 4 December 2009, respectively, on terms no less exacting than the required standards of the Model Code. The Model Code for Securities Transactions of the Company also applies to the Supervisors and the relevant employees. After making specific enquiries, the Company confirmed that each Director and each Supervisor have complied with the required standards of the Model Code set out in Appendix C3 to the Listing Rules and the Company's code of conduct throughout the Reporting Period.

The four independent non-executive Directors of the Company as at the end of the Reporting Period, namely, Mr. Li Fushen, Mr. He Yun, Mr. Xu Junxin and Ms. Winnie Tam Wan-chi, have confirmed their independence with the Hong Kong Stock Exchange when they were elected. The Company had already received from those independent non-executive Directors the annual statements concerning their independence and re-confirmed their independence. The Company considers all independent non-executive Directors as independent within the meaning of Rule 3.13 of the Listing Rules.

Besides the working relationships in the Company, there are no financial, business, family relationship or other material relationships among the Directors, Supervisors and senior management.

The Company has purchased liability insurance for the Directors, Supervisors and senior management.

SPECIAL COMMITTEES OF THE BOARD

Audit and Risk Management Committee (Supervision Committee)

As at the end of the Reporting Period, the Audit and Risk Management Committee (Supervision Committee) comprised Mr. Li Fushen, Mr. He Yun and Ms. Winnie Tam Wan-chi, all being independent non-executive Directors, with Mr. Li Fushen serving as the chairman of the committee.

The primary duties of the Audit and Risk Management Committee (Supervision Committee) include: (1) to make recommendations to the Board on the appointment, reappointment and removal of the external auditor, approve the remuneration and terms of engagement of the external auditor pursuant to the relevant authorizations and deal with any issues of its resignation or dismissal; (2) to supervise and assess the internal audit work of the Company; (3) to monitor the Company's financial information and disclosures, review the truthfulness, accuracy and integrity of the Company's financial statements, annual reports and accounts, interim reports, quarterly reports, and the key opinions relating to financial reporting in any of the above; (4) to discuss the establishment of the Company's risk management system and internal control system with the management of the Company to ensure that the management has performed its duty to establish an effective control system; (5) to consider major investigation findings on risk management and internal control matters and the management's responses to the above, as delegated by the Board or on its own initiative; supervise the rectifying actions to address the deficiencies in the Company's internal control; (6) to review the audit notes submitted to the management by the certified public accountant for the annual audit, any material enquiries raised by the auditor to the management regarding accounting records, financial accounts and control systems, and the management's responses to such enquiries; (7) to review the financial and accounting policies and practices adopted by the Company and its subsidiaries; (8) to supervise the Company's connected transactions control and the daily management of such transactions; (9) to listen to the Company's reports on any fraudulent conducts and the whistleblower reports of such conducts; and (10) to address other matters authorized by the Board and other matters as required by the laws and regulations as well as the relevant regulations of the stock exchange where the Company is listed.

The main work of the Audit and Risk Management Committee (Supervision Committee) during the Reporting Period includes:

Date of the meeting	Subject of the meeting	Other performance of duties at the meeting
13 January 2023	The tenth meeting of the Audit and Risk Management Committee (Supervision Committee) of the sixth session of the Board was held to consider the proposals relating to the 2023 investment plan and 2023 financial plan.	–
29 March 2023	The eleventh meeting of the Audit and Risk Management Committee (Supervision Committee) of the sixth session of the Board was held to consider: 1. the 2022 annual report; 2. the 2022 profit distribution plan; 3. the accumulated losses of the Company exceeding one-third of the total amount of its paid-up share capital; 4. the re-appointment of international and domestic auditors and internal control auditors for 2023; 5. the replacement of self-raised funds with proceeds from the non-public Issuance; 6. the 2022 assessment report on internal control and the audit report on internal control; 7. the 2022 internal audit work report and 2023 internal audit work plan; 8. the 2022 continuous risk assessment report of China National Aviation Finance Co., Ltd.; 9. the risk management proposal for conducting financial businesses such as related parties loans and deposits between China National Aviation Finance Co., Ltd. and its related parties; 10. the entering into of financial services framework agreements and the application for annual caps of the continuing connected transactions; 11. the entering into of the Continuing Connected Transactions Framework Agreement on Trademark License between Air China and CNAHC Group by the Company and CNAHC; 12. the entering into of the Compensation Agreement between the Company and Beijing Air Catering Co., Ltd. (北京航空食品有限公司) for the properties in the catering park of Beijing Air Catering; 13. the 2022 performance report by the Audit and Risk Management Committee (Supervision Committee).	The committee received the report of Deloitte, the auditor, on the 2022 financial reports and work summary on internal audit. The committee received the report of the audit department on the standardized operation of the Company in the second half of 2022.
26 April 2023	The twelfth meeting of the Audit and Risk Management Committee (Supervision Committee) of the sixth session of the Board was held to consider the proposals relating to the first quarterly report of 2023 and the agreement in relation to the transfer of eight A330 aircraft to Air China Cargo.	The committee received the report of the audit department on work in relation to the accountability of illegal operations and investments.

Date of the meeting	Subject of the meeting	Other performance of duties at the meeting
29 August 2023	The thirteenth meeting of the Audit and Risk Management Committee (Supervision Committee) of the sixth session of the Board was held to consider: 1. the 2023 interim report; 2. the confirmation of the 2023 financial plan; 3. the special report on the deposit and actual use of proceeds from A share issuance in the first half of 2023; 4. the amendments to the “Regulations on Management of Interest Rate and Exchange Rate Risks of Air China Limited (Interim)”; 5. the confirmation of the auditor’s fees for the year of 2023; 6. the provision of non-assurance services by the auditor; 7. the continuous risk assessment report of China National Aviation Finance Co., Ltd. for the first half of 2023.	The committee received the report of Deloitte, the auditor, on: 1. the report on the completion of interim review for the year of 2023; 2. the audit plan for internal control of financial reports for the year of 2023; 3. the pre-approval for the provision of non-assurance services by the auditor. The committee received the report of the audit department on: 1. work plan on the 2023 internal control assessment; 2. the standardized operation in the first half of 2023; 3. the report on internal audit in the first half of 2023. The committee reviewed the list of related parties of the Company.
26 October 2023	The fourteenth meeting of the Audit and Risk Management Committee (Supervision Committee) of the sixth session of the Board was held to consider the third quarterly report of 2023; the amendments to the “Working Rules of the Audit and Risk Management Committee (Supervision Committee)”; and the amendments to the “Regulations on Compliance Management” and “Code of Conduct for Compliance”.	The committee received the report of the audit department on audit in the third quarter of 2023.

Date of the meeting	Subject of the meeting	Other performance of duties at the meeting
22 December 2023	The fifteenth meeting of the Audit and Risk Management Committee (Supervision Committee) of the sixth session of the Board was held to consider: 1. the proposal of the issuance of A Shares to specific investor by the Company in 2023; 2. the preliminary proposal of the issuance of A Shares to specific investor by the Company in 2023; 3. the discussion and analysis report on the proposal of the issuance of A Shares to specific investor by the Company in 2023; 4. the feasibility analysis report on the use of proceeds from the issuance of A Shares to specific investor by the Company in 2023; 5. the report on use of proceeds from previous fund-raising activities of the Company; 6. the related (connected) transaction concerning the entering into of the conditional A Share Subscription Agreement with specific subscriber by the Company; 7. the proposal of the issuance of H Shares to specific investor by the Company in 2023; 8. the related (connected) transaction concerning the entering into of the conditional H Share Subscription Agreement with specific subscriber by the Company; 9. the authorization by the general meeting to the Board and its authorized person(s) to proceed with relevant matters in respect of this issuance of Shares to specific investors by the Company in their sole discretion.	The committee received the report of Deloitte, the auditor, on the audit plan for consolidated financial statements of 2023. The committee received the report of the financial department on work arrangement in relation to the approval of financial accounts of 2023 and the implementation of rectification for problems identified during the approval of financial accounts of 2021-2022. The committee received the report of the audit department on the implementation of rectification measures for audit issues in 2023.

The annual results and annual report of the Company for the year of 2023 had been reviewed by the Audit and Risk Management Committee (Supervision Committee).

Nomination and Remuneration Committee (which has been changed to the Nomination Committee and Remuneration and Appraisal Committee on 26 October 2023)

From 1 January 2023 to 26 October 2023, the Nomination and Remuneration Committee comprised Mr. He Yun and Mr. Xu Junxin, both are independent non-executive Directors, with Mr. He Yun serving as the chairman of the committee.

The primary duties of the Nomination and Remuneration Committee include: (1) to study on the criteria and procedures for selecting candidates for the Directors and senior management and make recommendations to the Board; (2) to nominate to the Board the candidates to fill casual vacancies on the Board, and make recommendations regarding the Directors' remuneration to the Board; (3) to evaluate the performance of the senior management of the Company and determine their remuneration structure; (4) to make recommendations to the Board on the remuneration policy and structure for the Directors and senior management and on the establishment of a set of formal and transparent procedures for formulating remuneration policy, and supervise the implementation of the remuneration policy of the Company; (5) to assess the independence of the independent non-executive Directors; and (6) to formulate the proposal of the Company's share incentive plan, verify the compliance with relevant regulations on granting and fulfillment of exercise conditions, and make recommendations to the Board for consideration.

The main work of the Nomination and Remuneration Committee from 1 January 2023 to 26 October 2023 includes:

Date of the meeting	Subject of the meeting
13 March 2023	The ninth meeting of the Nomination and Remuneration Committee of the sixth session of Board was held to consider and recommend Mr. Wang Mingyuan as a candidate for executive Director and propose to appoint him as the President of the Company, and propose to appoint Mr. Sun Yuquan as the Chief Accountant of the Company and Mr. Xiao Feng as the Chief Economist of the Company.
29 March 2023	The tenth meeting of the Nomination and Remuneration Committee of the sixth session of Board was held to consider the proposals relating to the 2022 annual gross salary settlement plan and the 2023 annual gross salary budget plan.
17 July 2023	The eleventh meeting of the Nomination and Remuneration Committee of the sixth session of Board was held to consider the 2023 annual appraisal on the operational performance by the management.
23 August 2023	The twelfth meeting of the Nomination and Remuneration Committee of the sixth session of Board was held to propose the appointment of Mr. Zheng Weimin as the Vice President of the Company.
29 August 2023	The thirteenth meeting of the Nomination and Remuneration Committee of the sixth session of Board was held to receive the reports regarding the management of employees' remuneration as well as salary distribution of the Company during 2022-2023.
26 October 2023	The fourteenth meeting of the Nomination and Remuneration Committee of the sixth session of Board was held to propose the appointment of Mr. Li Yunchuan as the Chief Pilot of the Company and formulate the Working Rules of the Nomination Committee and the Working Rules of the Remuneration and Appraisal Committee.

The Nomination Committee

In accordance with the amendments to the Articles of Association of the Company which came into effect on 26 October 2023, the original Nomination and Remuneration Committee of the Company was changed to the Nomination Committee and the Remuneration and Appraisal Committee from 26 October 2023. As at the end of the Reporting Period, the Nomination Committee comprised Mr. Ma Chongxian, an executive Director, and Mr. Li Fushen and Mr. He Yun, both are independent non-executive Directors, with Mr. Ma Chongxian serving as the chairman of the committee.

The primary duties of the Nomination Committee include: (1) to review the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company's strategy; (2) to study and propose to the Board the criteria and procedures for selecting candidates for Directors and senior management of the Company; (3) to make recommendations to the Board on the appointment or re-appointment of Directors, succession planning for Directors (in particular the Chairman or the President) and appointment of senior management; (4) to select qualified candidates for Directors and senior management in accordance with relevant requirements of Board diversity as well as review and make recommendations to the Board on candidates for Director and senior management; (5) to assess the independence of the independent non-executive Directors of the Company; and (6) to address other matters authorized by the Board.

The Nomination Committee was established after the amendments to the Articles of Association came into effect on 26 October 2023, and therefore the Nomination Committee did not convene any meeting during the Reporting Period.

During the Reporting Period, the nomination policy for Directors implemented by the Company was as follows: the Nomination Committee shall review the qualification of candidates for directorship and senior management according to the standards as set out in the Articles of Association and the Board Diversity Policy and submit a report to the Board. For the diversity policy, please refer to the section headed "Board Diversity Policy" above. A shareholder holding 3% or more of the shares of the Company is entitled to nominate Directors to the Nomination Committee.

The Remuneration and Appraisal Committee

In accordance with the amendments to the Articles of Association of the Company which came into effect on 26 October 2023, the original Nomination and Remuneration Committee of the Company was changed to the Nomination Committee and the Remuneration and Appraisal Committee from 26 October 2023. As at the end of the Reporting Period, the Remuneration and Appraisal Committee comprised Mr. He Yun, Mr. Li Fushen and Mr. Xu Junxin, all of which are independent non-executive Directors, with Mr. He Yun serving as the chairman of the committee.

The primary duties of the Remuneration and Appraisal Committee include: (1) to make recommendations to the Board on the Company's remuneration policy and structure for all Directors and senior management and on the establishment of a formal and transparent procedure for developing the remuneration policy of the Company, and supervise the implementation of the remuneration policy of the Company; (2) to review and approve the proposals for the remuneration of the Company's management with reference to the corporate goals and objectives formulated by the Board; (3) to make recommendations to the Board on the remuneration packages of the Directors and senior management of the Company having regards to salaries paid by companies in the same industry, time commitment and responsibilities, as well as employment conditions of other positions in the Company and its subsidiaries; (4) to review and approve compensation payable to executive Directors and senior management of the Company for loss or termination of their office or appointment; (5) to review and approve compensation arrangements relating to dismissal or removal of Directors for misconduct; (6) to review the performance of duties of the Directors and senior management, organize and carry out the business performance appraisal of the members of the management, and make recommendations to the Board in respect of the appraisal results and remuneration payment proposals; (7) to review matters relating to share schemes based on domestic and overseas regulatory requirements, including but not limited to reviewing the Company's share incentive scheme proposal, verifying the conditions of granting and exercising during the implementation of the Company's share incentive scheme, and reporting to the Board for its consideration; and (8) to address other matters authorised by the Board.

The main work of the Remuneration and Appraisal Committee during the Reporting Period includes:

Date of the meeting	Subject of the meeting
22 December 2023	The first meeting of the Remuneration and Appraisal Committee of the sixth session of Board was held to consider the 2022 appraisal result regarding the operational performance and remuneration payment plan of the management.

During the Reporting Period, the remuneration policy for Directors implemented by the Company is as follows: except for independent non-executive Directors, other Directors will not receive director's remuneration. The remuneration standards of the independent non-executive Directors shall be determined according to the relevant national policies, and the remuneration of the senior management shall be determined in accordance with the relevant laws and regulations of the PRC and the provisions of the "Interim Measures for Remuneration Administration of Responsible Persons of Enterprise" of the Company. The Remuneration and Appraisal Committee made recommendations to the Board on the remuneration packages of independent non-executive Directors and senior management based on the above-mentioned standards. The remuneration of the Directors and Supervisors of the Company shall be determined by the general meeting, and that of the senior management shall be determined by the Board after being considered by the Remuneration and Appraisal Committee.

Changes in Shareholdings and Remuneration of the Existing and Resigned Directors, Supervisors and Senior Management during the Reporting Period

Name	Position	Gender	Age	Starting date of term of office	Expiry date of term of office	Total remuneration payables received from the Company during the Reporting Period (RMB0'000)	Whether received remuneration from the Company's related parties or not
Ma Chongxian	Secretary of the Communist Party Committee	Male	58	27 September 2022	–	–	Yes
	Chairman			27 September 2022	–	–	
	Executive Director			20 July 2021	–	–	
Wang Mingyuan	Vice President	Male	58	22 February 2011	13 March 2023	–	Yes
	Deputy Secretary of the Communist Party Committee			13 February 2023	–	–	
	President			13 March 2023	–	–	
	Director, Vice Chairman			30 March 2023	–	–	
Feng Gang	Deputy Secretary of the Communist Party Committee	Male	60	19 November 2019	–	–	Yes
	Non-executive Director			26 May 2020	–	–	
Patrick Healy	Non-executive Director	Male	58	19 December 2019	–	–	Yes
Xiao Peng	Chairman of the Labour Union	Male	58	15 November 2022	–	92.36	No
	Chief Engineer			28 November 2022	–		
	Employee Representative Director			2 March 2023	–		
Li Fushen	Independent Non-executive Director	Male	61	25 February 2022	–	–	No
He Yun	Independent Non-executive Director	Male	62	25 February 2022	–	–	No

Name	Position	Gender	Age	Starting date of term of office	Expiry date of term of office	Total remuneration payables received from the Company during the Reporting Period (RMB0'000)	Whether received remuneration from the Company's related parties or not
Xu Junxin	Independent Non-executive Director	Male	59	25 February 2022	–	–	No
Winnie Tam Wan-chi	Independent Non-executive Director	Female	62	25 February 2022	–	11.34	No
He Chaofan	Supervisor	Male	61	29 October 2013	13 January 2023	–	Yes
	Chairman of the Supervisory Committee			25 February 2022	13 January 2023	–	
Xiao Jian	Supervisor	Male	60	10 February 2023	–	–	Yes
	Chairman of the Supervisory Committee			10 March 2023	–	–	
Wang Jie	Employee Representative Supervisor	Male	58	25 September 2020	2 March 2023	–	Yes
Qin Hao	Employee Representative Supervisor	Male	55	25 September 2020	2 March 2023	50.00	No
Lyu Yanfang	Supervisor	Female	52	18 December 2020	–	83.53	No
Guo Lina	Supervisor	Female	53	25 February 2022	–	82.97	No
Wang Mingzhu	Employee Representative Supervisor	Male	56	2 March 2023	–	57.50	No
Li Shuxing	Employee Representative Supervisor	Male	56	2 March 2023	–	59.23	No
Tan Huanmin	Secretary of Committee for Discipline Inspection	Male	59	19 January 2019	–	–	Yes
Zhang Sheng	Vice President	Male	51	9 June 2020	–	–	Yes
Chen Zhiyong	Vice President	Male	60	17 December 2012	5 March 2024	–	Yes
Sun Yuquan	Standing Committee Member of Communist Party Committee	Male	50	7 April 2022	–	–	Yes
	Chief Accountant			13 March 2023	–	–	
Ni Jiliang	Vice President	Male	57	12 May 2022	–	–	Yes
Zheng Weimin	Vice President	Male	58	23 August 2023	–	–	Yes
Yan Fei	Vice President	Male	55	5 March 2024	–	–	Yes
Zhang Hua	General Counsel	Male	58	9 August 2017	–	112.75	No
Xiao Feng	Chief Accountant	Male	55	28 July 2014	13 March 2023	113.27	No
	Chief Economist			13 March 2023	–		
	Secretary to the Board			28 March 2024	–		
Wang Yingnian	Chief Pilot	Male	60	27 November 2014	10 February 2023	38.54	No
Yan Simeng	Chief Information Officer	Male	41	7 September 2021	–	195.07	No
Shen Jianming	Chief Safety Officer	Male	56	19 October 2022	–	185.14	No
Li Yunchuan	Chief Pilot	Male	56	26 October 2023	–	30.46	No
Huang Bin	Secretary to the Board	Male	60	30 September 2021	28 March 2024	103.6	No
	Assistant to the President			10 December 2021	28 March 2024		
Total	/	/	/	/	/	1,215.76	/

Notes: 1. The remuneration of Mr. Li Fushen, Mr. He Yun, Mr. Xu Junxin and Ms. Winnie Tam Wan-chi, being independent Directors, will be determined pursuant to relevant national policies.

2. Directors, Supervisors and senior managements' "total remuneration payables received from the Company during the Reporting Period" include pre-tax remuneration and the portion of benefits and security, including social insurance, housing fund and enterprise annuity, contributed by the enterprise. Total remunerations of employees, which are subject to changes during the year, represent the actual remuneration for his/her term of office.

Details of the remuneration for the Directors during the Reporting Period are set out in note 13 to the financial statements of this annual report.

Strategy and Investment Committee

As at the end of the Reporting Period, the Strategy and Investment Committee comprised Mr. Ma Chongxian, an executive Director, and Mr. Li Fushen and Mr. Xu Junxin, both are independent non-executive Directors, with Mr. Ma Chongxian serving as the chairman of the committee.

The primary duties of the Strategy and Investment Committee include: (1) to study and make recommendations on the Company's strategic plan for long-term development, annual investment plan, significant investment and financing proposals that require the approval of the Board, important production and operation decisions and projects that require the approval of the Board and other significant matters that may affect the Company's development; (2) to consider the establishment, merger and dissolution of branches of the Company; (3) to formulate the environmental, social and governance structure, objectives, management approaches and strategies of the Company; (4) to consider the environmental, social and governance-related works and reports; and (5) to address other matters authorised by the Board.

The main work of the Strategy and Investment Committee during the Reporting Period includes:

Date of the meeting	Subject of the meeting	Other performance of duties at the meeting
13 January 2023	The seventh meeting of the Strategy and Investment Committee of the sixth session of Board was held to consider the 2023 investment plan.	The committee received the reports on the completion of the 2022 investment plan of the Company and evaluation of significant projects, and the report on implementation of the three-year action for the reform of the Company.
29 March 2023	The eighth meeting of the Strategy and Investment Committee of the sixth session of Board was held to consider the 2022 Corporate Social Responsibility Report.	–
26 April 2023	The ninth meeting of the Strategy and Investment Committee of the sixth session of Board was held to consider the transfer of 8 A330 aircraft under the agreement with Air China Cargo.	–
26 October 2023	The tenth meeting of the Strategy and Investment Committee of the sixth session of Board was held to consider the amendments to the Working Rules of the Strategy and Investment Committee.	–
22 December 2023	The eleventh meeting of the Strategy and Investment Committee of the sixth session of Board was held to consider 1. the Company's fulfilment of conditions in respect of the issuance of A shares to specific investor; 2. the proposal of the issuance of A Shares to specific investor by the Company in 2023; 3. the preliminary proposal of the issuance of A Shares to specific investor by the Company in 2023; 4. the discussion and analysis report on the proposal of the issuance of A Shares to specific investor by the Company in 2023; 5. the feasibility analysis report on the use of proceeds from the issuance of A Shares to specific investor by the Company in 2023; 6. the proposal of the issuance of H Shares to specific investor by the Company in 2023.	–

Aviation Safety Committee

As at the end of the Reporting Period, the Aviation Safety Committee comprised Mr. Wang Mingyuan, an executive Directors, Mr. Li Fushen, an independent non-executive Director, and Mr. Ma Chongxian, an executive Director, with Mr. Wang Mingyuan serving as the chairman of the committee.

The primary duties of the Aviation Safety Committee include: (1) to adhere to the principle of "putting safety first", and supervise and guide the production activities of the Company and the allocation of various kinds of resources such as human resources, properties and materials to fulfill the needs of safety operation of the Company; (2) to receive the safety analysis report of the Company on a regular basis and report to the Board; (3) to study and deal with significant problems in relation to aviation safety work of the Company; and (4) to address other matters authorised by the Board.

The main work of the Aviation Safety Committee during the Reporting Period includes:

Date of the meeting	Subject of the meeting
13 January 2023	The third meeting of the Aviation Safety Committee of the sixth session of Board was held to receive the reports regarding the safety work in 2022 and the work arrangements in 2023.
29 August 2023	The fourth meeting of the Aviation Safety Committee of the sixth session of Board was held to receive the report on aviation safety in the first half of 2023.
26 October 2023	The fifth meeting of the Aviation Safety Committee of the sixth session of Board was held to amend the Working Rules of the Aviation Safety Committee.

MANAGEMENT

Duties of the Management

The management of the Company shall be accountable to the Board and its main responsibilities include: (1) to manage the operation of the Company and to implement the resolutions of the Board; (2) to implement annual business plans and investment proposals; (3) to make decision on transactions relating to the Company's main business involving a value within a monetary threshold or within a specific proportion of the Company's latest audited net asset value, subject to applicable laws and the Articles of Association; (4) to sign contracts and agreements on behalf of the Company in accordance with the authorization granted by the Board or the legal representative; (5) to draft plans for the establishment of the Company's internal management structure; (6) to draft the Company's basic management system; (7) to formulate basic rules and regulations for the Company; (8) to propose the appointment or dismissal of the vice president, chief accountant, chief pilot and general legal counsel of the Company; and (9) to appoint or dismiss responsible management personnel other than those required to be appointed or dismissed by the Board, etc.

The Company established the "Rules and Procedures for President's Office" to regulate the daily operation of the President's Office.

FINANCIAL REPORTING

The Company prepares and publishes annual reports, interim reports and quarterly reports in accordance with the requirements of the regulatory rules of the listing places of the Company and other relevant laws and regulations in a timely manner each year, and the information disclosed is adequate for the shareholders to evaluate the performance, financial position and prospects of the Company.

Key operating data of the Company are published monthly in order to improve the transparency of the Company's performance and to provide the latest developments of the Company in a timely manner.

The Company has a sound environment for implementing internal controls. The Company has set up an effective electronic information system to support business development which comprises various operation systems, settlement system and a core accounting and audit platform, i.e. the Oracle financial information system. For treasury management, the Company has implemented a global online banking management system. An effective accounting information system was also established.

The responsibilities of the Directors in relation to the financial statements are set out below and shall be read together with the "Independent Auditor's Report" set out in this annual report. The statement of reporting responsibility of the auditors is included in the section headed "Independent Auditor's Report" set out in this annual report.

- Annual reports and accounts
  The Directors acknowledge that they are responsible for preparing the financial statements for each financial year so as to present a true and fair view of the financial position of the Company and the Group, and of the financial performance and cash flow of the Group.

- Accounting policies
  When preparing the financial statements of the Company and the Group, the Directors have consistently applied appropriate accounting policies under the relevant accounting standards.

- Accounting records
  The Directors are responsible for ensuring that the Company shall keep the accounting records, which will reflect the financial position of the Company with reasonable accuracy, enabling the Group to prepare the financial statements in accordance with the requirements of the Listing Rules, Hong Kong Companies Ordinance and the relevant accounting standards.

- Ongoing operation
  After making appropriate enquiries, the Directors believe that the Group has sufficient resources for operation in the foreseeable future. Accordingly, the Group's financial statements are prepared on a going concern basis.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board bears the ultimate responsibility for the Group's risk management and internal control system and for reviewing the effectiveness of the system. The risk management and internal control system is designed to manage rather than eliminate the risk of failing to achieve business objectives and to make reasonable, but not absolute, assurances that there will be no material misstatement or loss. The Board monitors the risk level with the assistance of the Audit and Risk Management Committee (Supervision Committee) and the management of the Company.

The Company conducts at least one review of the soundness and effectiveness of the risk management and internal control system every year. The Board will publish the self-assessment annual report on the internal control after it is reviewed by the Audit and Risk Management Committee (Supervision Committee) and reported to the Board.

During the Reporting Period, the Board reviewed the Group's risk management and internal control system for the year through the Audit and Risk Management Committee (Supervision Committee) and considered that the system was adequate and effective. The review of the Audit and Risk Management Committee (Supervision Committee) covered key control aspects, including financial controls, operational controls and compliance controls. The Audit and Risk Management Committee (Supervision Committee) also reviewed the Group's resources, qualifications and experience of the responsible staff, training courses and budget in respect of the accounting, internal audit, environmental, social and governance performance and financial reporting functions and expressed satisfaction with the adequacy of such measures. The Board also confirmed that the Company has established effective systems and procedures to ensure the control and management of the strategic risks, financial risks, operational risks, legal risks, contingent risks, etc..

The basic procedures of the Group's risk management include: (1) collection of risk information; (2) identification and assessment of risks; (3) formulation and implementation of risk reduction measures; and (4) monitoring of risk management.

The Company has established a clear organizational structure to allocate responsibilities for formulation, implementation and monitoring as required. An information reporting mechanism has been formed for risk management, which covers the Company's main business units to ensure that significant risks are effectively monitored and coped with within the Group.

The Group ranks the risks based on priority so as to pay special attention to critical risks. It sets risk indicators for critical risks, and monitors and judges the key indicators on a regular basis so that the risks are always under control. All the business units are required to compile a summary of the risks and report to the Risk Management Working Group Office on a regular basis. The Risk Management Working Group Office has set up a monthly reporting procedure to regularly report the risk status and risk tracking to the management and regulatory authorities.

According to the risk assessment in 2023, the main risks that the Group is facing are set out in the section headed "Management's Discussion and Analysis of Financial Position and Operating Results – Risk Factors" of this annual report.

The Company has established an audit department and legal department to assist the Audit and Risk Management Committee (Supervision Committee) and to analyze and evaluate the adequacy and effectiveness of the Group's internal control and risk management system and to supervise and evaluate the risk management and internal control of the Group. The audit department and legal department regularly reports the annual, interim work reports and annual audit plans to the Audit and Risk Management Committee (Supervision Committee) for review of risk management and internal control system. The Audit and Risk Management Committee (Supervision Committee) reviews the reporting compliance, reviews and monitors the effectiveness of the internal audit, internal control development and risk compliance, keeps tracks of the corrective actions for the problems spotted and guides business units to operate efficiently.

The Company has implemented a registration and filing system for the insiders and established the profiles of the insiders, who should bear the responsibility of confidentiality for the inside information they are aware of. The Board should guarantee the truthfulness, accuracy and completeness of the profiles of the insiders. The Company will conduct regular and occasional inquiries on the trading of shares and derivatives of the Company by the insiders. If insiders are found to have involved in insider dealing or have breached the laws and regulations due to dereliction of duty, the Company will ensure that the relevant personnel are held accountable in accordance with relevant laws and regulations and the Company's policies. The Company is also aware of its obligations under the SFO and the Listing Rules for the handling and disclosure of inside information, and unless the information falls within the "Safe Harbor", the Company will disclose such inside information to the public as soon as practicable.

COMPANY SECRETARY

During the Reporting Period, the joint company secretaries of the Company are Mr. Huang Bin and Mr. Huen Ho Yin. The joint company secretaries are responsible for facilitating the procedures of the Board, as well as facilitating the communications among Board members, and communications with shareholders and with the management. The biographies of the joint company secretaries are set out in the section headed "Profile of Directors, Supervisors and Senior Management" of this annual report. During the Reporting Period, the joint company secretaries respectively attended a total of more than 15 hours of professional training to update their skills and knowledge.

On 28 March 2024, due to the retirement of Mr. Huang Bin, the joint company secretaries of the Company were changed to Mr. Xiao Feng and Mr. Huen Ho Yin. Please refer to the announcement of the Company dated 28 March 2024 for details.

AUDITORS AND THEIR REMUNERATION

The international and domestic auditors of the Company are Deloitte Touche Tohmatsu and Deloitte Touche Tohmatsu Certified Public Accountants LLP respectively. Breakdown of the remuneration to the Company's external auditors for providing audit and non-audit services for the Reporting Period is as follows:

RMB10,902,000 (including value-added tax) was charged in aggregate for the review of the Group's condensed consolidated financial statements for the six months ended 30 June 2023 and for the audit of the Group's consolidated financial statements for the year ended 31 December 2023; an aggregate amount of RMB7,493,000 (including value-added tax) was charged for the audit of the financial statements of certain subsidiaries of the Group for the year ended 31 December 2023; an aggregate of RMB1,000,000 (including value-added tax) was charged for providing internal control audit services to the Group; and an aggregate of RMB742,850 (including value-added tax) was charged for the rendering of other non-audit services, such as tax advisory services, to the Group.

AMENDMENTS TO THE ARTICLES OF ASSOCIATION

The Company made amendments to the Articles of Association twice during the Reporting Period:

1. On 17 January 2023, as the total number of total issued shares and the registered capital of the Company are changed into 16,200,792,838 shares and RMB16,200,792,838 respectively following the completion of the non-public issuance of 1,675,977,653 A Shares, the Company made amendments to relevant articles in the Articles of Association. Please refer to the announcement of the Company dated 17 January 2023 for details.

2. On 30 August 2023, according to the new regulations promulgated by regulatory authorities and in light of the actual operation and management needs of the Company, the Company proposed to make amendments to the Articles of Association, the Rules and Procedures of Shareholders' Meetings and the Rules and Procedures of Meetings of the Board. These proposed amendments have been approved at the extraordinary general meeting, the class meeting for holders of A Shares and the class meeting for holders of H Shares convened on 26 October 2023. Please refer to the announcements of the Company dated 30 August 2023 and 26 October 2023 for details.

SHAREHOLDER'S COMMUNICATION POLICY

The Company attaches great importance to the communication with shareholders and has formulated "Measures for Investor Relation Management" to regulate and strengthen its communication with shareholders and investors. During the Reporting Period, the Company continued to establish various communication channels with its shareholders through the publication of annual reports, interim reports and quarterly reports, press releases and announcements on the websites of the Company and the stock exchanges, results presentations, roadshows, briefings on dividend distribution, etc., thus maintaining active, effective and transparent communication with shareholders.

Moreover, the annual general meeting represents an effective means for the shareholders to exchange their views with the Board. The Chairman of the Board, as well as the respective chairmen of the Audit and Risk Management Committee (Supervision Committee), Remuneration and Appraisal Committee, Nomination Committee, Strategy and Investment Committee and Aviation Safety Committee will answer queries raised by shareholders at the general meeting. Resolutions in respect of independent matters shall be tabled as separate resolutions at the annual general meeting.

Other than the annual general meeting, the Company would also hold extraordinary general meeting as required. In accordance with articles 57 and 58 of the Articles of Association, shareholder(s), individually or in aggregate, holding more than 10% of the shares of the Company may request the Board to convene an extraordinary general meeting by making one or more written request(s) in the same form to the Board with a clearly stated topics for discussion. The Board shall respond to such written request(s) within ten days of receipt of such written request(s). If the Board agrees to convene an extraordinary general meeting, it shall within five days of the Board resolution resolving to hold an extraordinary general meeting issue a notice convening an extraordinary general meeting and the extraordinary general meeting should be held within two months of such request(s) from the shareholder(s). If the Board does not accept the request(s) from shareholder(s) for a meeting or fails to respond within ten days of the receipt of such written request(s), such shareholder(s) shall request the Supervisory Committee to convene an extraordinary general meeting by written request(s). If the Supervisory Committee fails to issue a notice convening a meeting within five days of the receipt of such written request(s), shareholder(s), individually or in aggregate, holding more than 10% of the shares of the Company for a consecutive 90 days or more may convene and hold a meeting by themselves.

For including a resolution relating to other matters in a general meeting, shareholders are requested to follow the requirements and procedures as set out in article 59 of the Articles of Association which provides that shareholder(s), individually or in aggregate, holding more than 3% of the shares of the Company may put forward proposal(s) by providing a written request to the convener of the meeting not less than ten days before the meeting. The convener of the meeting shall, within two days of the receipt of such written request, give supplemental meeting notice to shareholders which specifies information on such proposal(s).

During the Reporting Period, the Company convened 1 annual general meeting, 3 extraordinary general meeting, 1 class meeting for holders of A Shares and 1 class meeting for holders of H Shares. The Company held 3 results presentations to interact with investors in regard to their concerns. The Company has conducted a review on the implementation and effectiveness of the aforesaid shareholder's communication policies during the Reporting Period, and is satisfied with the review result.

The Board values the views and input of shareholders. Shareholders may send their enquiries and concerns to the Board at any time by addressing them to the Company Secretary, whose contact details are as follows:

Address: Air China Headquarter, 30 Tian Zhu Road, Airport Industrial Zone, Beijing, 101312
Email: ir@airchina.com
Telephone number: 86-10-61462560
Fax number: 86-10-61462805

Report of the Directors

STRATEGIC OBJECTIVES

The Group will, on the basis of enhancing safety management, continue to advance the implementation of its strategies; improve global network coverage to increase the commercial value of hub network; optimise the allocation of its core resources to improve the efficiency of resource utilisation; reasonably deploy transport capacity to grasp opportunities in the market; take multiple measures to strengthen marketing competitiveness; enhance service management, promote product innovation to improve customer experience with an aim to ensure sound operation and bring better returns to its shareholders and investors.

GROUP ACTIVITIES AND RESULTS

The Group is a provider of air passenger, air cargo and airline-related services. The results of the Group for the year ended 31 December 2023 and the financial position of the Group and the Company as at the same date are set out in the audited financial statements of this annual report.

REVIEW OF BUSINESS

Description of the fair review of the Group's business and the analysis using the financial key performance indicators, description of the principal risks and uncertainties facing the Group, future prospects of the Group's business, the environment policy and performance, the compliance of laws and regulations that have a material impact on the Group and the important relations statement with employees, customers and suppliers of the Group are set out in this Report of the Directors, the section headed "Business Overview" and the section headed "Management's Discussion and Analysis of Financial Position and Operating Results" of this annual report, as well as the 2023 Corporate Social Responsibility (ESG) Report published by the Company.

FIVE-YEAR FINANCIAL HIGHLIGHTS

The Group's results and balance sheet prepared in accordance with IFRSs for the five years ended 31 December 2023 are summarized and set out in the section headed "Summary of Financial Information" of this annual report.

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 of RMB1.00 each. The following table sets out the share capital structure of the Company as at the end of the Reporting Period:

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

SIGNIFICANT INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

As at the end of the Reporting Period, to the knowledge of the Directors, Supervisors and chief executive of the Company, the interests or short positions of the following persons (other than a Director, Supervisor or chief executive of the Company) in the shares and underlying shares of the Company which were required to be recorded in the register kept by the Company pursuant to Section 336 of the SFO are as follows:

Total long positions in the shares and underlying shares of the Company

Name	Type of interests	Type and number of shares held by the Company	Percentage of the total issued shares of the Company	Percentage of the total issued A shares of the Company	Percentage of the total issued H shares of the Company	Short positions
CNAHC	Beneficial owner	6,566,761,847 A Shares	40.53%	56.42%	–	–
CNAHC[1]	Equity attributable	1,332,482,920 A Shares	8.22%	11.45%	–	–
CNAHC[1]	Equity attributable	223,852,000 H Shares	1.38%	–	4.91%	–
CNACG	Beneficial owner	1,332,482,920 A Shares	8.22%	11.45%	–	–
CNACG	Beneficial owner	223,852,000 H Shares	1.38%	–	4.91%	–
Cathay Pacific	Beneficial owner	2,633,725,455 H Shares	16.26%	–	57.72%	–
Swire Pacific Limited[2]	Equity attributable	2,633,725,455 H Shares	16.26%	–	57.72%	–
John Swire & Sons (H.K.) Limited[2]	Equity attributable	2,633,725,455 H Shares	16.26%	–	57.72%	–
John Swire & Sons Limited[2]	Equity attributable	2,633,725,455 H Shares	16.26%	–	57.72%	–

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

1. By virtue of CNAHC's 100% interest in CNACG, CNAHC was deemed to be interested in the 1,332,482,920 A Shares and 223,852,000 H Shares directly held by CNACG.

2. By virtue of John Swire & Sons Limited's 100% interest in John Swire & Sons (H.K.) Limited and their approximately 60.31% equity interest and 68.13% voting rights in Swire Pacific Limited, and Swire Pacific Limited's approximately 45.00% interest in Cathay Pacific as at the end of the Reporting Period, John Swire & Sons Limited, John Swire & Sons (H.K.) Limited and Swire Pacific Limited were deemed to be interested in the 2,633,725,455 H Shares of the Company directly held by Cathay Pacific.

Total short positions in the shares and underlying shares of the Company

As at the end of the Reporting Period, the Company was not aware of any substantial shareholders holding short positions in the shares or underlying shares of the Company.

Save as disclosed above, as at the end of the Reporting Period, to the knowledge of the Directors, Supervisors and chief executive of the Company, no other person had an interest or short position in the Shares or underlying shares of the Company which were required to be recorded in the register kept by the Company pursuant to Section 336 of the SFO.

INFORMATION OF SHAREHOLDERS

Total number of shareholders

Total number of holders of ordinary shares as at the end of the Reporting Period (account)	163,275 accounts, of which 2,914 accounts are registered holders of H Shares
Total number of holders of ordinary shares as at the end of the month preceding to the disclosing date of the annual report (account)	161,709 accounts, of which 2,903 accounts are registered holders of H Shares

Shareholdings of the top 10 shareholders and the top 10 holders of tradable shares (or shares not subject to selling restrictions) as at the end of the Reporting Period

Unit: Share

Shareholdings of the top 10 shareholders (excluding shares lent through securities lending and refinancing)							
Name of shareholder (full name)	Change(s) during the Reporting Period	Number of shares held as at the end of the Reporting Period	Shareholding percentage (%)	Number of shares held subject to selling restrictions	Shares pledged, marked or frozen: Status	Shares pledged, marked or frozen: Number	Nature of shareholder
China National Aviation Holding Corporation Limited	614,525,150	6,566,761,847	40.53	614,525,150	Frozen	127,445,536	State-owned legal person
Cathay Pacific Airways Limited	0	2,633,725,455	16.26	0	Nil	0	Foreign legal person
HKSCC NOMINEES LIMITED	404,990	1,689,035,335	10.43	0	Nil	0	Foreign legal person
China National Aviation Corporation (Group) Limited	0	1,556,334,920	9.61	0	Frozen	36,454,464	Foreign legal person
China Securities Finance Corporation Limited	0	311,302,365	1.92	0	Nil	0	Other
China National Aviation Fuel Group Corporation	157,122,665	238,524,158	1.47	0	Nil	0	State-owned legal person
Hong Kong Securities Clearing Company Limited	-9,660,684	181,556,697	1.12	0	Nil	0	Foreign legal person
China Structural Reform Fund Co., Ltd. (中國國有企業結構調整基金股份有限公司)	67,039,106	67,039,106	0.41	0	Nil	0	State-owned legal person
Bank of China Limited – China Merchants Anhua Bond Securities Investment Fund (中國銀行股份有限公司－招商安華債券型證券投資基金)	60,658,700	60,658,700	0.37	0	Nil	0	Other
Industrial Bank Co., Ltd. – GF Ruiyi Leading Hybrid Securities Investment Fund (興業銀行股份有限公司－廣發睿毅領先混合型證券投資基金)	256,900	49,637,666	0.31	0	Nil	0	Other

Shareholdings of the top 10 shareholders not subject to selling restrictions

Name of shareholder	Number of tradable shares held not subject to selling restrictions	Type and number of shares: Type	Number
China National Aviation Holding Corporation Limited	5,952,236,697	RMB ordinary shares	5,952,236,697
Cathay Pacific Airways Limited	2,633,725,455	Overseas listed foreign shares	2,633,725,455
HKSCC NOMINEES LIMITED	1,689,035,335	Overseas listed foreign shares	1,689,035,335
China National Aviation Corporation (Group) Limited	1,556,334,920	RMB ordinary shares	1,332,482,920
		Overseas listed foreign shares	223,852,000
China Securities Finance Corporation Limited	311,302,365	RMB ordinary shares	311,302,365
China National Aviation Fuel Group Corporation	238,524,158	RMB ordinary shares	238,524,158
Hong Kong Securities Clearing Company Limited	181,556,697	RMB ordinary shares	181,556,697
China Structural Reform Fund Co., Ltd. (中國國有企業結構調整基金股份有限公司)	67,039,106	RMB ordinary shares	67,039,106
Bank of China Limited – China Merchants Anhua Bond Securities Investment Fund (中國銀行股份有限公司－招商安華債券型證券投資基金)	60,658,700	RMB ordinary shares	60,658,700
Industrial Bank Co., Ltd. – GF Ruiyi Leading Hybrid Securities Investment Fund (興業銀行股份有限公司－廣發睿毅領先混合型證券投資基金)	49,637,666	RMB ordinary shares	49,637,666
Explanation on the repurchase special accounts among the top 10 shareholders	Nil		
Explanation on the right to vote by proxy, proxy and abstention from voting among the above shareholders	Nil		
Explanation on connected relationship or action in concert among the above shareholders	CNACG is a wholly-owned subsidiary of CNAHC. Accordingly, CNAHC is directly and indirectly interested in 50.14% of the shares of the Company.		
Explanation on preference shareholders whose voting rights have been restored and the number of shares held	Nil		

1. HKSCC NOMINEES LIMITED is a subsidiary of The Stock Exchange of Hong Kong Limited and its principal business is acting as nominee for and on behalf of other corporate shareholders or individual shareholders. The 1,689,035,335 H shares held by it in the Company do not include the 166,852,000 shares held by it as nominee of CNACG.

2. According to the "Implementation Measures on Partial Transfer of State-owned Shares to the National Social Security Fund in the Domestic Securities Market" (Cai Qi [2009] No. 94) (《境內證券市場轉持部分國有股充實全國社會保障基金實施辦法》(財企[2009]94號)) and the Notice ([2009] No. 63) jointly issued by the Ministry of Finance, the SASAC, CSRC and the National Council for Social Security Fund, 127,445,536 shares and 36,454,464 shares held by CNAHC, the controlling shareholder of the Company, and CNACG respectively are frozen at present.

PUBLIC FLOAT

Pursuant to public information available to the Company and to the knowledge of the Directors of the Company, the Company has maintained a public float as required by the Listing Rules and agreed by the Hong Kong Stock Exchange as at the date of this annual report.

DIVIDEND POLICY

In accordance with the relevant requirements of the CSRC and the CSRC Beijing Bureau on the cash dividends of listed companies and the provisions of the Articles of Association, the Company implements an active dividend distribution policy and attaches importance to the reasonable return for investment of investors. The Company maintains a consistent and stable dividend distribution policy and prioritizes cash dividends when distributing profits. It is clearly stipulated in the Articles of Association that in the case that the distributable profits realized for the current year in the financial statement of the parent company prepared in accordance with applicable domestic and overseas accounting standards and regulations are positive, the Company will distribute dividends in cash with the cash dividends to be distributed each year no less than 15% of the applicable distributable profits. The applicable distributable profits represent the profits after tax after making up for the losses and making contributions to the common reserve fund in accordance with the provisions of the Articles of Association as well as deducting otherwise approved by the relevant national departments recognized for the current year in the financial statement of the parent company prepared in accordance with applicable domestic and overseas accounting standards and regulations, whichever is lower. The Company's profit distribution plan should be reviewed by independent non-executive Directors and the Board forms a resolution which is then submitted to the general meeting for consideration. The Company should actively communicate with shareholders, especially minority shareholders, through various means (including online voting and inviting minority shareholders to participate in the meetings) to fully understand the opinions and needs of minority shareholders and timely answer the questions of their concerns.

Please refer to Article 179, Article 180 and Article 181 of the Articles of Association for details of the principles and policies of dividend distribution of the Company.

TAXATION ON DIVIDEND

In accordance with the "Enterprise Income Tax Law of the People's Republic of China" and the "Rules for the Implementation of the Enterprise Income Tax Law of the People's Republic of China", both of which came into effect and were implemented on 1 January 2008 and the "Circular on Issues Concerning Withholding of Enterprise Income Tax on Dividends Paid by PRC Resident Enterprises to Offshore Non-resident Enterprise Holders of H Shares" (Guo Shui Han [2008] No. 897) (《關於中國居民企業向境外H股非居民企業股東派發股息代扣代繳企業所得税有關問題的通知》(國税函[2008]897號)) promulgated by the State Administration of Taxation on 6 November 2008, the Company is obliged to withhold and pay PRC enterprise income tax on behalf of non-resident enterprise shareholders at a tax rate of 10% from 2008 onwards when the Company distributes any dividends to non-resident enterprise shareholders whose names appear on the register of members of H Shares.

Any H Shares which are not registered in the name(s) of individual(s) (which, for this purpose, includes shares registered in the name(s) of HKSCC Nominees Limited, other nominees, trustees, or other organisations or bodies) shall be deemed to be H Shares held by non-resident enterprise shareholder(s), and their entitlement to dividends will be subject to deduction of enterprise income tax. After receiving the dividends, the non-resident enterprise shareholders may apply for a tax refund (if any) in accordance with the relevant requirements, such as tax agreements (arrangements).

In accordance with the "Circular on Certain Issues Concerning the Policies of Individual Income Tax" (Cai Shui Zi [1994] No. 020) (《關於個人所得稅若干政策問題的通知》(財稅字[1994]020號)) promulgated by the Ministry of Finance of the PRC and the State Administration of Taxation on 13 May 1994, overseas individuals are, tentatively exempted from the PRC individual income tax on dividends or bonuses received from foreign-invested enterprises. As the Company is a foreign-invested enterprise, the Company will not withhold and pay the PRC individual income tax on behalf of individual shareholders whose names appear on the register of members of H Shares of the Company at the time of payment of the final dividends.

Pursuant to the Circular on Tax Policies Concerning the Pilot Programme of the Shanghai and Hong Kong Stock Market Trading Interconnection Mechanism (Cai Shui [2014] No. 81) (《關於滬港股票市場交易互聯互通機制試點有關稅收政策的通知》(財稅[2014]81號)) promulgated on 31 October 2014 and the Circular on the Tax Policies Concerning the Pilot Programme of the Shenzhen and Hong Kong Stock Market Trading Interconnection Mechanism (Cai Shui [2016] No. 127) (《關於深港股票市場交易互聯互通機制試點有關稅收政策的通知》(財稅[2016]127號)) promulgated on 5 November 2016 by the Ministry of Finance of the PRC, the State Administration of Taxation and the CSRC:

The Company is obliged to withhold PRC individual income tax on behalf of Mainland individual shareholders at a tax rate of 20% when the Company distributes the final dividends to Mainland individual investors who invest in the H Shares of the Company through Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect. Where individual investors have already paid foreign withholding taxes for such income, investors may apply to the competent tax authorities of China Securities Depository and Clearing Corporation Limited for foreign tax credit with valid tax withholding certificates. The Company is obliged to withhold PRC individual income tax on behalf of Mainland securities investment funds investing in H Shares of the Company through Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect in accordance with the aforementioned requirements when the Company distributes the final dividends; and the Company will not withhold income tax on behalf of Mainland enterprise investors investing in H Shares of the Company through Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect when the Company distributes the final dividends. The Mainland enterprise investors shall report the income and make tax payment by themselves.

Shareholders are recommended to consult their tax advisors regarding the PRC, Hong Kong and other tax implications of owning and disposing of the H Shares of the Company.

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.

ANNUAL GENERAL MEETING

The Company proposed to hold the annual general meeting (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 H 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.

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 (the term "securities" has the meaning ascribed to it under Paragraph 1 of Appendix D2 to the Listing Rules) of the Company.

PRE-EMPTIVE RIGHTS

The Articles of Association does not provide for any pre-emptive rights requiring the Company to offer new shares to the existing shareholders in proportion to their existing shareholdings.

USE OF PROCEEDS FROM NON-PUBLIC ISSUANCE OF A SHARES

In order to optimize its fleet structure, replenish long-term capacity and expand its carrying capacity, while relieving the pressure of daily operating funds and reducing its asset and liability ratio, on 17 January 2023, the Company completed the non-public issuance of 1,675,977,653 A shares to 22 subscribers, including CNAHC (with an aggregate nominal value of RMB1,675,977,653) at an issue price of RMB8.95 per share ("Non-public Issuance of A Shares"). Net proceeds raised amounted to RMB14,993,016,587.32 and the net proceeds per share from the Non-public Issuance of A shares were RMB8.9458. For details, please refer to the announcement of the Company dated 17 January 2023. On 17 January 2023, the closing price of the Company's A shares was RMB10.58. During the Reporting Period, the net proceeds from the Non-public Issuance of A shares have been utilized according to the plan disclosed by the Company. The following table shows the use of net proceeds from the Non-public Issuance of A shares:

Unit: RMB

Committed investment project	Total committed investment of proceeds raised	Investment during the Reporting Period	Outstanding amount as at the end of the Reporting Period	Expected timeline for the completion of utilisation of proceeds raised
Purchase of 22 aircraft	10,793,016,587.32	10,793,016,587.32	–	N/A
Replenishing working capital	4,200,000,000.00	4,200,000,000.00	–	N/A

As at the end of the Reporting Period, the balance of the special account for proceeds raised was RMB0.

DIRECTORS AND SUPERVISORS OF THE COMPANY

Directors

Set out below is the list of Directors during the Reporting Period and as at the date of this annual report (unless otherwise stated).

Name	Date of election and if applicable, leaving office as Director
Ma Chongxian (Chairman and Executive Director)	Elected as executive Director on 20 July 2021, elected as Vice Chairman on 25 February 2022, elected as Chairman and resigned as Vice Chairman on 27 September 2022.
Wang Mingyuan (Vice Chairman and Executive Director)	Elected on 30 March 2023
Feng Gang (Non-executive Director)	Elected on 26 May 2020
Patrick Healy (Non-executive Director)	Elected on 19 December 2019
Xiao Peng (Non-executive Director and employee representative director)	Elected on 2 March 2023
Li Fushen (Independent non-executive Director)	Elected on 25 February 2022
He Yun (Independent non-executive Director)	Elected on 25 February 2022
Xu Junxin (Independent non-executive Director)	Elected on 25 February 2022
Winnie Tam Wan-chi (Independent non-executive Director)	Elected on 25 February 2022

Supervisors

Set out below is the list of Supervisors during the Reporting Period and as at the date of this annual report (unless otherwise stated).

Name	Date of election and if applicable, leaving office as Supervisor
He Chaofan (Then Chairman of the Supervisory Committee and Supervisor)	Elected as supervisor on 29 October 2013, elected as Chairman of the Supervisory Committee on 25 February 2022, retired on 13 January 2023
Xiao Jian (Chairman of the Supervisory Committee and shareholder representative Supervisor)	Elected as shareholder representative supervisor on 10 February 2023, elected as Chairman of the Supervisory Committee on 10 March 2023
Wang Jie (Then employee representative Supervisor)	Elected on 25 September 2020, retired on 2 March 2023
Qin Hao (Then employee representative Supervisor)	Elected on 25 September 2020, retired on 2 March 2023
Lyu Yanfang (Shareholder representative Supervisor)	Elected on 18 December 2020
Guo Lina (Shareholder representative Supervisor)	Elected on 25 February 2022
Wang Mingzhu (Employee representative Supervisor)	Elected on 2 March 2023
Li Shuxing (Employee representative Supervisor)	Elected on 2 March 2023

CHANGES IN THE DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT OF THE COMPANY DURING THE REPORTING PERIOD AND UP TO THE DATE OF THIS ANNUAL REPORT

1. On 13 January 2023, Mr. He Chaofan ceased to serve as the Chairman of the Supervisory Committee and a Supervisor of the Company due to retirement.

2. On 10 February 2023, Mr. Xiao Jian was elected as a shareholder representative Supervisor of the Company at the first extraordinary general meeting of the Company in 2023.

   On 10 March 2023, Mr. Xiao Jian was elected as the Chairman of the Supervisory Committee of the Company at the ninth meeting of the sixth session of the Supervisory Committee of the Company.

3. On 10 February 2023, Mr. Wang Yingnian ceased to serve as the Chief Pilot of the Company due to retirement.

4. On 2 March 2023, Mr. Xiao Peng was elected as the employee representative Director of the Company and Mr. Wang Mingzhu and Mr. Li Shuxing were elected as the employee representative Supervisors of the Company at the eighth meeting of the third session of the employee representative congress of the Company. Mr. Wang Jie and Mr. Qin Hao ceased to serve as the employee representative Supervisors of the Company.

5. On 13 March 2023, at the sixteenth meeting of the sixth session of the Board of the Company, Mr. Wang Mingyuan was appointed as the President of the Company, and was approved to be nominated as a candidate for executive Director of the Company, provided that he would be elected as a Director at the general meeting. The Board agreed to elect Mr. Wang Mingyuan as the Vice Chairman. On 30 March 2023, Mr. Wang Mingyuan was elected as the executive Director of the Company at the 2023 second extraordinary general meeting of the Company and was appointed as the Vice Chairman.

6. On 13 March 2023, at the sixteenth meeting of the sixth session of the Board of the Company, Mr. Sun Yuquan was appointed as the Chief Accountant of the Company; and Mr. Xiao Feng was appointed as the Chief Economist of the Company and ceased to serve as the Chief Accountant of the Company.

7. On 23 August 2023, Mr. Zheng Weimin was appointed as the Vice President of the Company at the 22nd meeting of the sixth session of the Board of the Company.

8. On 26 October 2023, Mr. Li Yunchuan was appointed as the Chief Pilot of the Company at the 24th meeting of the sixth session of the Board of the Company.

9. On 5 March 2024, Mr. Yan Fei was appointed as the Vice President of the Company at the 27th meeting of the sixth session of the Board of the Company.

10. On 5 March 2024, Mr. Chen Zhiyong ceased to serve as the Vice President of the Company due to retirement.

11. On 28 March 2024, Mr. Huang Bin ceased to serve as a secretary to the Board, a joint company secretary and an assistant to the President of the Company due to retirement.

12. On 28 March 2024, Mr. Xiao Feng was appointed as a secretary to the Board of the Company and a joint company secretary at the 28th meeting of the sixth session of the Board of the Company.

DIRECTORS AND SUPERVISORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At any time during the Reporting Period or as at the end of the Reporting Period, none of the Company, its holding company, any of the Company's subsidiaries or fellow subsidiaries was a party to any agreement or arrangement which enables the Directors and Supervisors of the Company to acquire benefits by means of the acquisition of Shares in, or debentures, of the Company or any other body corporate.

INTERESTS AND SHORT POSITIONS OF DIRECTORS, SUPERVISORS AND THE CHIEF EXECUTIVE IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY

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

INTERESTS OF DIRECTORS AND SUPERVISORS IN CONTRACTS AND SERVICE CONTRACTS

Each of the Directors has entered into a service contract with the Company. All Directors shall serve a term of three years.

None of the Directors or Supervisors has any existing or proposed service contract with any member of the Group which is not terminable by the Group within one year without payment of compensation (other than statutory compensation).

Save as disclosed in the section headed "Connected Transactions" set out in this Report of the Directors, none of the Company, its holding company, or any of the Company's subsidiaries or fellow subsidiaries has entered into any significant transactions, arrangements or contracts relating to the Group's business, in which a Director or Supervisor or his or her connected entity directly or indirectly had any material interest, and which subsisted at the end of the Reporting Period or at any time during the Reporting Period.

During the Reporting Period, Mr. Ma Chongxian, Mr. Wang Mingyuan (both are executive Directors) and Mr. Patrick Healy (non-executive Director) also served as directors of Cathay Pacific. Cathay Pacific competes or is likely to compete either directly or indirectly with some aspects of the business of the Company as it operates airline services to certain destinations, which are also served by the Company.

Save as disclosed above, during the Reporting Period, none of the Directors and their respective close associates (as defined in the Listing Rules) has any competing interests which would be required to be disclosed under Rule 8.10 of the Listing Rules.

PERMITTED INDEMNITY PROVISION

Appropriate directors' liability insurance coverage has been arranged by the Company to indemnify the Directors for liabilities arising out of corporate activities. These directors' liability insurance was valid throughout the financial year ended 31 December 2023 and remains in effect as at the date of this report.

EMPLOYEES

The Company implements an open, fair and equal employment policy, insists on equal pay for equal work and is committed to avoiding any discrimination in respect of gender, race, nationality, physical condition, religion and marital status of employees. The Company continues to promote the diversity of employees and protect employees' legitimate rights and interests. The Group will continue to take measures, including recruiting and treating employees in accordance with the principle of gender equality, provide gender equality training and development opportunities, and ensure the rights and interests of female employees, to promote gender diversity at all levels and focus on diversified management talent reserves.

As at the end of the Reporting Period, the Group had a total of 102,874 employees (including 63,305 male employees and 39,569 female employees, accounting for 61.5% and 38.5% of the total employees of the Group respectively), among which, the Company had 46,221 employees and the subsidiaries of the Company had 56,653 employees. The differences in employee background and job requirements are the main factors affecting the gender diversity of employees.

The categories of employees of the Group are as follows:

Professional Categories	As at 31 December 2023	As at 31 December 2022	Increase/(Decrease)
Management	12,561	10,943	1,618
Marketing and Sales	5,740	4,954	786
Operation	5,429	4,625	804
Ground Handling	13,082	11,838	1,244
Cabin Service	26,392	22,961	3,431
Logistics and Support	6,922	5,872	1,050
Flight Crew	13,303	10,789	2,514
Engineering and Maintenance	16,696	13,372	3,324
Information Technology	1,071	910	161
Others	1,678	926	752
Total	**102,874**	87,190	15,684

REMUNERATION POLICY

Upholding the concept of "paying salary with reference to the job value, personal ability as well as performance appraisal" and centering on enhancing enterprises vitality and improving benefit and efficiency, the Company advances high-quality development. During the Reporting Period, the Company promoted the reform of three systems in an in-depth manner and made well-targeted efforts in adjusting income distribution. The Company continued to strengthen the relevance and effectiveness of the management and control over gross payroll, enhanced cost reduction and efficiency of human resource management and helped to boost both the operating performance and labor efficiency. It stepped up the assessment on and incentive for the person in charge and adhered to rigid assessment and fulfillment, while pushing forward the effective implementation of tenure system and contractual management. The Company also perfected the salary benchmarking and analysis mechanism and further advanced the reform of market-oriented incentive mechanism to optimize the internal remuneration distribution relationship. It enhanced the incentive guarantee for technological innovation, implemented medium- and long-term incentives for key positions in an orderly manner and actively carried out appraisal and allocation of authority in respect of the Board to optimize the remuneration management mechanism.

TRAINING PROGRAMME

In 2023, the Company implemented the major strategic plans of the 20th National Congress of the CPC, and strived to foster team building of high-calibre cadres who are loyal to the Communist Party, dedicated to innovation, honest and upright while effectively managing the enterprise and promoting corporate development. In terms of online training, the Company set up the "Online College of the CNAHC Group " (中航集團網絡學院) to develop an integrated online learning platform, and organized and launched four special online training sessions for middle to senior management, leaders and cadres. Continuing to improve the standard of online training, the Company published 31 articles on the CNAHC Leadership Learning Platform and launched 49 courses under 9 series, including courses regarding the Central Economic Work Conference. In addition, the Company continued to carry out off-the-job training programs, and held 3 basic rotation training programs for young cadres, 2 international training programs for outstanding young cadres, 2 senior manager training programs, and 3 "Let's talk about HR" (開講啦，HR！) training programs, and all outstanding young cadres have completed the basic rotation training. To maintain valid qualification of all operating staff, the Company provided various types of qualification training for pilots, flight attendants, flight trainees, aviation dispatch personnel and ground service personnel, which recorded a total of 580,000 hours of online training, 155,693 hours of flight simulator training and 72,449 hours of other trainings. Through continuously optimising the training content, actively developing course resources and flexibly using a variety of teaching methods to improve the quality and effectiveness of training, the relevance, practicality and effectiveness of training is constantly improved, providing a solid guarantee for the Company to achieve high-quality training.

In 2024, the Company will further pursue the spirit of the National Work Conference on Cadre Education and Training, effectively implement the requirements of the Working Rules on Cadre Education and Training (《幹部教育培訓工作條例》), the National Cadre Education and Training Plan (2023-2027) (《全國幹部教育培訓規劃(2023-2027年)》) and other relevant documents. It will precisely identify the training needs and launch featured training programs as well as international exchanges and trainings to continuously enhance the political insights, execution and leadership of leaders and cadres. By accelerating the empowerment of cadres and talents, the Company will provide strong talent support and intellectual guarantee for ushering the high-quality development of the Group as a world-class enterprise.

SUPPLIER MANAGEMENT

The Company firmly promoted open procurement with a focus on "compliance, efficiency and quality", and strived to improve procurement management capabilities. We facilitated the establishment of procurement system, comprehensively strengthened procurement risk management and control and continuously deepened standardized management, which has resulted in better procurement compliance. The Company also achieved steady improvement in procurement efficiency through dynamic integration of management optimization with service refinement. The Company improved the regulations concerning supplier selection, access management and annual performance appraisal to ensure the good operation and maintenance of supplier information base, and established a good cooperative relationship with its suppliers to achieve sustainable development together.

EMPLOYEES AND EMPLOYEES' PENSION SCHEME

Details of the employees' pension scheme and other welfare are set out in note 9 to the financial statements, and retired employees are entitled to benefits under the social pension scheme approved and provided by the labour and social security authority of the local governments.

SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

Details of the subsidiaries, associates and joint ventures of the Group as at the end of the Reporting Period are set out respectively in notes 21, 22 and 23 to the financial statements of this annual report.

BANK LOANS AND OTHER BORROWINGS

Details of the bank loans and other borrowings of the Company and the Group are set out in note 35 to the financial statements of this annual report.

FIXED ASSETS

Changes in the fixed assets of the Group for the year ended 31 December 2023 are set out in note 17 to the financial statements of this annual report.

AIRCRAFT AND FLIGHT EQUIPMENT

The aggregate net book value of the Group's aircraft, engines and flight equipment as at the end of the Reporting Period are set out in note 17 to the financial statements of this annual report. The Group's capital commitment amounts for aircraft and flight equipment as at the end of the Reporting Period are set out in note 43 to the financial statements of this annual report.

CAPITALISED INTERESTS

Details of the capitalised interests of the Group for the year ended 31 December 2023 are set out in note 12 to the financial statements of this annual report.

RESERVES

Changes in the reserves of the Company and the Group during the year are set out in note 40 and the consolidated statement of changes in equity to the financial statements of this annual report.

DONATIONS

During the Reporting Period, the Group made donations for charitable and other purposes amounting to RMB45.0843 million.

MAJOR CUSTOMERS AND SUPPLIERS

During the Reporting Period, the purchases of the Group from the largest supplier accounted for 24.00% of the total purchases of the Group, while the purchases of the Group from the five largest suppliers accounted for 38.91% of the total purchases of the Group. None of the Directors or Supervisors, their associates, nor any shareholder of the Company, who to the knowledge of the Directors owns 5% or more of the Company's share capital, had any interest in the five largest suppliers of the Company.

During the Reporting Period, the sales to the five largest customers of the Group accounted for not more than 30% of the total sales of the Group.

PROPERTY TITLE CERTIFICATE

The Company effected the changes of titles of assets (land, buildings and vehicles), in accordance with its undertakings as disclosed in the Company's prospectus when shares were issued. The title transfer procedures for the underlying assets relating to the above undertakings have been completed.

ENVIRONMENTAL POLICY AND PERFORMANCE OF THE GROUP

During the Reporting Period, the Group adhered to Xi Jinping's ecological civilization thought and the important instructions and spirit on civil aviation, and focused on the task of building a strong civil aviation country in the new era and the requirements of high-quality development. Guided by the objectives of achieving carbon peak and carbon neutrality, the Group took reform and innovation as the driving force to strengthen the low-carbon demand across the entire aviation industrial chain and push forward the green transformation of air traffic.

By continuing to improve its management system and enhancing its management capabilities, the Group obtained ISO14001 environmental management system certification. The Group took the initiative to serve the carbon peak and carbon neutrality strategies and published carbon peak action plan. Staying committed to low-carbon operation, the Group continued to promote fuel-saving operation and APU replacement. With a focus on pollution prevention and control, the Group accelerated the "fuel-to-electricity" special work and steadily promoted the ban on plastic. It also actively promoted the energy conservation and environmental protection, and further pushed forward the"Enjoy Clean Flight (淨享飛行)" project. As at the end of 2023, a total of around 12,000 passengers took part in the "Enjoy Low Carbon Flight (淨享飛行低碳行)" campaign, offsetting 2,500 tonnes of carbon dioxide. Furthermore, the "Enjoy Ecological Flight (淨享飛行生態行) " Phase II Project was launched, and a welfare release station was set up in Wuhan, Hubei Province, to commence special operations on protecting Chinese sturgeons.

COMPLIANCE OPERATIONS

As a Chinese company listed on the Hong Kong Stock Exchange and the Shanghai Stock Exchange, the Company shall comply with regulations such as the Company Laws of the People's Republic of China, the Securities Law of the People's Republic of China, the SFO, the Companies Ordinance, the Stock Listing Rules of the Shanghai Stock Exchange (《上海證券交易所股票上市規則》) and the Listing Rules in relation to listed companies' securities issue and trading. CNAF, a non-wholly owned subsidiary of the Company, as a non-bank financial institution established in Mainland China, shall comply with rules in respect of financial regulation in Mainland China. The Group, with civil aviation transportation and related services as its principal businesses, shall comply with requirements in relation to civil aviation safety regulations of locations where the Group operates, and laws and regulations in respect of consumer rights protection, environmental protection, anti-monopoly, anti-unfair competition and tax, etc.

The Group has the procedure of compliance in place to ensure compliance with applicable laws, regulations and normative legal documents, and in particular those having a significant impact on its principal businesses. The Group will notify the relevant employees and operating teams of any change in applicable laws, regulations and normative legal documents relating to its principal businesses from time to time.

During the Reporting Period, so far as the Directors of the Company were aware, the Group did not commit any violations of laws and regulations in all material aspects that would have a significant impact on the Group.

As at the end of the Reporting Period, the Company was not involved in any significant litigation or arbitration and to the knowledge of the Company, there was no litigation or claim of material importance pending, threatened or initiated against the Company.

CONNECTED TRANSACTIONS

The Group has entered into several connected transaction agreements with certain connected persons of the Group as described in the paragraphs below. The Company has complied with the disclosure requirements of the connected transactions in accordance with Chapter 14A of the Listing Rules.

For the purpose of this section headed “Connected Transactions” in this Report of the Directors, “CNAHC Group” refers to CNAHC, its subsidiaries and associates (as defined under the Listing Rules) excluding the Group, “ACC Group” refers to Air China Cargo, its subsidiaries and its 30%-controlled companies (as defined under the Listing Rules), “Cathay Pacific Group” refers to Cathay Pacific and its subsidiaries (as defined under the Listing Rules).

ONE-OFF CONNECTED TRANSACTIONS

On 30 March 2023, the Company entered into the compensation agreement with Beijing Air Catering, pursuant to which the Company will pay a compensation of RMB348.7092 million in one lump sum to Beijing Air Catering to obtain the complete property rights of the buildings and structures invested and constructed by Beijing Air Catering on the land occupied by the Capital Airport Catering Park（首都機場配餐園區）. Beijing Air Catering is a subsidiary of CNAHC, the controlling shareholder of the Company, and is therefore a connected person of the Company. The transaction contemplated under the compensation agreement constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. For details, please refer to announcement of the Company dated 30 March 2023.

On 26 April 2023, the Company entered into the aircraft sale and purchase agreement with Air China Cargo, pursuant to which the Company shall transfer to Air China Cargo eight A330-200 aircraft. The base price of the aircraft to be transferred shall be US$14.70 million per aircraft. It is expected that the average final consideration shall not exceed the base price. As Air China Cargo is a subsidiary of CNAHC, the controlling shareholder of the Company, and is therefore a connected person of the Company. The transaction contemplated under the aircraft sale and purchase agreement constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. For details, please refer to announcement of the Company dated 26 April 2023.

On 22 December 2023, the Company has entered into the A Share subscription agreement with CNAHC for the issuance of not more than 854,700,854 new A Shares to CNAHC at the A Share issue price (i.e. RMB7.02 per share) with expected gross proceeds (before deducting relevant issuance expenses) of not more than RMB6.00 billion, and the Company will enter into the H Share Subscription Agreement with CNACG, for the issuance of not more than 392,927,308 new H Shares to CNACG at the H Share issue price (i.e. HKD5.09 per share) with expected gross proceeds (before deducting relevant issuance expenses) of not more than HKD2.00 billion. Since CNAHC is a substantial shareholder of the Company and CNACG is a wholly-owned subsidiary of CNAHC, CNAHC and CNACG are connected persons of the Company, and each of the issuance of A Shares to CNAHC and the issuance of H Shares to CNACG constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. For details, please refer to announcement of the Company dated 22 December 2023.

CONTINUING CONNECTED TRANSACTIONS

During the Reporting Period, the transactions under the following continuing connected transaction framework agreements constituted non-exempt continuing connected transactions of the Company:

	Agreement	Parties and Connected Relationship	Execution Date and Term of Agreement	Contents of Agreement	Pricing Policy
1	Properties Leasing Framework Agreement	The Company and CNAHC (a substantial shareholder of the Company and therefore a connected person of the Company)	Renewed on 29 October 2021 with a term from 1 January 2022 to 31 December 2024 The details are set out in the announcement of the Company dated 29 October 2021	The Group and CNAHC Group agreed to lease from each other certain properties (including ancillary facilities) and land use rights owned by each other for their respective production and operation, office and storage use.	The Group (as lessor) may rent out its own properties (including properties constructed by the Group or customized upon the request of CNAHC Group) or land with legal use rights to CNAHC Group for its production and operation, office and storage use. The pricing principles and conducting of the transaction shall be as follows: First, the Group shall provide quotation for the leased properties or land to CNAHC Group after taking into account the factors including the relevant costs, tax and reasonable profit margin relating to the properties or land. The related costs include, among others, construction costs, depreciation costs, funding costs and maintenance costs. Then, the rent payable for the leased properties or land shall be determined through arm's length negotiations between the Group and CNAHC Group after CNAHC Group takes into account the factors such as the location of the leased properties or land and the service quality. Such rent shall not be lower than the rent offered by the Group to an independent third party (if any) in comparable circumstances. The Group (as lessee) may lease properties owned by CNAHC Group and land with legal use right from CNAHC Group based on its production and operation, office and storage needs. The pricing principles and conducting of the transaction shall be as follows: First, the Group shall conduct market research and collect, consolidate and analyze information in respect of provision of leasing services by independent third parties for the same type of properties or land (if any) in close proximity to the properties or land. Then, (i) if there is comparable market of the same type found through market research, the parties shall determine the rental prices for the leased properties or land through arm's length negotiations with reference to the market price for the same type of services available from at least two independent third parties and take into account certain factors; (ii) if there is no comparable market of the same type found in the neighboring areas through market research, the price shall be determined by adopting the cost-plus approach: the rental price of the leased properties or land shall be determined through arm's length negotiations between the parties based on the relevant costs, tax and reasonable profit margin of the properties or land offered by CNAHC Group. When leasing each other's properties or land, the parties may determine the price for leasing their respective properties or land based on the above pricing principles, and then exchange the properties or land use right in accordance with the principle of equivalent exchange.

	Agreement	Parties and Connected Relationship	Execution Date and Term of Agreement	Contents of Agreement	Pricing Policy
2	Comprehensive Services Framework Agreement	The same as above	The same as above	(i) The Group accepts CNAHC Group's appointment to provide CNAHC Group with products or services including but not limited to retiree management services, human resources services (including general, servicing and consulting services in respect of personnel employment, archival information, salaries and benefits, social insurance and employee services), information technology services, procurement services, training services, air passenger transportation agency services and in-flight supplies. (ii) CNAHC Group was appointed by the Group as the provider of ancillary production services or the administrator of supply services of the Group for which CNAHC Group shall provide the following products or services to the Group including but not limited to (provided that the provider has obtained the relevant qualifications and certifications): (1) on-board catering and food supply management services on global flights; (2) operation and management services of office buildings; (3) property management services in office buildings and the regions at which the office buildings are located; (4) support services for resident group, support services for delayed flights passengers and scenario mileage payment products; (5) catering support and cleaning services for check-in area and lounge for highend passengers at terminals; (6) other commissioned services. (iii) CNAHC Group was engaged by the Group as one of the providers of ancillary production or supply services of the Group, which CNAHC Group shall provide the Group with the following products or services including but not limited to (provided that the provider has obtained the relevant qualifications and certifications): (1) hotel accommodation and staff recuperation services; (2) air ticket printing services and other printed materials; (3) air passenger transportation agency services; (4) other services such as airline catering services and provision of all kinds of on-board services supplies. (iv) The Group and CNAHC Group commission each other for the human resources sharing business within the two groups.	For the services mentioned in item (i), the price to be charged by the Group will be determined after arm's length negotiations between the parties on the basis of the costs of the Group adding a reasonable service fee (generally ranging from 3% to 10% of the costs) and/or with reference to the price for the same type of products or services provided by the Group to other parties under non-related (non-connected) transactions. For the services mentioned in item (ii), the parties shall, according to the service items and specific needs, determine the relevant service fees through arm's length negotiations in accordance with the following principles: (1) the final transaction price shall be determined after arm's length negotiations between the parties based on the quotations provided by CNAHC Group, with reference to the market price (if any) for the same type of services available from at least two independent third parties in the market and take into account factors including the service standard, service scope, business volume and specific needs of the parties; and/or (2) the service fee shall be determined after arm's length negotiations between the parties based on the costs of CNAHC Group adding a reasonable service fee, and offering rewards or imposing penalties depending on the management of CNAHC Group, the final settlement of which shall be made on the basis of the actual transaction amount. For the services mentioned in item (iii), (1) if government-set or guided price is available, government-set or guided price shall be adopted; (2) in the absence of government-set or guided price, the final transaction price shall be determined after arm's length negotiations between the parties with reference to the market price (if any) for the same type of products or services available from at least two independent third parties in the market, by taking into account certain factors including the service standard, service scope, business volume and specific needs of the parties; (3) if open market price is not available or there are no identical or similar business activities in the market, the parties shall settle the actual transaction amount based on the costs of CNAHC Group adding a reasonable service fee, and offering rewards or imposing penalties depending on the management of CNAHC Group. For the services mentioned in item (iv), in principle, the transaction price shall be determined through arm's length negotiations between the parties based on the labor costs incurred, and the transaction price shall be fully borne by the worksite employer.

Report of the Directors

	Agreement	Parties and Connected Relationship	Execution Date and Term of Agreement	Contents of Agreement	Pricing Policy
3	Government Charter Flight Service Framework Agreement	The same as above	The same as above	CNAHC shall use the charter flight services of the Company for fulfilling its government charter flight assignments.	The parties will determine the price for the Government Charter Flight Services through arm's length negotiations based on the cost incurred by the carrier in providing the Government Charter Flight Services adding a reasonable profit (the reasonable profit margin generally ranges from 5% to 10%). The costs include direct costs and indirect costs.
4	Media Services Framework Agreement	The Company and CNAMC (CNAMC is a wholly- owned subsidiary of CNAHC and therefore a connected person of the Company)	The same as above	CNAMC has agreed to provide Media Services to the Group. Of which, the Company grants CNAMC an exclusive right to distribute in-flight reading materials, movies, TV series, music, sound effect and other cultural contents. The Company has commissioned CNAMC as the general service provider with respect to the Media Services of the Company which CNAMC shall provide the Company with the following Media Services (the "Entrusted Services"): (1) in-flight entertainment system business and in-flight network platform business; (2) brand communication and product marketing business; (3) news and publicity business, including but not limited to external media operation and maintenance and internal newspaper production; (4) advertisement management business and media cooperation and management business; (5) other Media Services entrusted by the Company.	For the Entrusted Services, the Group will make reference to the service items and specific requirements, and (i) the parties shall determine the final transaction price through arm's length negotiations based on the quotations provided by CNAMC with reference to the market price (if any) for the same type of services available from at least two independent third parties after taking into account factors including the service standard, service scope, business volume and specific needs of the parties; and/or (ii) the service fees shall be determined after arm's length negotiations between the parties based on the costs of CNAMC adding a reasonable service fee, and offering rewards or imposing penalty depending on the management of CNAMC, the final settlement of which shall be made on the basis of the actual transaction amount. In respect of the media products or services other than the Entrusted Services that are purchased by the Company from CNAMC, the Group shall determine and pay the relevant services fees in accordance with the following principles and the arm's length negotiations with CNAMC: (1) if government-set or guided price is available, government-set or guided price shall be adopted; (2) in the absence of government-set or guided price, the final transaction price shall be determined after arm's length negotiations between the parties based on the quotation provided by CNAMC with reference to the market price (if any) for the same type of services available from at least two independent third parties in the market after taking into account certain factors including the service standard, service scope, business volume and specific needs of the parties; (3) if open market price is not available or there are no identical or similar business activities in the market, the parties shall settle the actual transaction amount based on the costs of CNAMC adding a reasonable service fee, and offering rewards or imposing penalties depending on the management of CNAMC. In respect of the Company's media used by CNAMC in operating the Media Services, CNAMC shall pay the Company an annual media resource fee of RMB13.8915 million for each of the three years of 2022, 2023 and 2024 as per the comparable market prices of the media resources.
5	Construction Project Commissioned Management Framework Agreement	The Company and CNACD (a wholly- owned subsidiary of CNAHC and therefore a connected person of the Company)	The same as above	CNACD Group is commissioned by the Company to serve as a manager of the construction projects and establish project department. CNACD Group shall provide management services for the Company's projects based on project characteristics using its industry expertise and professional skills. The subsidiaries of the Company may also commission CNACD Group to carry out the project management work.	CNACD Group receives service fees based on the size of or investment in the projects in accordance with the commissioned management scope, and the service fees shall be calculated as per actual expenses and rewards and penalties-related expenses on a full labor cost basis (including reward for labor cost budget surplus, rewards and penalty for construction period management and reward and penalty for investment control balance) based on the human resources invested by CNACD Group as verified by the Company, and the particulars to be specified in relevant agreements.

	Agreement	Parties and Connected Relationship	Execution Date and Term of Agreement	Contents of Agreement	Pricing Policy
6	Financial Services Agreement	The Company and CNAF (CNAF is a non-wholly owned subsidiary of the Company that CNAHC holds 49% of its equity interest and therefore a connected subsidiary of the Company)	Renewed on 28 August 2020 with a term from 1 January 2021 to 31 December 2023, and subsequently renewed on 30 March 2023 with a term from 1 January 2024 to 31 December 2026 The details are set out in the announcements of the Company dated 28 August 2020 and 30 March 2023	CNAF agreed to provide the Group with a range of financial services including deposit services, credit services and other financial services.	Interest rates applicable to deposits: should (i) comply with the requirements prescribed by the People's Bank of China on the interest rates for such type of deposits; (ii) not be lower than the interest rates for the same type of services charged by state-owned commercial banks to the Group under the same conditions; and (iii) not be lower than the interest rates for the same type of services charged by CNAF to other CNAHC member companies under the same conditions. Interest rates applicable to credit services: should (i) comply with the requirements prescribed by the People's Bank of China on the interest rates for such type of loans; (ii) not be higher than the interest rates for the same type of services offered by state-owned commercial banks to the Group under the same conditions; and (iii) not be higher than the interest rates for the same type of services offered by CNAF to other CNAHC member companies under the same conditions. Fees for other paid financial services: should (i) comply with the relevant rate standards (if any) prescribed by the People's Bank of China, CBIRC, CSRC, NAFMII or other regulatory authorities; (ii) not be higher than those for the same type of services charged by state-owned commercial banks to the Group under the same conditions; and (iii) not be higher than those for the same type of services charged by CNAF to other CNAHC member companies under the same conditions.
7	Financial Services Framework Agreement	CNAF (a non-wholly owned subsidiary of the Company), and CNAHC (a substantial shareholder of the Company and therefore a connected person of the Company)	The same as above	CNAF agreed to provide CNAHC Group with a range of financial services including deposit services, credit services and other financial services.	Interest rates applicable to deposits: should (i) comply with the requirements prescribed by the People's Bank of China on the interest rates for such type of deposits; (ii) not be higher than the interest rates for the same type of services charged by state-owned commercial banks to CNAHC Group under the same conditions; and (iii) not be higher than the interest rates for the same type of services charged by CNAF to other CNAHC member companies under the same conditions. Interest rates applicable to credit services: should (i) comply with the requirements prescribed by the People's Bank of China on the interest rates for such type of loans; (ii) not be lower than the interest rates for the same type of services offered by state-owned commercial banks to the CNAHC Group under the same conditions; and (iii) not be lower than the interest rates for the same type of services offered by CNAF to other CNAHC member companies under the same conditions. Fees for other paid financial services: should (i) comply with the relevant rate standards (if any) prescribed by the People's Bank of China, CBIRC, CSRC, NAFMII or other regulatory authorities; (ii) not be lower than those for the same type of services charged by state-owned commercial banks to the CNAHC Group under the same conditions; and (iii) not be lower than those for the same type of services charged by CNAF to other CNAHC member companies under the same conditions.

Report of the Directors

	Agreement	Parties and Connected Relationship	Execution Date and Term of Agreement	Contents of Agreement	Pricing Policy
8	Framework Agreement	The Company and CNACG (CNACG is a substantial shareholder of the Company and therefore a connected person of the Company)	Renewed on 20 September 2022 with a term from 1 January 2023 to 31 December 2025 The details are set out in the announcement of the Company dated 20 September 2022	Finance and operating lease services: CNACG Group agreed to provide finance and operating lease services in respect of, including but not limited to, aircraft, engines, simulators, aircraft-related materials, equipment and vehicles to the Group; the Group agreed to provide finance and operating lease services in respect of, including but not limited to, equipment and vehicles to CNACG Group. Ground support services and other services: including but not limited to the following transactions conducted between any member of the Group on the one hand and any member of CNACG Group on the other hand: ground support services, aircraft maintenance services, aircraft repair services, property investment and management services, ticket and tourism services, logistics services, administrative management services, cleaning and washing services, resident security services, lounge supplies procurement services and aircraft material procurement services.	Finance and operating lease services: The final transaction price will be determined on arm's length negotiations between both parties with reference to the prices for the same type of lease services offered by independent third parties and after taking into account certain factors. Such factors include purchasing price of the leasing subject, interest rate and arrangement fees (if any) (for finance lease), rental fee (for operating lease), the lease terms, the features of the leasing subject and the comparable market rental prices. The final transaction price shall not be higher than the transaction prices offered by at least two independent third parties on the same conditions. Ground support services and other services: (1) Follow the government pricing or guidance price if it is available; (2) If no government pricing or guidance price is available, the final transaction price will be determined on arm's length negotiations between the parties, with reference to the market prices offered by at least two independent third parties on the market for the same type of service, and after taking into account certain factors such as the service standard, service scope, business volume and specific needs of the parties. If any service needs of the service recipient change, appropriate adjustment will be made to the transaction price after negotiation between both parties based on the extent of variation in the relevant costs, service quality or other factors; (3) If neither of the above cases is applicable, the price will be determined on the basis of costs plus reasonable profit. The costs are mainly based on the costs and expenses of the service provider, including costs of human resources, facility, equipment and materials. Reasonable profit margin will be determined with mainly making reference to the historical average prices of similar products or services (where possible) published in the relevant industry, and/or the profit margin of the comparable products and services disclosed by other listed companies. The profit margin of CNACG Group shall not exceed 10%. The final transaction prices shall be determined on terms that, to the Group, are no less favorable than those provided by independent third parties to the Group or those provided by CNACG Group to independent third parties (with regards to the receiving of services by the Group), or no more favorable than those provided by the Group to the independent third parties (with regards to the rendering of services by the Group).

	Agreement	Parties and Connected Relationship	Execution Date and Term of Agreement	Contents of Agreement	Pricing Policy
9	Framework Agreement	The Company and Cathay Pacific (Cathay Pacific is a substantial shareholder of the Company and therefore a connected person of the Company)	Renewed on 30 August 2022 with a term from 1 January 2023 to 31 December 2025 The details are set out in the announcement of the Company dated 30 August 2022	Providing a framework for the transactions between the Group and Cathay Pacific Group arising from interline arrangements, code sharing arrangements, joint operating arrangements, aircraft leasing, frequent flyer programmes, the provision of airline catering, ground support and engineering services and other services agreed to be provided and other transactions agreed to be undertaken under the Framework Agreement.	Interline arrangements and code share arrangements: Revenue is apportioned between the parties in accordance with bilateral prorate agreements which follow the principles in the Multi-lateral Prorate Agreement of International Air Transport Association. Joint operating arrangements: Revenue is apportioned between the parties having regard to the fleet capacity of both parties and the values of seats sold by each party. Aircraft leasing: Rentals payable under aircraft leases are determined after negotiations at arm's length between the parties having regard to rentals payable under comparable leases between unconnected parties for comparable aircraft and comparable periods and prevailing long-term interest rates. Frequent flyer programmes: Frequent flyers of either party can earn mileage credits by taking the other party's flights. Payments by each party to the other for mileage values are determined by the parties on an arm's length basis having regard to comparable mileage values payable by unconnected airlines to each other. Airline catering: The parties determine the pricing of airline catering having regard to quotations provided by unconnected caterers, taking due account of material and labor costs, quality, assurance of supply, safety and innovation (including changes in the foregoing matters). Ground support and engineering services: The pricing is required to be no less favorable than that offered for comparable services to unconnected parties taking due account of the quality of services. Other products and services (including leasing premises and customs declaration services): The pricing is determined having regard to relevant market information (including independent third party quotations for comparable products and services), costs incurred by the relevant party and the quality of products and services (including changes in any of the foregoing).

	Agreement	Parties and Connected Relationship	Execution Date and Term of Agreement	Contents of Agreement	Pricing Policy
10	Framework Agreement	The Company and Air China Cargo (a 51%-owned subsidiary of CNAHC and therefore a connected person of the Company)	Renewed on 20 September 2022 with a term from 14 October 2022 to 31 December 2024 The details are set out in the announcement of the Company dated 20 September 2022	Exclusive operation of the passenger aircraft cargo business: The Group and the ACC Group have determined to carry out a long-term collaboration for the passenger aircraft cargo business under an exclusive operating model. The entire passenger aircraft cargo business of the Group will be operated exclusively by the ACC Group, and the ACC Group shall undertake the overall responsibilities for transporting the cargos to the consignors with respect to the cargos which are transported through the passenger aircraft. Ground support services and other services: The ground support services and other services provided by the Group to the ACC Group include but are not limited to operation support services, IT sharing services, comprehensive support services, engine and aircraft-related materials sharing services, retiree management services, training services, human resources services, and procurement and maintenance services. The ground support services and other services provided by the ACC Group to the Group include but are not limited to ground support services (cargo terminal services and airport apron services), container and pallet management services, engine and aircraft-related materials sharing services.	Exclusive operation of the passenger aircraft cargo business: During the exclusive operation term, the Group shall charge the ACC Group the transportation service fee regularly in each year. Such transportation service fee shall be determined based on the ACC Group's actual cargo revenue generated from the exclusive operation of the Group's passenger aircraft cargo business after deducting certain operating fee rate. The specific formulas are as follows: transportation service fee = actual revenue from the passenger aircraft cargo business × (1 – operating fee rate) Ground support services and other services: (1) Follow the government and industry pricing or guidance price if it is available; (2) If no government and industry pricing or guidance price is available, the final transaction price shall be determined on arm's length negotiations between the parties, with reference to the market prices offered by at least two independent third parties on the market for the same type of service, and after taking certain factors into account such as the service standard, service scope, business volume and specific need of parties. If any service needs of the service recipient change, appropriate adjustment will be made to the transaction price after negotiation between both parties based on the extent of variation in relevant costs, service quality or other factors; (3) If neither of the above cases is applicable, the price shall be determined on the basis of costs plus reasonable profit. The costs are mainly based on the costs and expenses of the service provider, including costs of human resources and costs of facility, equipment and materials. Reasonable profit margin will be determined with mainly making reference to the historical average prices of similar products or services (where possible) published in the relevant industry, and/or the profit margin of the comparable products and services disclosed by other listed companies. The reasonable profit margin of ACC Group shall not exceed 10%. The final transaction prices shall be determined on terms that, to the Group, are no less favorable than those provided by independent third parties to the Group or those provided by ACC Group to independent third parties.

Agreement	Parties and Connected Relationship	Execution Date and Term of Agreement	Contents of Agreement	Pricing Policy
			Property leasing: The Group may rent out its own properties or land with legal use rights to ACC Group for its production and operation, office and storage use, and the Group may lease ACC Group's self-owned properties and land from the ACC Group in the event that its own properties could not be able to meet its business needs such as production and operation, office and storage.	Property leasing services: (1) The Group as lessor: First, the Group shall provide quotation of the leased properties or land to ACC Group after taking into account the factors including the relevant costs, tax and reasonable profit margin relating to the properties or land. Then, the rental prices for the leased properties or land shall be determined through arm's length negotiations between the Group and ACC Group after ACC Group takes into account the factors such as the location of the leased properties or land and the service quality. Such rental prices shall not be lower than the rent offered by the Group to an independent third party (if any) in comparable circumstances. (2) The Group as lessee: First, the Group shall conduct market research and collect, consolidate and analyze information in respect of provision of leasing services by independent third parties for the same type of properties or land (if any) in close proximity to the properties or land to be leased. Then, (a) if there is comparable market of the same type identified through market research, the parties shall determine the rental prices for the leased properties or land through arm's length negotiations with reference to the market price for the same type of services available from at least two independent third parties after taking into account the relevant factors. The relevant factors include the geographical location, function and layout, furnishing, ancillary facilities and property services of the property or land as well as the specific needs of the lessee; and (b) if there is no comparable market of the same type found in the neighboring areas through market research, the price shall be determined by adopting the cost-plus approach: the rental price of the leased properties or land shall be determined through arm's length negotiations between the parties based on the relevant costs, tax and reasonable profit margin of the properties or land offered by ACC Group. The relevant costs include construction costs, depreciation costs, funding costs and maintenance costs. Reasonable profit margin will be determined with mainly making reference to the historical average prices on similar services (where possible) published regarding the property leasing industry, and/or the profit margin of the comparable services disclosed by other listed companies, and the reasonable profit margin of ACC Group shall not exceed 10%. The abovementioned rental prices shall not be higher than those offered by ACC Group to the independent third parties (if any) in comparable circumstances. (3) The Group as lessee and lessor: When leasing each other's properties or land, as a separate matter, the parties may determine the quotation for the rental prices of their respective properties or land based on the above pricing principles, and then exchange the properties and land use right in accordance with the principle of equivalent exchange. (4) The payment method of rental fee shall be subject to specific agreement.

The Company has confirmed that the execution and implementation of the specific agreements under the continuing connected transactions set out above during the Reporting Period has followed the pricing policies of such continuing connected transactions.

Transaction Caps and Actual Transaction Amounts for the Reporting Period

Actual transaction amounts and transaction caps of the above-mentioned continuing connected transactions for the Reporting Period are as follows:

	Currency	Total amount for the Reporting Period Annual cap (in millions)	Actual amount (in millions)
Transactions with CNAHC Group:			
Revenue from charter flight services	RMB	900	383
Revenue from comprehensive services	RMB	110	57
Expenditure on comprehensive services	RMB	2,750	1,920
Revenue from property leasing	RMB	166	51
Total value of right-of-use assets involved in property leasing	RMB	370	55
Single rent received from customized properties	RMB	230	0
Expenditure on media and advertising services	RMB	500	109
Expenditure on construction project management services	RMB	90	40
Maximum daily balance of loans and other credit services granted by CNAF to CNAHC Group	RMB	6,500	265
Transactions with CNACG Group:			
Expenditure on ground handling and other services	RMB	750	423
Total value of right-of-use assets involved in financing and operating leasing	RMB	14,000	808
Annual rental fee in relation to the operating leases not accounted for as right-of-use assets provided by the CNACG Group	RMB	100	18
Transactions with Cathay Pacific Group:			
Aggregate amount payable/paid by the Group to Cathy Pacific Group	HKD	700	74
Aggregate amount payable/paid by Cathay Pacific Group to the Group	HKD	700	174
Transactions with ACC Group [(1)]:			
Transportation service fee of the passenger aircraft cargo business paid by ACC Group to the Group	RMB	17,000	3,412
Aggregate amount of ground handling and other services paid by ACC Group to the Group	RMB	2,500	887
Aggregate amount of ground handling and other services paid by the Group to ACC Group	RMB	1,500	681
Revenue from property leasing services	RMB	250	134
Transactions with CNAF:			
Maximum daily balance of deposits placed by the Group with CNAF	RMB	20,000	7,952

CONFIRMATION FROM INDEPENDENT NON-EXECUTIVE DIRECTORS

The independent non-executive Directors of the Company have confirmed that during the Reporting Period, all continuing connected transactions to which the Company was a party have been entered into in the ordinary and usual course of business of the Company, on normal commercial terms or better and have been carried out according to the agreements governing them and that the terms of them were fair and reasonable and in the interests of the shareholders of the Company as a whole.

CONFIRMATION FROM THE AUDITOR

Pursuant to Rule 14A.56 of the Listing Rules, the listed issuer must engage its auditors to report on the continuing connected transactions every year. The auditor must provide a letter to the listed issuer's board of directors confirming whether anything has come to their attention that causes them to believe that the continuing connected transactions:

(1) have not been approved by the listed issuer's board of directors;

(2) were not, in all material respects, in accordance with the pricing policies of the listed issuer's group for transactions involving the provision of goods or services by the listed issuer's group;

(3) were not entered into, in all material respects, in accordance with the relevant agreements governing the transactions; and

(4) have exceeded the annual cap.

Pursuant to the above requirement under Rule 14A.56 of the Listing Rules, the Board engaged the auditors of the Company to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 (Revised) "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditors have issued their unmodified letter containing their conclusion in respect of the continuing connected transactions in accordance with Rule 14A.56 of the Listing Rules.

RELATED PARTY TRANSACTIONS

Details of the significant related party transactions entered into by the Group during the Reporting Period are set out in note 47 to the financial statements of this annual report. None of these related party transactions constitutes a disclosable connected transaction as defined under the Listing Rules, except for the transactions described in the section headed "Connected Transactions" in this Report of the Directors, in respect of which the disclosure requirements under Chapter 14A of the Listing Rules have been complied with.

CONTRACT OF SIGNIFICANCE

Save as disclosed in the section headed "Connected Transactions" of this Report of the Directors, none of the Company or any of its subsidiaries entered into any contract of significance with the controlling shareholder or any of its subsidiaries, and there is no contract of significance in relation to provision of services by the controlling shareholder or any of its subsidiaries to the Company or any of its subsidiaries.

CORPORATE BONDS

The Group's corporate bonds as at the end of the Reporting Period are summarised as the followings:

Unit: RMB billion, Currency: RMB

Name of Corporate Bond	Abbreviation	Code	Issue Date	Value Date	Expiry Date	Balance of the Bond	Interest Rate (%)	Payment of principal and interest	Investor suitability arrangement (if any)	Trading Mechanism
Shenzhen Airlines Company Limited 2022 Non-public Offering of Corporate Bond for Professional Investors (First Tranche)	22SA01	133201	23 February 2022	25 February 2022	25 February 2025	1.540	3.18	Interest on annual basis Repayment of principal on maturity	For not more than 200 institutional investors among professional investors only	Listed and Transferred on the Integrated Agreement Trading Platform of SZSE
Shenzhen Airlines Company Limited 2022 Non-public Offering of Corporate Bond for Professional Investors (Second Tranche)	22SA02	133215	17 March 2022	21 March 2022	21 March 2025	1.027	3.43	Interest on annual basis Repayment of principal on maturity	For not more than 200 institutional investors among professional investors only	Listed and Transferred on the Integrated Agreement Trading Platform of SZSE
Shenzhen Airlines Company Limited 2022 Non-public Offering of Corporate Bond for Professional Investors (Third Tranche)	22SA03	133229	1 April 2022	7 April 2022	7 April 2025	1.537	3.4	Interest on annual basis Repayment of principal on maturity	For not more than 200 institutional investors among professional investors only	Listed and Transferred on the Integrated Agreement Trading Platform of SZSE
Shenzhen Airlines Company Limited 2022 Non-public Offering of Corporate Bond for Professional Investors (Fourth Tranche)	22SA04	133240	25 April 2022	26 April 2022	26 April 2025	0.716	3.4	Interest on annual basis Repayment of principal on maturity	For not more than 200 institutional investors among professional investors only	Listed and Transferred on the Integrated Agreement Trading Platform of SZSE

"22SA01", "22SA02", "22SA03" and "22SA04" are traded on the Shenzhen Stock Exchange (SZSE). No bond in the table is subject to the risk of termination of listing and trading.

Payment of principal and interest for corporate bonds during the Reporting Period

Name of Corporate Bond	Payment of Principal and Interest
Air China Limited 2012 Corporate Bond (First Tranche)	On 18 January 2023, the Company completed the payment of principal and interest on "12AC01" Corporate Bond.
Air China Limited 2012 Corporate Bond (Second Tranche)	On 16 August 2023, the Company completed the payment of principal and interest on "12AC03" Corporate Bond.
Shenzhen Airlines Company Limited 2022 Non-public Offering of Corporate Bond for Professional Investors (First Tranche)	On 25 February 2023, the Company completed the interest payment on the non-public offering of "22SA01" Corporate Bond.
Shenzhen Airlines Company Limited 2022 Non-public Offering of Corporate Bond for Professional Investors (Second Tranche)	On 21 March 2023, the Company completed the interest payment on the non-public offering of "22SA02" Corporate Bond.
Shenzhen Airlines Company Limited 2022 Non-public Offering of Corporate Bond for Professional Investors (Third Tranche)	On 7 April 2023, the Company completed the interest payment on the non-public offering of "22SA03" Corporate Bond.
Shenzhen Airlines Company Limited 2022 Non-public Offering of Corporate Bond for Professional Investors (Fourth Tranche)	On 26 April 2023, the Company completed the interest payment on the non-public offering of "22SA04" Corporate Bond.

Basic information on debt financing instruments as at the end of the Reporting Period

Unit: RMB billion, Currency: RMB

Name of Bond	Abbreviation	Code	Issue Date	Value Date	Expiry Date	Balance of the Bond	Interest Rate (%)	Payment of principal and interest
Air China Limited 2022 Medium Term Note (First Tranche)	22ACMTN001	102282150	22 September 2022	23 September 2022	23 September 2025	3.021	2.54	Interest on annual basis Repayment of principal on maturity
Shenzhen Airlines Company Limited 2021 Medium Term Note (First Tranche)	21SAMTN001	102101631	19 August 2021	23 August 2021	23 August 2024	2.022	3.20	Interest on annual basis Repayment of principal on maturity
Shenzhen Airlines Company Limited 2022 Medium Term Note (First Tranche)	22SAMTN001	102280281	16 February 2022	18 February 2022	18 February 2025	1.538	2.99	Interest on annual basis Repayment of principal on maturity

The bonds set out in the table, namely "22ACMTN001", "21SAMTN001" and "22SAMTN001", are all traded on the interbank bond market, issued to institutional investors in the national interbank bond market, performed in accordance with the trading rules of the National Interbank Funding Centre (全國銀行間同業拆借中心), and are not subject to the risk of termination of listing and trading.

Payment of principal and interest for bonds during the Reporting Period

Name of Bond	Payment of Principal and Interest
Air China Limited 2022 Super Short-term Commercial Paper (Fourth Tranche)	On 28 July 2023, the Company completed the payment of principal and interest on "22ACSCP004" Super Short-term Commercial Paper.
Air China Limited 2022 Medium Term Note (First Tranche)	On 23 September 2023, the Company completed the interest payment on "22ACMTN001" Medium Term Note.
Shenzhen Airlines Company Limited 2020 Medium Term Note (First Tranche)	On 5 March 2023, the Company completed the payment of principal and interest on "20SAMTN001" Medium Term Note.
Shenzhen Airlines Company Limited 2021 Medium Term Note (First Tranche)	On 23 August 2023, the Company completed the interest payment on "21SAMTN001" Medium Term Note.
Shenzhen Airlines Company Limited 2022 Medium Term Note (First Tranche)	On 18 February 2023, the Company completed the interest payment on "22SAMTN001" Medium Term Note.

SUBSEQUENT EVENT

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 issuance of A Shares and H Shares to specific investors by the Company in 2023, were approved and passed. 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 H Share. Upon completion of the issue of new 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.

AUDITOR

The Company has appointed Deloitte Touche Tohmatsu and Deloitte Touche Tohmatsu Certified Public Accountants LLP (collectively, "Deloitte") as the Company's international auditor and domestic auditor respectively for the year of 2023. The auditor of the Company has been changed to Deloitte since 2017.

The sections, reports or notes of this annual report mentioned above constitute a part of this Report of the Directors.

By Order of the Board
Ma Chongxian
Chairman
28 March 2024

Profile of Directors, Supervisors and Senior Management

DIRECTORS

Mr. Ma Chongxian, aged 58, graduated from the department of economics of Inner Mongolia University majoring in planning and statistics and holds a degree of EMBA in Tsinghua University. Mr. Ma started his career in the civil aviation industry in July 1988. Mr. Ma has been serving as the vice president and a member of the Standing Committee of the Communist Party Committee of Air China from April 2010 to May 2021. From December 2016 to April 2021, he served as deputy general manager and a member of the Communist Party Group of CNAHC. He was the deputy secretary of the Communist Party Group of CNAHC from April 2021 to September 2022, as well as the director of CNAHC from May 2021. He was the general manager of CNAHC, and concurrently the President and deputy secretary of the Communist Party Committee of the Company from May 2021 to September 2022. He has also served as the vice chairman of the board of directors of Cathay Pacific since November 2022 and an executive Director of the Company since July 2021. He served as the Vice Chairman of the Company from July 2021 to September 2022. He has been serving as the chairman and secretary of the Communist Party Group of CNAHC, the chairman and secretary of the Communist Party Committee of the Company, and concurrently as the chairman of CNACG since September 2022.

Mr. Wang Mingyuan, aged 58, graduated from Xiamen University majoring in planning and statistics. Mr. Wang started his career in the civil aviation industry in July 1988. Mr. Wang was appointed as a member of the Standing Committee of the Communist Party Committee of the Company in February 2011, and served as the vice president of the Company from February 2011 to March 2023. Since April 2011, he has concurrently served as the chairman of Air China Development Corporation (Hong Kong) Limited. He was appointed as a member of the Communist Party Group of CNAHC in April 2020, and served as the deputy general manager of CNAHC from April 2020 to January 2023. He has also served as the vice chairman of Tibet Airlines Co., Ltd. since June 2020 and the chairman of Air Macau Company Limited since March 2022. He was appointed as a director, the general manager and deputy secretary of the Communist Party Group of CNAHC in January 2023, and was appointed as the deputy secretary of the Communist Party Committee of the Company in February 2023. He has been serving as the President, Director and Vice Chairman of the Company since March 2023, and as the non-executive director of Cathay Pacific Airways Limited since April 2023.

Mr. Feng Gang, aged 60, graduated from Sichuan University majoring in semiconductor. He started his career in July 1984. From April 2014 to November 2019, he served as the deputy general manager of CNAHC. He served as non-executive Director of the Company between August 2014 and October 2017. From May 2017 to November 2019, he served as Deputy President of the Company. Since November 2019, he has served as the director and the deputy secretary of the Communist Party Group of CNAHC and the deputy secretary of the Communist Party Committee of the Company. From May 2020, he has been the non-executive Director of the Company.

Mr. Patrick Healy, aged 58, graduated from the University of Cambridge with a Bachelor of Arts (Honours) degree in Modern Languages. He has acted as an executive director of the beverages division of Swire Pacific Limited since January 2013, a director of John Swire & Sons (H.K.) Limited since December 2014. He has been serving as the chairman of Swire Coca-Cola Limited since October 2019 and the executive director and chairman of Cathay Pacific Airways Limited since November 2019. He has been serving as a non-executive Director of the Company since December 2019, and a director of Swire Pacific Limited since August 2021.

Profile of Directors, Supervisors and Senior Management

Mr. Xiao Peng, aged 58, graduated from Civil Aviation College of China majoring in maintenance of aircraft engine under the department of aviation machinery. He started his career in the civil aviation industry in August 1988. He has been serving as the chairman of the labor union of CNAHC and the chairman of the labor union and Chief Engineer of the Company since November 2022, as well as the employee representative Director of CNAHC and the employee representative Director of the Company since March 2023.

Mr. Li Fushen, aged 61, is a senior accountant with a bachelor's degree in engineering. He has been a professional external director for state-owned enterprises since June 2021, and has been an external director of China Energy Conservation and Environmental Protection Group and COFCO Corporation since July 2021. He has been serving as an independent non-executive Director of the Company since February 2022.

Mr. He Yun, aged 62, holds a postgraduate diploma in software engineering from Beijing Institute of Technology. He served as the head of the fourth corporate audit office of the National Audit Office from April 2018 to March 2021. He has been serving as an independent non-executive Director of the Company since February 2022.

Mr. Xu Junxin, aged 59, is a senior economist and holds a doctorate's degree in technical economics and management. He has been a professional external director for state-owned enterprises since September 2021. He has been an external director of China Anneng Construction Group Corporation Limited since December 2021. He has been serving as an independent non-executive Director of the Company since February 2022.

Ms. Winnie Tam Wan-chi, aged 62, graduated from the Faculty of Law of The University of Hong Kong, a barrister, international arbitrator and mediator. She was appointed as a "Senior Counsel" in 2006, and was awarded the Justice of the Peace and the Silver Bauhinia Star for her contributions to public service. She is currently the head of Chambers of Des Voeux Chambers, the chairman of the Hong Kong Communications Authority, a member of the Chief Executive's Advisory Council (Innovation and Entrepreneurship), a member of the Law Reform Commission, a member of the Independent Commission on Remuneration for Members of the Executive Council and the Legislature and Officials under the Political Appointment System of the Hong Kong Special Administrative Region appointed by the government, a member of the board of the West Kowloon Cultural District Authority, a member of the board of governors of Hong Kong Philharmonic Society Limited and the chairman of the board of Hong Kong Palace Museum. She has been serving as an independent non-executive Director of the Company since February 2022.

SUPERVISORS

Mr. Xiao Jian, aged 60, graduated from the Graduate School of the Party School of the Central Committee of Communist Party of China majoring in economics and holds a postgraduate diploma. Mr. Xiao started his career in the civil aviation industry in 1983. He has been serving as a director and a member of the Communist Party Committee of CNACG since March 2016. From March 2016 to October 2022, he was the secretary of the Communist Party Committee, vice president and secretary of the Committee for Discipline Inspection of CNACG. Between October 2022 and August 2023, he was the president of CNACG. He has been serving as a Supervisor of the Company since February 2023 and the Chairman of the Supervisory Committee of the Company since March 2023.

Ms. Lyu Yanfang, aged 52, graduated from Northwest Institute of Politics and Law majoring in law and holds a bachelor's degree in law. She joined Air China in 1996 and served as the general manager of the legal department of CNAHC (Air China) since August 2017. From April 2018, she has been serving as the supervisor of China National Aviation Capital Holding Co., Ltd. From August 2018, she has served as the chairwoman of the supervisory committee of China National Aviation Finance Co., Ltd. She has been serving as the Supervisor of the Company since December 2020. She has been a supervisor of Shenzhen Airlines Company Limited since June 2021 and was appointed as the chairwoman of the supervisory committee since October 2021.

Ms. Guo Lina, aged 53, graduated from Chinese Academy of Fiscal Sciences of the Ministry of Finance majoring in finance and obtained a master degree in economics. She also graduated from the School of Economics and Management of Tsinghua University majoring in executive business administration and obtained a master's degree in business administration, and is a senior accountant. She started her career in the civil aviation industry in October 2001. From April 2017, she has served as the supervisor of Air China Inner Mongolia Co., Ltd. She has also served as a supervisor of Dalian Airlines Company Limited since July 2020 and was appointed as the chairwoman of the supervisory committee since September 2020. Since February 2022, she has been serving as a Supervisor of the Company, and general manager of the audit department of CNAHC. She was appointed the general manager of the audit department of the Company in March 2022.

Mr. Wang Mingzhu, aged 56, graduated from Hebei University majoring in philosophy. He is a senior political work specialist. He started his career in the civil aviation industry in July 1991. He has been serving as the secretary of the Communist Party Committee and deputy general manager of the Company's general fleet since December 2022, and the employee representative Supervisor of the Company since March 2023.

Mr. Li Shuxing, aged 56, holds a bachelor's degree in agronomy from Inner Mongolia Agricultural College. He started his career in the civil aviation industry in July 1991. He has been serving as the secretary of the Communist Party Committee, deputy director and chairman of the labor union of the Company's commercial committee since October 2022, and the employee representative Supervisor of the Company since March 2023.

SENIOR MANAGEMENT

Mr. Wang Mingyuan: Please refer to "Directors" for his biographies.

Mr. Tan Huanmin, aged 59, graduated from Jilin University School of Law majoring in constitutional law and holds a postgraduate diploma. Mr. Tan is a senior political work specialist. From December 2016 to January 2019, Mr. Tan was a member of the Communist Party Group and team leader of the Discipline Inspection Group of Communist Party Group of China Aerospace Science & Technology Corporation. Since January 2019, Mr. Tan has been serving as team leader of the Discipline Inspection and Supervision Group and a member of the Communist Party Group of CNAHC, and in January 2019, he was appointed as a standing member of the Communist Party Committee and the secretary of Committee for Discipline Inspection of the Company.

Mr. Zhang Sheng, aged 51, graduated from the Renmin University of China/American City University with a bachelor's degree in business administration and a master's degree in business administration. Mr. Zhang started his career in the civil aviation industry in July 1992. In May 2020, he was appointed as the deputy general manager and a member of the Communist Party Group of CNAHC as well as a member of the Standing Committee of the Communist Party Committee of the Company. In June 2020, he was appointed as the Vice President of the Company.

Mr. Chen Zhiyong, aged 60, graduated from Civil Aviation Flight University of China majoring in flight technology. Mr. Chen is a first-class pilot. Mr. Chen started his career in the civil aviation industry in October 1982. Mr. Chen served as Vice President and a member of the Standing Committee of the Communist Party Committee of the Company from December 2012 to March 2024. He also served as the director of Shenzhen Airlines from May 2014 to April 2023. Between May 2014 and September 2020, he was the president and deputy secretary of the Communist Party Committee of Shenzhen Airlines. He was the chairman of Shenzhen Airlines from March 2020 to April 2023. Between July 2020 and January 2024, he served as the deputy general manager and a member of the Communist Party Group of CNAHC.

Mr. Sun Yuquan, aged 50, graduated from Nanjing University of Science & Technology majoring in accounting. He is a professional senior engineer and a senior accountant. He served as the general manager of the finance department of China Rong Tong Asset Management Group Corporation Limited from July 2019 to February 2022. He has been serving as the chief accountant and a member of the Communist Party Group of CNAHC since February 2022. Since March 2022, he has been serving as a member of the Standing Committee of the Communist Party Committee of the Company, and as the non-executive director of Cathay Pacific Airways Limited, the chairman of China National Aviation Capital Holding Co., Ltd. and the chairman of China National Aviation Media Co., Ltd. He became the Chief Accountant of the Company in March 2023. He has also been serving as the chairman of China National Aviation Finance Co., Ltd. since November 2023.

Mr. Ni Jiliang, aged 57, graduated from Civil Aviation College of China majoring in maintenance of aircraft, engines and equipment under the department of aviation machinery. He joined Air China in July 1988. He has been the chief executive officer and the deputy secretary of the Communist Party Committee of Aircraft Maintenance and Engineering Corporation between September 2017 and April 2020, and the Chief Engineer of the Company from January 2020 to November 2022. Since April 2020, he has served as the chairman and secretary to the Communist Party Committee of Aircraft Maintenance and Engineering Corporation. He has been serving as the deputy general manager and a member of the Communist Party Group of CNAHC since April 2022, and the Vice President and a member of the Standing Committee of the Communist Party Committee of the Company since May 2022. He was also appointed as the chairman of Beijing Aero-Engine Services Co., Ltd. in July 2022, and the chairman of Sichuan Services Aero-Engine Maintenance Co., Ltd. in September 2022.

Mr. Zheng Weimin, aged 58, graduated from the First Aviation Academy of Air Force majoring in aviation and holds a postgraduate diploma. Mr. Zheng is a senior pilot. He started his career in civil aviation industry in 1987 and served as the chief captain of the general fleet and deputy secretary of the Communist Party Committee of the Company from December 2014 to March 2021. Between March 2021 to July 2023, he served as an assistant to the general manager of CNAHC. He was also appointed as the chairman of Air China Inner Mongolia Co., Ltd. in March 2023, and was appointed as the deputy general manager and a member of the Communist Party Group of CNAHC, as well as a standing member of the Communist Party Committee of the Company in July 2023. He has been serving as the Vice President of the Company since August 2023.

Mr. Yan Fei, aged 55, graduated from Tianjin University majoring in business administration and holds a master's degree in business administration. Mr. Yan started his career in civil aviation industry in July 1992. From December 2018 to September 2021, he served as the general manager of the ground service department and the deputy secretary of the Communist Party Committee of the Company. Between September 2021 and June 2022, he was the deputy general manager of Tianjin Branch of the Company, being responsible for overseeing the works of the branch. He served as the general manager and the deputy secretary of the Communist Party Committee of Tianjin Branch of the Company from June 2022 to January 2024. He has been serving as the deputy general manager and a member of the Communist Party Group of CNAHC since January 2024. He has also been serving as the Vice President and a member of the Communist Party Committee of the Company since March 2024.

Mr. Zhang Hua, aged 58, graduated from Zhongnan University of Finance and Economics majoring in industrial economics and is an on-job postgraduate of the Party School of the Central Committee of the Communist Party of China majoring in economics and management. He was appointed as the general legal counsel of CNAHC and of the Company in August 2016 and August 2017, respectively. He has been a chairman of Dalian Airlines Company Limited since March 2020 and chairman of Beijing Airlines Company Limited since September 2022. Since December 2022, he has concurrently served as the Chief Compliance Officer of CNAHC and the Company.

Mr. Xiao Peng: Please refer to "Directors" for his biographies.

Mr. Xiao Feng, aged 55, graduated from Harbin Civil Engineering & Architectural Institute majoring in management engineering. Mr. Xiao holds an undergraduate degree and is a senior accountant. He joined Air China in July 1990. He served as the Chief Accountant of the Company from July 2014 to March 2023. Since November 2015, he has been serving as the chairman of China National Aviation Company Limited, and from February 2016 to November 2023, he became the chairman of China National Aviation Finance Co., Ltd. He served as the non-executive director of Cathay Pacific Airways Limited since January 2017. He became the Chief Economist of the Company in March 2023. He was appointed as the secretary to the Board of the Company and joint company secretary in March 2024.

Mr. Yan Simeng, aged 41, graduated from the Department of Physics of Peking University and obtained his doctorate in theoretical and computational physics from the University of California, Irvine. Mr. Yan has been serving as Chief Information Officer of the Company since September 2021.

Mr. Shen Jianming, aged 56, graduated from the First Flying Academy of China Air Force with a bachelor's degree in airplane piloting. Mr. Shen is a first-class pilot. He started his career in the civil aviation industry in 1987. He has been serving as the Chief Safety Officer of the Company since October 2022.

Mr. Li Yunchuan, aged 56, graduated from Civil Aviation Flight University of China majoring in flight technology and holds a postgraduate diploma. Mr. Li is a senior pilot. He started his career in the civil aviation industry in 1988. He has been serving as the Chief Pilot of the Company since October 2023.

Mr. Huang Bin, aged 60, graduated from the Civil Aviation Institute of China, majoring in Planning and Finance, is a senior accountant. He joined Air China in 1983. He served as a secretary to the Board of the Company from September 2021 to March 2024 and an assistant to the President of the Company from December 2021 to March 2024.

JOINT COMPANY SECRETARIES

Mr. Xiao Feng: Please refer to "Senior Management" for his biographies.

Mr. Huen Ho Yin, aged 62, holds a Bachelor of Laws (Hons) Degree from the University of Leicester in the United Kingdom and a Postgraduate Certificate in Laws from the University of Hong Kong. Mr. Huen has been practicing as a solicitor of the High Court of Hong Kong. He is currently a partner of Huen & Partners Solicitors. From August 1994 to April 2003, he served as a partner of Richard Tai & Co., Solicitors. Since April 2003, he has been serving as a partner of Huen & Partners Solicitors. From June 2018 to February 2020, he served as an independent non-executive director of Grand Peace Group Holdings Limited. From April 2020 to August 2020, Mr. Huen served as joint company secretary of the Company. Mr. Huen has been serving as joint company secretary of the Company since September 2021.

INDEPENDENT AUDITOR'S REPORT

Deloitte. 德勤

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

OPINION

We have audited the consolidated financial statements of Air China Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 92 to 200, which comprise the consolidated statement of financial position as at 31 December 2023, and the consolidated statement of profit or loss and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information and other explanatory information.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board (the "IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

KEY AUDIT MATTERS (continued)

Key audit matter	How our audit addressed the key audit matter
Provision for major overhauls	
As at 31 December 2023, the provision for major overhauls of RMB13,739 million was recorded in the consolidated statement of financial position. The Group held certain aircraft under leases at 31 December 2023. Under the terms of the lease arrangements, the Group is contractually committed to return the aircraft to the lessors in a certain condition agreed with the lessors at the inception of each lease. In order to fulfil these return conditions, major overhauls are required to be conducted on a regular basis. Management estimates the maintenance costs of major overhauls for aircraft held under leases at the end of each reporting period and accrues such costs over the lease terms. The calculation of such costs includes a number of variable factors and assumptions, including the anticipated utilisation of the aircraft and the expected costs of maintenance. We identified provision for major overhauls to fulfil the return condition of aircraft under leases as a key audit matter because of the significant management estimation and judgement required in assessing the variable factors and assumptions in order to quantify the amount of provision required at each reporting date. Details of the related estimation uncertainty are set out in Notes 4, 5 and 36 to the consolidated financial statements.	Our procedures in relation to provision for major overhauls to fulfil the return condition of aircraft under leases included: • Testing and evaluating the design and operating effectiveness of the key internal controls relevant to the audit of provision for major overhauls to fulfil the return condition of aircraft under leases; • Evaluating the appropriateness of the methodology and key assumptions adopted by management in estimating the provision for these major overhauls. This evaluation based on the terms of the leases and the Group's maintenance cost experience; • Performing a retrospective review of the provision for major overhauls to evaluate the appropriateness of the assumptions adopted by management by comparing the assumptions adopted by management in prior years with actual maintenance costs incurred; • Discussing with managers in the engineering department responsible for aircraft engineering about the utilisation pattern of aircraft, obtaining relevant operating data, performing recalculation, and checking the assumptions adopted by management and the mathematical accuracy of the calculation of provision for major overhauls prepared by management for those aircraft under leases.

KEY AUDIT MATTERS (continued)

Key audit matter	How our audit addressed the key audit matter
Acquisition of a subsidiary	
On 20 March 2023, the Company completed the acquisition of Shandong Aviation Group Co., Ltd. (the "Subsidiary"). The acquisition has been accounted for as an acquisition of business using the acquisition method. The excess of the sum of the consideration transferred and the fair value of previously held equity interests over the fair value of the identifiable net assets acquired, amounting to RMB2,996 million, was recognised as goodwill. We identified the acquisition of the Subsidiary as a key audit matter due to its significance to the consolidated financial statements as a whole, together with the management's estimation and judgement in identifying the identifiable assets acquired and liabilities assumed and measuring their fair values, and calculating the amount of goodwill. Details are set out in Notes 4, 5 and 42 to the consolidated financial statements.	Our procedures in relation to the acquisition of the Subsidiary included: • Assessing the appropriateness of the management's understanding on the contractual terms by: (i) obtaining the equity transfer agreements, board resolutions related to the acquisition and understanding the key contractual terms and transaction conditions; (ii) examining the payment records of the considerations transferred; (iii) checking the completeness of necessary changes in the acquiree's articles of association and shareholders' registry. • Understanding and evaluating the reasonableness of the methodology used by the management on the recognition of identifiable assets acquired and liabilities assumed at the acquisition date; • Conducting interviews with the independent valuer engaged by the management, understanding their qualifications and evaluating their objectivity and capabilities; • Involving our internal valuation specialists to assess the reasonableness of the valuation methodology and key assumptions adopted by the management and the independent valuer in the determination of the fair value of net identifiable assets; and • Assessing the appropriateness of the accounting treatment and the reasonableness of the goodwill measurement.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs issued by the IASB and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in the independent auditor's report is Ng Kwok Ho.

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong
28 March 2024

Consolidated Statement of Profit or Loss

For the Year Ended 31 December 2023

	NOTES	2023 RMB'000	2022 RMB'000
Revenue	6	**141,100,234**	52,897,584
Other income and gains	8	**7,401,756**	3,374,778
		148,501,990	56,272,362
Operating expenses			
Jet fuel costs		**(46,725,219)**	(22,762,814)
Employee compensation costs	9	**(29,300,310)**	(25,338,553)
Depreciation and amortisation	11	**(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 non-current assets	11	**(187,054)**	(62,584)
Net impairment loss (recognised)/reversed under expected credit loss model	10	**(24,617)**	20,784
		(145,612,467)	(91,716,156)
Profit/(loss) from operations	11	**2,889,523**	(35,443,794)
Finance income		**605,004**	228,720
Finance costs	12	**(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		**(1,035,197)**	(4,088,655)
Loss before taxation		**(1,649,779)**	(45,876,891)
Income tax credit	14	**88,531**	702,981
Loss for the year		**(1,561,248)**	(45,173,910)
Attributable to:			
– Equity shareholders of the Company		**(1,038,411)**	(38,617,495)
– Non-controlling interests		**(522,837)**	(6,556,415)
		(1,561,248)	(45,173,910)
Loss per share			
– Basic and diluted	15	**RMB(6.74) cents**	RMB(281.16) cents

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	**(1,561,248)**	(45,173,910)
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	**(37,313)**	(16,348)
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	**(613)**	3,094
Other comprehensive (expense)/income for the year (net of tax)	**(65,344)**	872,104
Total comprehensive expense for the year	**(1,626,592)**	(44,301,806)
Attributable to:		
– Equity shareholders of the Company	**(1,097,758)**	(37,791,121)
– Non-controlling interests	**(528,834)**	(6,510,685)
	(1,626,592)	(44,301,806)

Consolidated Statement of Financial Position

At 31 December 2023

	NOTES	31 December 2023 RMB'000	31 December 2022 RMB'000
Non-current assets			
Property, plant and equipment	17	**117,728,498**	99,574,059
Right-of-use assets	18	**120,971,059**	125,818,601
Investment properties	19	**726,594**	530,510
Intangible assets		**106,580**	35,031
Goodwill	20	**4,095,732**	1,099,975
Interests in associates	22	**12,863,023**	10,536,483
Interests in joint ventures	23	**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	24	**1,547,986**	241,717
Debt instruments at fair value through other comprehensive income	25	**1,397,310**	1,360,982
Deferred tax assets	26	**13,757,180**	10,473,327
Other non-current assets		**696,685**	251,396
		302,943,973	272,734,246
Current assets			
Inventories	27	**3,682,821**	2,557,823
Accounts receivable	28	**3,182,797**	1,649,356
Bills receivable		**3,601**	7,483
Prepayments, deposits and other receivables	29	**5,852,345**	3,176,418
Financial assets at fair value through profit or loss		**2,505**	3,398
Restricted bank deposits	30	**611,692**	828,166
Cash and cash equivalents	30	**15,016,804**	10,607,711
Assets held for sale		**108,527**	1,302
Other current assets	31	**3,873,629**	3,413,474
		32,334,721	22,245,131
Total assets		**335,278,694**	294,979,377
Current liabilities			
Air traffic liabilities		**(8,366,222)**	(2,757,601)
Accounts payable	32	**(17,954,298)**	(10,935,546)
Bills payable		**(500,160)**	–
Dividends payable		**(98,000)**	(98,000)
Other payables and accruals	33	**(15,701,546)**	(16,548,144)
Advance		**–**	(58,970)
Current taxation		**(76,662)**	(9,359)
Lease liabilities	34	**(18,175,349)**	(17,085,829)
Interest-bearing borrowings	35	**(47,271,768)**	(42,957,170)
Provision for return condition checks	36	**(650,777)**	(936,804)
Contract liabilities	37	**(1,522,492)**	(1,095,185)
		(110,317,274)	(92,482,608)
Net current liabilities		**(77,982,553)**	(70,237,477)

Consolidated Statement of Financial Position

At 31 December 2023

	NOTES	31 December 2023 RMB'000	31 December 2022 RMB'000
Total assets less current liabilities		**224,961,420**	202,496,769
Non-current liabilities			
Lease liabilities	34	**(64,053,967)**	(76,897,347)
Interest-bearing borrowings	35	**(104,759,631)**	(92,847,116)
Provision for return condition checks	36	**(17,196,982)**	(8,605,418)
Provision for early retirement benefit obligations		**(720)**	(807)
Long-term payables		**(1,082,301)**	(251,497)
Contract liabilities	37	**(1,663,987)**	(1,422,843)
Defined benefit obligations	38	**(187,810)**	(202,016)
Deferred income	39	**(404,103)**	(418,200)
Deferred tax liabilities	26	**(347,910)**	(323,297)
		(189,697,411)	(180,968,541)
NET ASSETS		**35,264,009**	21,528,228
CAPITAL AND RESERVES			
Issued capital	40	**16,200,793**	14,524,815
Treasury shares	40	**(3,047,564)**	(3,047,564)
Reserves		**24,052,746**	12,099,925
Total equity attributable to equity shareholders of the Company		**37,205,975**	23,577,176
Non-controlling interests		**(1,941,966)**	(2,048,948)
TOTAL EQUITY		**35,264,009**	21,528,228

The consolidated financial statements on pages 92 to 200 were approved and authorised for issue by the board of directors on 28 March 2024 and signed on its behalf by:

Ma Chongxian
DIRECTOR

Wang Mingyuan
DIRECTOR

Consolidated Statement of Changes in Equity

For the Year Ended 31 December 2023

	NOTES	Attributable to equity shareholders of the Company									
		Issued capital RMB'000	Treasury shares RMB'000	Capital reserve RMB'000	Reserve funds RMB'000	General reserve and safety fund RMB'000	Foreign exchange translation reserve RMB'000	Retained earnings/ (accumulated losses) RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
As at 1 January 2022		14,524,815	(3,047,564)	31,056,961	11,564,287	131,916	(2,755,221)	9,893,363	61,368,557	4,462,554	65,831,111
Changes in equity for 2022											
Loss for the year		–	–	–	–	–	–	(38,617,495)	(38,617,495)	(6,556,415)	(45,173,910)
Other comprehensive (expense)/income		–	–	(504,113)	–	–	1,330,487	–	826,374	45,730	872,104
Total comprehensive (expense)/income		–	–	(504,113)	–	–	1,330,487	(38,617,495)	(37,791,121)	(6,510,685)	(44,301,806)
Appropriation of discretionary reserve funds and others		–	–	–	–	–	–	(260)	(260)	(174)	(434)
Appropriation of general reserve		–	–	–	–	5,222	–	(5,222)	–	–	–
Dividends paid to non-controlling shareholders		–	–	–	–	–	–	–	–	(643)	(643)
Others		–	–	10	–	–	–	(10)	–	–	–
As at 31 December 2022 and 1 January 2023		14,524,815	(3,047,564)	30,552,858	11,564,287	137,138	(1,424,734)	(28,729,624)	23,577,176	(2,048,948)	21,528,228
Changes in equity for 2023											
Loss for the year		**–**	**–**	**–**	**–**	**–**	**–**	**(1,038,411)**	**(1,038,411)**	**(522,837)**	**(1,561,248)**
Other comprehensive (expense)/income		**–**	**–**	**(307,841)**	**–**	**–**	**248,494**	**–**	**(59,347)**	**(5,997)**	**(65,344)**
Total comprehensive (expense)/income		**–**	**–**	**(307,841)**	**–**	**–**	**248,494**	**(1,038,411)**	**(1,097,758)**	**(528,834)**	**(1,626,592)**
Issue of new shares	40	**1,675,978**	**–**	**13,317,039**	**–**	**–**	**–**	**–**	**14,993,017**	**–**	**14,993,017**
Acquisition of a subsidiary	42	**–**	**–**	**(146,162)**	**–**	**3,047**	**–**	**146,162**	**3,047**	**405,039**	**408,086**
Equity transaction with non-controlling shareholders	42	**–**	**–**	**(133)**	**–**	**–**	**–**	**–**	**(133)**	**120**	**(13)**
Dissolution of a subsidiary		**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(5,282)**	**(5,282)**
Capital reduction by a non-controlling shareholder	21	**–**	**–**	**–**	**–**	**–**	**–**	**(268,952)**	**(268,952)**	**252,952**	**(16,000)**
Dividends paid to non-controlling shareholders		**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(16,734)**	**(16,734)**
Appropriation of discretionary reserve funds and others		**–**	**–**	**–**	**–**	**–**	**–**	**(335)**	**(335)**	**(224)**	**(559)**
Appropriation of general reserve		**–**	**–**	**–**	**–**	**16,609**	**–**	**(16,609)**	**–**	**–**	**–**
Others		**–**	**–**	**20**	**–**	**(107)**	**–**	**–**	**(87)**	**(55)**	**(142)**
As at 31 December 2023		**16,200,793**	**(3,047,564)**	**43,415,781**	**11,564,287**	**156,687**	**(1,176,240)**	**(29,907,769)**	**37,205,975**	**(1,941,966)**	**35,264,009**

Consolidated Statement of Cash Flows

For the Year Ended 31 December 2023

	2023 RMB'000	2022 RMB'000
Operating activities		
Loss before taxation	**(1,649,779)**	(45,876,891)
Adjustments for:		
Share of results of associates and joint ventures	**(2,833,978)**	100,542
Exchange losses, net	**1,035,197**	4,088,655
Finance income	**(605,004)**	(228,720)
Finance costs	**6,943,087**	6,472,620
Fair value changes of financial assets at fair value through profit or loss	**893**	(168)
Gain on disposal of property, plant and equipment, right-of-use assets and investment properties	**(900,086)**	(24,281)
(Gain)/loss on disposal of assets held for sale	**(18,519)**	6,774
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	**6**	–
Impairment loss 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**	–
Impairment loss recognised/(reversed) on accounts receivable, net	**22,785**	(3,705)
Impairment losses recognised/(reversed) in financial assets include in other current assets, net	**5,211**	(1,322)
Impairment losses recognised/(reversed) on deposits and other receivables, net	**3,309**	(5,854)
Impairment loss reversed on debt instruments at fair value through other comprehensive income, net	**(6,688)**	(3,275)
Impairment losses recognised on other financial assets, net	**–**	(6,628)
Dividend income	**(14,286)**	(9,368)
Operating cash flows before movements in working capital	**29,314,752**	(14,192,195)
Decrease in deposits for aircraft under leases	**14,161**	27,060
(Increase)/decrease in other non-current assets	**(445,289)**	5,924
Increase in inventories	**(623,648)**	(468,187)
(Increase)/decrease in accounts receivable	**(740,308)**	1,326,380
Decrease/(increase) in bills receivable	**9,854**	(3,892)
(Increase)/decrease in prepayments, deposits and other receivables	**(1,004,702)**	723,036
(Increase)/decrease in other current assets	**(323,580)**	1,260,440
Increase in air traffic liabilities	**5,248,339**	641,573
Increase/(decrease) in accounts payable	**3,986,902**	(1,803,203)
Increase/(decrease) in bills payable	**322,204**	(199,276)
Decrease in other payables and accruals	**(2,058,569)**	(3,425,293)
Increase/(decrease) in provision for return condition checks	**1,121,382**	(161,850)
Decrease in provision for early retirement benefit obligations	**(87)**	(199)
Decrease in defined benefit obligations	**(23,194)**	(24,621)
Decrease in in deferred income	**(14,097)**	(4,419)
Increase/(decrease) in contract liabilities	**581,839**	(733,898)
(Decrease)/increase in advance	**(58,970)**	58,970
Increase in long-term payables	**272,549**	235,851
Cash generated/(used in) from operations	**35,579,538**	(16,737,799)
Income tax paid	**(161,068)**	(24,258)
Interest paid	**(7,513,966)**	(6,579,396)
Net cash from/(used in) operating activities	**27,904,504**	(23,341,453)

Consolidated Statement of Cash Flows

For the Year Ended 31 December 2023

	NOTES	2023 RMB'000	2022 RMB'000
Investing activities			
Advance payments for aircraft and flight equipment		**(13,118,593)**	(6,649,088)
Payments for the purchase of property, plant and equipment		**(9,650,751)**	(988,906)
Payments for the purchase of debt instruments and equity instruments at fair value through other comprehensive income		**(1,354,692)**	(872,680)
Investment in a joint venture		**(61,838)**	(177,755)
(Decrease)/increase in restricted bank deposits against aircraft leases and others		**(4,456)**	13,324
Net cash inflows arising on acquisition of a subsidiary	42	**5,392,113**	–
Proceeds from disposal of property, plant and equipment, and assets held for sale		**1,323,832**	673,202
Interest received		**605,004**	228,720
Dividends received from associates and joint ventures		**141,907**	221,138
Interests received from debt instruments at fair value through other comprehensive income		**59,343**	49,149
Proceeds from disposal of debt instruments and equity instruments at fair value through other comprehensive income		**1,408,988**	592,775
Dividends received from equity instruments at fair value through other comprehensive income		**13,440**	5,531
Proceeds from disposal of investment in an associate		**–**	33,882
Net cash used in investing activities		**(15,245,703)**	(6,870,708)
Financing activities			
Repayments of bank loans and other borrowings		**(42,035,455)**	(63,266,576)
Repayments of lease liabilities		**(25,400,182)**	(17,561,884)
Repayments of corporate bonds and short-term commercial papers		**(10,500,000)**	(20,000,000)
Dividends paid		**(16,734)**	(643)
Transaction costs attributable to issue of new shares		**(6,983)**	–
Payments for acquisition of non-controlling interests		**(13)**	–
Proceeds from new bank loans and other borrowings		**51,226,029**	109,555,661
Proceeds from issue of new shares		**15,000,000**	–
Capital contribution from a non-controlling shareholder of a subsidiary		**3,400,000**	–
Proceeds from issuance of corporate bonds		**–**	15,950,000
Net cash (used in)/from financing activities		**(8,333,338)**	24,676,558
Net increase/(decrease) in cash and cash equivalents		**4,325,463**	(5,535,603)
Cash and cash equivalents at 1 January	30	**10,607,711**	15,934,713
Effect of foreign exchange rate changes		**83,630**	208,601
Cash and cash equivalents at 31 December	30	**15,016,804**	10,607,711

Notes to the Consolidated Financial Statements

For the Year Ended 31 December 2023

1. CORPORATE INFORMATION

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

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

The registered office of the Company is located at 1st Floor – 9th Floor 101, Building 1, 30 Tianzhu Road, Shunyi District, Beijing, the PRC.

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

2. BASIS OF PREPARATION

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 International Financial Reporting Standards ("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 Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("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, as explained in the accounting policies set out below. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

2. BASIS OF PREPARATION (continued)

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for leasing transactions that are accounted for in accordance with IFRS 16 *Leases*, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 *Inventories or value in use in IAS 36 Impairment of Assets*.

For financial instruments which are transacted at fair value and a valuation technique that unobservable inputs is to be used to measure fair value in subsequent periods, the valuation technique is calibrated so that at initial recognition the results of the valuation technique equals the transaction price.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

3. 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)	*Insurance Contracts*
Amendments to IAS 1 and IFRS Practice Statement 2	*Disclosure of Accounting Policies*
Amendments to IAS 8	*Definition of Accounting Estimates*
Amendments to IAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*
Amendments to IAS 12	*International Tax Reform-Pillar Two model Rules*

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.

3. APPLICATION OF NEW AND AMENDMENTS TO IFRSs (continued)

3.1 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.

3.2 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.

3. APPLICATION OF NEW AND AMENDMENTS TO IFRSs (continued)

3.2 Impacts on application of Amendments to IAS1 and IFRS Practice Statement 2 Disclosure of Accounting Policies (continued)

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 set out in Note 4 to the consolidated financial statements.

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	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[1]
Amendments to IFRS 16	*Lease Liability in a Sale and Leaseback*[2]
Amendments to IAS 1	*Classification of Liabilities as Current or Non-current* [2]
Amendments to IAS 1	*Non-current Liabilities with Covenants*[2]
Amendments to IAS 7 and IFRS 7	*Supplier Finance Arrangements*[2]
Amendments to IAS 21	*Lack of Exchangeability*[3]

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.

4. MATERIAL ACCOUNTING POLICY INFORMATION

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests ("NCI"). Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the NCI even if this results in the NCI having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

NCI in subsidiaries are presented separately from the Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

Business combinations

Acquisitions of businesses, other than business combination under common control are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

The identifiable assets acquired and liabilities assumed must meet the definitions of an asset and a liability in the Conceptual Framework for Financial Reporting (the "Conceptual Framework") except for transactions and events within the scope of IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* or IFRIC-Int 21 *Levies*, in which the Group applies IAS 37 or IFRIC-Int 21 instead of the Conceptual Framework to identify the liabilities it has assumed in a business combination. Contingent assets are not recognised.

4. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Business combinations (continued)

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with IAS 12 *Income Taxes* and IAS 19 *Employee Benefits* respectively;

- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS2 at the acquisition date (see the accounting policy below);

- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that standard; and

- lease liabilities are recognised and measured at the present value of the remaining lease payments (as defined in IFRS 16) as if the acquired leases were new leases at the acquisition date, except for leases for which (a) the lease term ends within 12 months of the acquisition date; or (b) the underlying asset is of low value. Right-of-use assets are recognised and measured at the same amount as the relevant lease liabilities, adjusted to reflect favourable or unfavourable terms of the lease when compared with market terms.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any NCI in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree over the net amount of the identifiable assets acquired and the liabilities assumed as at acquisition date. If, after re-assessment, the net amount of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any NCI in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

NCI that are present ownership interests and entitle their holders to a proportionate share of the relevant subsidiary's net assets in the event of liquidation are initially measured at the NCIs' proportionate share of the recognised amounts of the acquiree's identifiable net assets or at fair value.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control), and the resulting gain or loss, if any, is recognised in profit or loss or other comprehensive income, as appropriate. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income and measured under IFRS 9 would be accounted for on the same basis as would be required if the Group had disposed directly of the previously held equity interest.

4. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see the accounting policy above) less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or group of cash-generating units) that is expected to benefit from the synergies of the combination, which represent the lowest level at which the goodwill is monitored for internal management purposes and not larger than an operating segment.

A cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment annually or more frequently when there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit (or group of cash-generating units).

The Group's policy for goodwill arising on the acquisition of an associate and a joint venture is described below.

Investments in associates and joint ventures

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of associates or joint ventures are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, an investment in an associate or a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate or joint venture. When the Group's share of losses of an associate or a joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment in an associate or a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

4. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Investments in associates and joint ventures (continued)

The Group assesses whether there is an objective evidence that the interest in an associate or a joint venture may be impaired. When any objective evidence exists, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised is not allocated to any asset, including goodwill, that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When the Group ceases to have significant influence over an associate or joint control over a joint venture, it is accounted for as a disposal of the entire interest in the investee with a resulting gain or loss being recognised in profit or loss. When the Group retains an interest in the former associate or joint venture and the retained interest is a financial asset within the scope of IFRS 9 *Financial instruments*, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition. The difference between the carrying amount of the associate or joint venture and the fair value of any retained interest and any proceeds from disposing relevant interest in the associate or joint venture is included in the determination of the gain or loss on disposal of the associate or joint venture. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate or joint venture on the same basis as would be required if that associate or joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate or joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) upon disposal/partial disposal of the relevant associate or joint venture.

When a group entity transacts with an associate or a joint venture of the Group, profits and losses resulting from the transactions with the associate or joint venture are recognised in the Group's consolidated financial statements only to the extent of interests in the associate or joint venture that are not related to the Group.

Revenue from contracts with customers

Information about the Group's accounting policies relating to contracts with customers is provided in Note 5, 6 and 37.

Maintenance and overhaul costs

In respect of aircraft and engines, costs of major overhauls are recognised in the carrying amount of the property, plant and equipment or right-of-use assets as a replacement if the recognition criteria are satisfied. Overhaul components subject to replacement during major overhauls are depreciated over the expected life between major overhauls.

The Group has the responsibility to fulfil certain return conditions under the relevant leases agreements. In order to fulfil these return conditions, major overhauls are required to be conducted. Accordingly, estimated overhaul costs for aircraft under leases are accrued and charged to the profit or loss over the lease terms using the ratios per flying hours/cycles. Differences between the estimated costs and the actual costs of overhauls are included in the profit or loss in the period of overhaul.

All other routine repair and maintenance costs incurred in restoring such property, plant and equipment and leased assets to their normal working condition are charged to the profit or loss as and when incurred.

4. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Leases

Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified on or after the date of initial application or arising from business combinations, the Group assesses whether a contract is or contains a lease based on the definition under IFRS 16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

The Group as a lessee

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to leases of buildings and other equipment that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption for lease of low-value assets. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis or another systematic basis over the lease term.

Right-of-use assets

The cost of right-of-use assets includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term are depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

When the Group obtains ownership of the underlying leased assets at the end of the lease term, upon exercising purchase options, the cost of the relevant right-of-use assets and the related accumulated depreciation and impairment loss are transferred to property, plant and equipment.

The Group presents right-of-use assets as a separate line item on the consolidated statement of financial position.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 December 2023

4. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Leases (continued)

The Group as a lessee (continued)

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the Group under residual value guarantees;
- the exercise price of a purchase option if the Group is reasonably certain to exercise the option; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising an option to terminate the lease.

Variable lease payments that reflect changes in market rental rates are initially measured using the market rental rates as at the commencement date. Variable lease payments that do not depend on an index or a rate are not included in the measurement of lease liabilities and right-of-use assets, and are recognised as expense in the period on which the event or condition that triggers the payment occurs.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.
- the lease payments change due to changes in market rental rates following a market rent review/expected payment under a guaranteed residual value, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

The Group presents lease liabilities as a separate line item on the consolidated statement of financial position.

4. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Leases (continued)

The Group as a lessee (continued)

Lease modifications

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and

- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group accounts for the remeasurement of lease liabilities by making corresponding adjustments to the relevant right-of-use assets.

When the modified contract contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the modified contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

The Group as a lessor

Classification and measurement of leases

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset, and such costs are recognised as an expense on a straight-line basis over the lease term.

Sale and leaseback transactions

The Group applies the requirements of IFRS 15 *Revenue from Contracts with Customers* to assess whether sale and leaseback transaction constitutes a sale by the Group.

The Group acts as a seller-lessee

For a transfer that does not satisfy the requirements as a sale, the Group as a seller-lessee continues to recognise the assets and accounts for the transfer proceeds as borrowings within the scope of IFRS 9.

4. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions.

At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. When a fair value gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is also recognised in profit or loss. When a fair value gain or loss on a non-monetary item is recognised in other comprehensive income, any exchange component of that gain or loss is also recognised in other comprehensive income. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. RMB) at the rate of exchange prevailing at the end of the reporting period. Income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the year, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of foreign exchange translation reserve (attributed to NCI as appropriate).

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Any specific borrowing that remain outstanding after the related asset is ready for its intended use or sale is included in the general borrowing pool for calculation of capitalisation rate on general borrowings. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

4. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred income in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants related to income that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the periods in which they become receivable.

Employee benefits

Retirement benefit costs

Payments to defined contribution retirement benefit plans are recognised as an expense when employees have rendered service entitling them to the contributions.

For defined benefit retirement benefit plans, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at the end of each annual reporting period. In determining the present value of the Group's defined benefit obligations and the related current service cost and, where applicable, past service cost, the Group attributes benefit to periods of service under the plan's benefit formula. However, if an employee's service in later years will lead to a materially higher level of benefit than earlier years, the Group attributes the benefit on a straight-line basis from:

(a) the date when service by the employee first leads to benefits under the plan (whether or not the benefits are conditional on further service); until

(b) the date when further service by the employee will lead to no material amount of further benefits under the plan, other than from further salary increases.

Remeasurement, comprising actuarial gains and losses, the effect of the changes to the asset ceiling (if applicable) and the return on plan assets (excluding interest), is reflected immediately in the consolidated statement of financial position with a charge or credit recognised in other comprehensive income in the period in which they occur. Remeasurement recognised in other comprehensive income will not be reclassified to profit or loss.

Past service cost is recognised in profit or loss in the period of a plan amendment or curtailment and a gain or loss on settlement is recognised when settlement occurs. When determining past service cost, or a gain or loss on settlement, an entity shall remeasure the net defined benefit liability or asset using the current fair value of plan assets and current actuarial assumptions, reflecting the benefits offered under the plan and the plan assets before and after the plan amendment, curtailment or settlement, without considering the effect of asset ceiling (i.e. the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan).

4. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Employee benefits (continued)

Retirement benefit costs (continued)

Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset. However, if the Group remeasures the net defined benefit liability or asset before plan amendment, curtailment or settlement, the Group determines net interest for the remainder of the annual reporting period after the plan amendment, curtailment or settlement using the benefits offered under the plan and the plan assets after the plan amendment, curtailment or settlement and the discount rate used to remeasure such net defined benefit liability or asset, taking into account any changes in the net defined benefit liability or asset during the period resulting from contributions or benefit payments.

Defined benefit costs are categorised as follows:

- service cost (including current service cost, past service cost, as well as gains and losses on curtailments and settlements);

- net interest expense or income; and

- remeasurement.

The retirement benefit obligation recognised in the consolidated statement of financial position represents the actual deficit or surplus in the Group's defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any economic benefits available in the form of refunds from the plans or reductions in future contributions to the plans.

Termination benefits

A liability for a termination benefit is recognised at the earlier of when the Group entity can no longer withdraw the offer of the termination benefit and when it recognises any related restructuring costs.

Short-term and other long-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another IFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries, annual leave and sick leave) after deducting any amount already paid.

Liabilities recognised in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Group in respect of services provided by employees up to the reporting date. Any changes in the liabilities' carrying amounts resulting from service cost, interest and remeasurements are recognised in profit or loss except to the extent that another IFRS requires or permits their inclusion in the cost of an asset.

4. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Taxation

Income tax expense represents the sum of current and deferred income tax expense

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit/loss before tax because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit and at the time of the transaction does not give rise to equal taxable and deductible temporary differences. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the periods in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

4. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Taxation (continued)

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies IAS 12 *Income Taxes* requirements to the lease liabilities, the provision for return condition checks, the provision for major overhauls and the related assets separately. The Group recognises a deferred tax asset related to lease liabilities 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 taxable temporary differences.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied to the same taxable entity by the same taxation authority.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for business combination.

Property, plant and equipment

Property, plant and equipment including buildings held for use in the production or supply of goods or services, or for administrative purposes (other than construction in progress), are stated in the consolidated statement of financial position at cost, less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less recognised impairment loss, if any. Costs include any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management, including costs of testing whether the related assets are functioning properly, and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation of overhaul components of engines is calculated using the units of production method based on the estimated flying hours. Depreciation for other property, plant and equipment is recognised so as to write off the cost of items of property, plant and equipment less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives as well as the estimated flying hours, residual values and depreciation method are reviewed at the end of the reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

4. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Impairment of tangible and intangible assets (other than goodwill)

At the end of the reporting period, the Group reviews the carrying amounts of its tangible and intangible assets with finite useful lives to determine whether there is any indication that these assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss (if any). Intangible assets with indefinite useful lives are tested for impairment at least annually, and whenever there is an indication that they may be impaired.

The recoverable amount of tangible and intangible assets are estimated individually. When it is not possible to estimate the recoverable amount of an asset individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

In testing a cash-generating unit for impairment, corporate assets are allocated to the relevant cash-generating unit when a reasonable and consistent basis of allocation can be established, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be established. The recoverable amount is determined for the cash-generating unit or group of cash-generating units to which the corporate asset belongs, and is compared with the carrying amount of the relevant cash-generating unit or group of cash-generating units.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a cash-generating unit) for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount.

For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a cash-generating unit, the Group compares the carrying amount of a group of cash-generating units, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of cash-generating units, with the recoverable amount of the group of cash-generating units. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit or the group of cash-generating units. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit or the group of cash-generating units. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit or a group of cash-generating units) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit or a group of cash-generating units) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Notes to the Consolidated Financial Statements

For the Year Ended 31 December 2023

4. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on a weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Costs necessary to make the sale include incremental costs directly attributable to the sale and non-incremental costs which the Group must incur to make the sale.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

Present obligations arising under onerous contracts are recognised and measured as provisions. An onerous contract is considered to exist where the Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received from the contract. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the net cost of fulfilling it and any compensation or penalties arising from failure to fulfil it.

When assessing whether a contract is onerous or loss-making, the Group includes costs that relate directly to the contract, consisting of both the incremental costs and an allocation of other costs that relate directly to fulfilling contracts.

Provisions for the costs to restore leased assets to their original condition, as required by the terms and conditions of the lease, are recognised at the date of inception of the lease at the Directors' best estimate of the expenditure that would be required to restore the assets. Estimates are regularly reviewed and adjusted as appropriate for new circumstances.

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Financial assets and financial liabilities are initially measured at fair value except for accounts receivable arising from contracts with customers which are initially measured in accordance with IFRS 15. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss ("FVTPL")) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

4. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Financial instruments (continued)

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period.

The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Financial assets

Classification and subsequent measurement of financial assets

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets that meet the following conditions are subsequently measured at fair value through other comprehensive income ("FVTOCI"):

- the financial asset is held within a business model whose objective is achieved by both selling and collecting contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at FVTPL, except that at initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which IFRS 3 *Business Combinations* applies.

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

In addition, the Group may irrevocably designate a financial asset that are required to be measured at the amortised cost or FVTOCI as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

4. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Financial instruments (continued)

Financial assets (continued)

Classification and subsequent measurement of financial assets (continued)

(i) Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost and debt instruments subsequently measured at FVTOCI. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial assets from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit impaired.

(ii) Debt instruments classified as at FVTOCI

Subsequent changes in the carrying amounts for debt instruments classified as at FVTOCI as a result of interest income calculated using the effective interest method are recognised in profit or loss. All other changes in the carrying amount of these debt instruments are recognised in other comprehensive income and accumulated under the heading of capital reserve. Impairment allowances are recognised in profit or loss with corresponding adjustment to other comprehensive income without reducing the carrying amount of these debt instruments. When these debt instruments are derecognised, the cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss.

(iii) Equity instruments designated as at FVTOCI

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the capital reserve; and are not subject to impairment assessment. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, and will be transferred to retained earnings/(accumulated losses).

Dividends from these investments in equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the "other income and gains" line item in profit or loss.

(iv) Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial asset and is included in the "other income and gains" line item.

4. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets and other items subject to impairment assessment under IFRS 9

The Group performs impairment assessment under expected credit loss ("ECL") model on financial assets (including accounts receivable, deposits and other receivables, deposits for aircraft under leases, bills receivable, loans to related parties included in other current assets, restricted bank deposits, cash and cash equivalents, financial assets included in other non-current assets and debt instruments at FVTOCI) which are subject to impairment assessment under IFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment is done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for accounts receivable.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless there has been a significant increase in credit risk since initial recognition, in which case the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;

- significant deterioration in external market indicators of credit risk, e.g., a significant increase in the credit spread, the credit default swap prices for the debtor;

4. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets and other items subject to impairment assessment under IFRS 9 (continued)

(i) Significant increase in credit risk (continued)

- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;

- an actual or expected significant deterioration in the operating results of the debtor;

- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the aforegoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A debt instrument is determined to have low credit risk if i) it has a low risk of default, ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group considers a debt instrument to have low credit risk when it has an internal or external credit rating of 'investment grade' as per globally understood definitions.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

(ii) Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

4. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets and other items subject to impairment assessment under IFRS 9 (continued)

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event;

(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or

(e) the disappearance of an active market for that financial asset because of financial difficulties.

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e., the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data and forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights. The Group uses a practical expedient in estimating ECL on accounts receivable using a provision matrix taking into consideration historical credit loss experience and forward-looking information that is available without undue cost or effort.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

4. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets and other items subject to impairment assessment under IFRS 9 (continued)

(v) Measurement and recognition of ECL (continued)

For a lease receivable, the cash flows used for determining the ECL is consistent with the cash flows used in measuring the lease receivable in accordance with IFRS 16.

For collective assessment, the Group takes into consideration the following characteristics when formulating the grouping:

- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

Except for investments in debt instruments that are measured at FVTOCI, the Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount through a loss allowance account. For investments in debt instruments that are measured at FVTOCI, the loss allowance is recognised in other comprehensive income and accumulated in the capital reserve without reducing the carrying amounts of these debt instruments. Such amount represents the changes in the capital reserve in relation to accumulated loss allowance.

Financial liabilities and equity

Classification as debt or equity

Debt and equity instruments are classified either as financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the group entities after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments (treasury shares) is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments.

Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method or at FVTPL.

Financial liabilities at amortised cost

Financial liabilities (including accounts payable, bills payable, other payables, interest-bearing borrowings and dividends payables) are subsequently measured at amortised cost using the effective interest method.

4. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Financial instruments (continued)

Financial liabilities and equity (continued)

Derecognition/modification of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

For non-substantial modifications of financial liabilities that do not result in derecognition, the carrying amount of the relevant financial liabilities will be calculated at the present value of the modified contractual cash flows discounted at the financial liabilities' original effective interest rate. Transaction costs or fees incurred are adjusted to the carrying amount of the modified financial liabilities and are amortised over the remaining term. Any adjustment to the carrying amount of the financial liability is recognised in profit or loss at the date of modification.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 4, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Impairment test on goodwill

Determining whether goodwill is impaired requires an estimation of the recoverable amount of the cash-generating unit (or group of cash-generating units) to which goodwill has been allocated, which is the higher of the value in use or fair value less costs of disposal. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit (or group of cash-generating units) and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, or change in facts and circumstances which results in downward revision of the future cash flows or upward revision of discount rate, a further impairment loss may rise.

As at 31 December 2023, the carrying amount of goodwill was RMB4,096 million (2022: RMB1,100 million) (net of impairment). Details of the recoverable amount calculation are disclosed in Note 20.

Impairment of non-financial assets (other than goodwill)

The Group assesses whether there are any indicators of impairment for all non-financial assets at the end of each reporting period. Intangible assets with indefinite life are tested for impairment annually and at other times when such indicator exists. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be fully recoverable. If any such indication exists, the recoverable amount of the individual asset or the cash-generating unit to which the asset belongs is estimated in order to determine the extent of the impairment loss (if any). The recoverable amount of the individual asset or the cash-generating unit is determined based on the higher of fair value less costs of disposal and value in use.

In estimating the aforesaid recoverable amount of the individual asset or the cash-generating unit, management consider all relevant factors, including but not limited to the future cash flows and discount rate with reasonable and supportable assumptions to make significant accounting estimations and judgement.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Impairment of non-financial assets (other than goodwill) (continued)

The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposal of the asset.

When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

During the year, the Group recognised impairment loss of approximately RMB178 million (2022: RMB63 million) for certain aircrafts that are about to retire from service in advance. As at 31 December 2023, the aggregate carrying amount of property, plant and equipment, right-of-use assets, investment properties, intangible assets, interests in associates and interests in joint ventures was RMB254,810 million (2022: RMB238,672 million). Details of related items are disclosed in Notes 17, 18, 19, 22 and 23.

Overhaul provisions

Overhaul provisions for aircraft under leases are accrued using the estimated maintenance costs for aircraft to fulfil these return conditions. Management estimates the maintenance costs of major overhauls for aircraft held under leases at the end of each reporting period and accrues such costs over the lease term. The calculation of such costs includes a number of variable factors and assumptions, including the anticipated utilisation of the aircraft and the expected costs of maintenance. Different estimates could significantly affect the estimated overhaul provision and the results of operations.

As at 31 December 2023, provision for major overhauls of the Group amounted to RMB13,739 million (2022: RMB6,421 million) and details are disclosed in Note 36.

Frequent-flyer programme

The transaction price allocated to the miles earned by the members of the Group's frequent-flyer programme is estimated based on the stand-alone selling price of the miles awarded. The stand-alone selling price of the miles awarded is estimated based on expected redemption rate. The expected redemption rate was estimated considering expected future redemption activities, including the number of the miles that will be available for redemption in the future after allowing for miles which are not expected to be redeemed. Any change in estimate would affect profit or loss in future years.

As at 31 December 2023, the contract liabilities related to frequent-flyer programme was RMB2,172 million (2022: RMB2,028 million) and details are disclosed in Note 37.

Expected breakage

For those passenger flight tickets the Group expects to be entitled to breakage because the passenger has not required the Group to perform and is unlikely to do so, the Group recognises the expected breakage amount as revenue in proportion to the pattern of rights exercised by the passenger (or flown revenue) based on historical experience. The air traffic liabilities recorded in the consolidated statement of financial position is after adjusting the effect of expected breakage.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Deferred tax assets

Deferred tax assets are recognised for all unused tax losses and deductible temporary differences to the extent that it is probable that taxable profit will be available against which the losses and deductible temporary differences can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. In cases where the actual future profits generated are less or more than expected, or effective tax rate is changed, or change in facts and circumstances which result in revision of future taxable profits estimation, a material reversal or further recognition of deferred tax assets may arise, which would be recognised in profit or loss for the period in which such change takes places.

As at 31 December 2023, deferred tax assets of RMB23,182 million (2022: RMB18,679 million) in relation to deductible temporary differences and tax losses have been recognised. No deferred tax asset has been recognised on the deductible tax losses of RMB59,113 million (2022: RMB47,281 million) and other deductible temporary differences of RMB327 million (2022: RMB0.5 million) due to the unpredictability of the future streams and details are disclosed in Note 26.

The determination of fair value of identifiable net assets acquired and goodwill recognised arising from the acquisition of a subsidiary

During the year, the Group completed the acquisition of Shandong Aviation and Shandong Airlines Co., Ltd. ("Shandong Airlines") (a subsidiary of Shandong Aviation). The acquisition has been accounted for as an acquisition of business using the acquisition method. At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, and the excess of the sum of the consideration transferred and the fair value of previously held equity interests over the net amount of the identifiable assets acquired and the liabilities assumed is recognised as goodwill. Identifying the identifiable assets acquired and liabilities assumed and measuring their fair values, and calculating the amount of goodwill involves management estimation and judgement. Details are disclosed in Note 42.

6. REVENUE

	2023 RMB'000	2022 RMB'000
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	**141,100,234**	52,897,584

Disaggregation of revenue from contracts with customers

	2023		2022	
Segments	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	–
	136,385,640	–	50,002,426	–
Other operations				
Aircraft engineering income	–	**4,238,926**	–	2,505,219
Others	–	**97,164**	–	105,222
	–	**4,336,090**	–	2,610,441
Total	**136,385,640**	**4,336,090**	50,002,426	2,610,441
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	**136,385,640**	**4,336,090**	50,002,426	2,610,441

6. REVENUE (continued)

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.

7. 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.

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7. SEGMENT INFORMATION (continued)

Operating segments

The following tables present the Group's consolidated revenue and loss before taxation regarding the Group's operating segments in accordance with the Accounting Standards for Business Enterprises of the PRC ("CASs") for the 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 RMB'000	Other operations RMB'000	Elimination RMB'000	Total RMB'000
Revenue				
Sales to external customers	136,764,144	4,336,090	–	141,100,234
Inter-segment sales	206,970	7,909,425	(8,116,395)	–
Revenue for reportable segments under CASs and IFRSs	136,971,114	12,245,515	(8,116,395)	141,100,234
Segment (loss)/profit before taxation				
(Loss)/profit before taxation for reportable segments under CASs	(2,084,670)	475,041	(50,778)	(1,660,407)
Effect of differences between IFRSs and CASs				10,628
Loss before taxation for the year under IFRSs				(1,649,779)

7. SEGMENT INFORMATION (continued)

Operating segments (continued)

Year ended 31 December 2022

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

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7. SEGMENT INFORMATION (continued)

Operating segments (continued)

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	323,324,926	30,250,454	(18,272,699)	335,302,681
Effect of differences between IFRSs and CASs				(23,987)
Total assets under IFRSs				335,278,694
Total assets for reportable segments as at 31 December 2022 under CASs	284,165,518	26,473,501	(15,627,684)	295,011,335
Effect of differences between IFRSs and CASs				(31,958)
Total assets under IFRSs				294,979,377

	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	294,072,306	23,748,047	(17,805,668)	300,014,685
Total liabilities for reportable segments as at 31 December 2022 under CASs and IFRSs	268,114,481	20,560,734	(15,224,066)	273,451,149

7. SEGMENT INFORMATION (continued)

Operating segments (continued)

Year ended 31 December 2023

	Airline operations RMB'000	Other operations RMB'000	Elimination RMB'000	Total RMB'000	Effect of differences between IFRSs and CASs RMB'000	Amounts under IFRSs RMB'000
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	**25,053,588**	**346,788**	**(17,211)**	**25,383,165**	**–**	**25,383,165**

Year ended 31 December 2022

	Airline operations RMB'000	Other operations RMB'000	Elimination RMB'000	Total RMB'000	Effect of differences between IFRSs and CASs RMB'000	Amounts under IFRSs RMB'000
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	26,238,224	367,171	(39,835)	26,565,560	–	26,565,560

Notes to the Consolidated Financial Statements

For the Year Ended 31 December 2023

7. SEGMENT INFORMATION (continued)

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 RMB'000	Hong Kong SAR, Macau SAR and Taiwan, China RMB'000	International RMB'000	Total RMB'000
Sales to external customers and total revenue	**112,765,304**	**4,126,997**	**24,207,933**	**141,100,234**

Year ended 31 December 2022

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

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).

8. OTHER INCOME AND GAINS

	2023 RMB'000	2022 RMB'000
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 (Note)	**1,984,895**	402,552
	7,401,756	3,374,778

Note: These mainly include flight operation remedies.

9. EMPLOYEE COMPENSATION COSTS

An analysis of the Group's employee compensation costs, including the emoluments of Directors and supervisors, is as follows:

	2023 RMB'000	2022 RMB'000
Wages, salaries and other benefits	**25,769,065**	21,637,625
Retirement benefit costs:		
– Contributions to defined contribution retirement scheme	**3,530,426**	3,700,390
– Early retirement benefits	**819**	538
	29,300,310	25,338,553

The employees of the Group in the PRC are members of a state-managed retirement benefits scheme operated by the PRC government. The Group is required to contribute a specific percentage of the total monthly basic salaries of its current employees to the retirement benefits scheme to fund the benefits.

In addition to the above benefits scheme, the Group also provides annuity schemes for certain qualified employees in the PRC. The employees' and the Group's contributions for the annuity schemes are calculated based on certain percentage of the Group's salaries and recognised in profit or loss as expense in profit or loss when incurred.

There were no forfeited contributions in respect of the Group's defined contribution plan as mentioned above.

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For the Year Ended 31 December 2023

10. NET IMPAIRMENT LOSS RECOGNISED/(REVERSED) UNDER EXPECTED CREDIT LOSS MODEL

	2023 RMB'000	2022 RMB'000
Impairment losses recognised/(reversed) on financial assets:		
– Accounts receivable	**22,785**	(3,705)
– Financial assets included in other current assets	**5,211**	(1,322)
– Deposits and other receivables	**3,309**	(5,854)
– Debt instruments at FVTOCI	**(6,688)**	(3,275)
– Others	**–**	(6,628)
	24,617	(20,784)

Details of impairment assessment are set out in Note 44.

11. PROFIT/(LOSS) FROM OPERATIONS

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

	2023 RMB'000	2022 RMB'000
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	**6**	–
Total depreciation and amortisation	**27,110,507**	21,233,674
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	**1,088**	4,443

12. FINANCE COSTS

	2023 RMB'000	2022 RMB'000
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	**6,204**	6,573
	7,207,513	6,753,587
Less: Interest capitalised (Note)	**(264,426)**	(280,967)
	6,943,087	6,472,620

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.

13. DIRECTORS', CHIEF EXECUTIVE'S, SUPERVISORS' AND EMPLOYEES' EMOLUMENTS

Directors', chief executive's and supervisors' remuneration for the year, disclosed pursuant to the applicable Listing Rules and Companies Ordinance, was as follows:

	2023 RMB'000	2022 RMB'000
Directors' fee	**113**	198
Salaries and other allowances	**1,973**	1,502
Discretionary bonus	**1,781**	851
Retirement benefit scheme contributions	**503**	523
	4,370	3,074

13. DIRECTORS', CHIEF EXECUTIVE'S, SUPERVISORS' AND EMPLOYEES' EMOLUMENTS (continued)

For the year ended 31 December 2023

	Directors' fee RMB'000	Salaries and other allowances RMB'000	Discretionary bonus RMB'000	Retirement benefit scheme contributions RMB'000	Total RMB'000
Executive directors					
Ma Chongxian (Notes (a) and (e))	–	–	–	–	–
Wang Mingyuan (Note (a)) (Appointed on 30 March 2023)	–	–	–	–	–
Non-executive directors					
Feng Gang (Note (a))	–	–	–	–	–
Patrick Healy (Note (b))	–	–	–	–	–
Xiao Peng (Appointed on 2 March 2023)	–	580	241	102	923
	–	580	241	102	923
Independent non-executive directors					
Li Fushen	–	–	–	–	–
He Yun	–	–	–	–	–
Xu Junxin	–	–	–	–	–
Winnie Tam Wan-chi	113	–	–	–	113
	113	–	–	–	113
Supervisors					
He Chaofan (Note (a)) (Resigned on 13 January 2023)	–	–	–	–	–
Wang Jie (Note (a)) (Resigned on 2 March 2023)	–	–	–	–	–
Qin Hao (Resigned on 2 March 2023)	–	83	367	50	500
Xiao Jian (Appointed on 10 February 2023)	–	–	–	–	–
Lyu Yanfang	–	379	350	106	835
Guo Lina	–	394	340	96	830
Wang Mingzhu (Appointed on 2 March 2023)	–	263	238	75	576
Li Shuxing (Appointed on 2 March 2023)	–	274	245	74	593
	–	1,393	1,540	401	3,334
	113	1,973	1,781	503	4,370

13. DIRECTORS', CHIEF EXECUTIVE'S, SUPERVISORS' AND EMPLOYEES' EMOLUMENTS (continued)

For the year ended 31 December 2022

	Directors' fee RMB'000	Salaries and other allowances RMB'000	Discretionary bonus RMB'000	Retirement benefit scheme contributions RMB'000	Total RMB'000
Executive directors					
Song Zhiyong (Note (a)) (Resigned on 27 September 2022)	–	–	–	–	–
Ma Chongxian (Notes (a) and (e))	–	–	–	–	–
Non-executive directors					
Feng Gang (Note (a))	–	–	–	–	–
Patrick Healy (Note (b))	–	–	–	–	–
Xue Yasong (Resigned on 25 February 2022)	–	–	–	–	–
	–	–	–	–	–
Independent non-executive directors					
Duan Hongyi (Resigned on 25 February 2022)	–	–	–	–	–
Stanley Hui Hon-chung (Resigned on 25 February 2022)	33	–	–	–	33
Li Dajin (Resigned on 25 February 2022)	33	–	–	–	33
Li Fushen (Appointed on 25 February 2022)	–	–	–	–	–
He Yun (Appointed on 25 February 2022)	–	–	–	–	–
Xu Junxin (Appointed on 25 February 2022)	–	–	–	–	–
Winnie Tam Wan-chi (Appointed on 25 February 2022)	132	–	–	–	132
	198	–	–	–	198
Supervisors					
Zhao Xiaohang (Note (a)) (Resigned on 25 February 2022)	–	–	–	–	–
He Chaofan (Note (a))	–	–	–	–	–
Wang Jie	–	387	260	145	792
Qin Hao	–	363	241	136	740
Lyu Yanfang	–	392	177	124	693
Guo Lina (Appointed on 25 February 2022)	–	360	173	118	651
	–	1,502	851	523	2,876
	198	1,502	851	523	3,074

13. DIRECTORS', CHIEF EXECUTIVE'S, SUPERVISORS' AND EMPLOYEES' EMOLUMENTS (continued)

Notes:

(a) These directors or supervisors did not receive any remuneration for their services in the capacity of the directors or supervisors of the Company. They also held management positions in CNAHC and their remuneration were borne by CNAHC.

(b) These directors did not receive any remuneration for their services in the capacity of the directors. They also held management positions in Cathay Pacific Airways Limited ("Cathay Pacific"), the associate of the Group, and their remuneration were borne by Cathay Pacific.

(c) None of the directors, supervisors and chief executive has waived any emoluments during the years ended 31 December 2023 and 2022.

(d) For the year ended 31 December 2023, the Group received service fee of Hong Kong Dollar ("HKD") 2,351,000 (2022: HKD2,579,000) from Cathay Pacific for the directors' services provided by certain directors and management to Cathay Pacific.

(e) Being the chief executive of the Company.

Five highest paid individuals

For both 2023 and 2022, the five highest paid employees were not directors, supervisors nor chief executive of the Group.

Details of the remuneration of the five highest paid individuals during the year were as follows:

	2023 RMB'000	2022 RMB'000
Salaries and other allowances	**11,566**	10,507
Discretionary bonuses	**51**	81
Retirement benefit scheme contributions	**238**	193
	11,855	10,781

Discretionary bonuses are calculated based on the Group's or respective employee's performance for such financial year.

The number of the five highest paid individuals whose remuneration fell within the following bands is as follows:

	2023	2022
HKD2,000,001 to HKD2,500,000	**–**	2
HKD2,500,001 to HKD3,000,000	**5**	3
	5	5

During both years, no emoluments were paid by the Group to any of the directors, supervisors, chief executive, or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

14. INCOME TAX CREDIT

	2023 RMB'000	2022 RMB'000
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 (Note 26)	**(316,902)**	(732,026)
	(88,531)	(702,981)

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 RMB'000	2022 RMB'000
Loss before taxation	**(1,649,779)**	(45,876,891)
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	–	4,644
Income tax credit	**(88,531)**	(702,981)

15. 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 RMB'000	2022 RMB'000
Loss		
Loss for the purpose of basic and diluted loss per share	**(1,038,411)**	(38,617,495)

	2023 '000	2022 '000
Number of shares		
Number of ordinary shares for the purpose of basic and diluted loss per share	**15,401,755**	13,734,961

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 (Note 40(c)).

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

16. 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.

17. PROPERTY, PLANT AND EQUIPMENT

	Aircraft, engines and flight equipment RMB'000	**Buildings** RMB'000	**Other equipment** RMB'000	**Construction in progress** RMB'000	**Total** RMB'000
Cost					
At 1 January 2022	155,373,060	14,448,877	12,761,493	13,352,420	195,935,850
Additions	644,635	18,908	261,489	19,861,821	20,786,853
Transfer from construction in progress	5,978,392	1,359,998	519,664	(7,858,054)	–
Transfer from right-of-use assets upon obtaining ownership of the underlying leased assets	3,045,004	–	–	–	3,045,004
Transfer from investment properties	–	28,459	–	–	28,459
Transfer to right-of-use assets	–	–	–	(12,542,369)	(12,542,369)
Transfer to assets held for sale	–	(4,381)	–	–	(4,381)
Disposals	(3,590,275)	(41,473)	(327,060)	–	(3,958,808)
Exchange realignment	189,148	–	15,260	–	204,408
At 31 December 2022	161,639,964	15,810,388	13,230,846	12,813,818	203,495,016
Additions	1,474,811	–	345,048	19,095,961	20,915,820
Acquired on the acquisition of a subsidiary (Note 42)	3,984,723	2,250,124	378,651	581,635	7,195,133
Transfer from construction in progress	14,198,998	2,351,893	1,077,561	(17,628,452)	–
Transfer from right-of-use assets upon obtaining ownership of the underlying leased assets	8,230,018	–	147,229	–	8,377,247
Transfer from investment properties	–	72	–	–	72
Transfer to right-of-use assets	–	–	–	(2,562,597)	(2,562,597)
Transfer to assets held for sale	(1,745,995)	–		–	(1,745,995)
Disposals	(3,590,606)	(501,950)	(662,077)	–	(4,754,633)
Exchange realignment	34,773	–	3,315	–	38,088
At 31 December 2023	184,226,686	19,910,527	14,520,573	12,300,365	230,958,151

17. PROPERTY, PLANT AND EQUIPMENT (continued)

	Aircraft, engines and flight equipment RMB'000	Buildings RMB'000	Other equipment RMB'000	Construction in progress RMB'000	Total RMB'000
Accumulated depreciation					
At 1 January 2022	(81,988,338)	(6,003,302)	(8,564,171)	–	(96,555,811)
Depreciation charge for the year	(7,529,353)	(487,866)	(767,351)	–	(8,784,570)
Transfer from right-of-use assets upon obtaining ownership of the underlying leased assets	(1,473,724)	–	–	–	(1,473,724)
Transfer from investment properties	–	(16,853)	–	–	(16,853)
Transfer to assets held for sale	–	3,079	–	–	3,079
Eliminated on disposals	3,272,966	28,508	267,863		3,569,337
Exchange realignment	(89,959)	–	(12,940)	–	(102,899)
At 31 December 2022	(87,808,408)	(6,476,434)	(9,076,599)	–	(103,361,441)
Depreciation charge for the year	(9,977,790)	(656,050)	(977,281)	–	(11,611,121)
Transfer from right-of-use assets upon obtaining ownership of the underlying leased assets	(3,085,065)	–	(34,099)	–	(3,119,164)
Transfer from investment properties	–	(58)	–	–	(58)
Transfer to assets held for sale	1,484,763	–	–	–	1,484,763
Eliminated on disposals	3,086,662	269,509	566,823	–	3,922,994
Exchange realignment	(14,373)	–	(2,868)	–	(17,241)
At 31 December 2023	(96,314,211)	(6,863,033)	(9,524,024)	–	(112,701,268)
Impairment					
At 1 January 2022	(575,332)	–	–	–	(575,332)
Recognised for the year	(62,584)	–	–	–	(62,584)
Eliminated on disposals	78,400	–	–	–	78,400
At 31 December 2022	(559,516)	–	–	–	(559,516)
Recognised for the year	(177,726)	–	–	(6,440)	(184,166)
Transfer to assets held for sale	152,705	–	–	–	152,705
Eliminated on disposals	62,592	–	–	–	62,592
At 31 December 2023	(521,945)	–	–	(6,440)	(528,385)
Net book value					
At 31 December 2023	87,390,530	13,047,494	4,996,549	12,293,925	117,728,498
At 31 December 2022	73,272,040	9,333,954	4,154,247	12,813,818	99,574,059

17. PROPERTY, PLANT AND EQUIPMENT (continued)

During the year, the Group recognised impairment losses amounting to approximately RMB178 million (2022: RMB63 million) for certain aircrafts that are about to retire from service in advance. The impairment provisions refer to the difference between the recoverable amounts of RMB174 million and the carrying amounts of the assets, approximately RMB352 million. The recoverable amounts are based on the fair value of the assets less disposal expenses. Among them, the fair value refers to agreed price of the contractual agreements or the evaluation values of the assets by independent valuers.

In addition, the Company and its subsidiaries, primarily operating as airline operators, performed impairment assessments on their airline operation related assets other than those mentioned above. The airline operation related assets include aircrafts and other operating non-current assets (including property, plant and equipment, right-of-use assets, investment properties and intangible assets) and are grouped as separate cash-generating units. The recoverable amounts for these cash-generating units were determined based on value in use calculations. These calculations used cash flow projections based on financial budgets approved by managements covering a five-year period. Key assumptions for these value in use calculations include budgeted sales and gross margins which are based on these cash-generating units' past performances and managements' market development expectations. The discount rates used are pre-tax rates that reflect the risks specific to each unit, ranging from 9% to 11.5% (2022: 9% to 11%). The cash flows beyond the five-year period were extrapolated using a 2.5% (2022: 2.5%). As the recoverable amounts are above the carrying amounts of cash-generating units, no further impairment loss was recognised during the year.

Depreciation of overhaul components of engines is calculated using the units of production method based on the estimated flying hours. The items of other property, plant and equipment, less their estimated residual value, if any, except for construction in progress, are depreciated on a straight-line basis at the following rates per annum.

	Estimated useful life/flying hours	**Residual value**	**Depreciation rate per annum/per thousand hours**
Aircraft, engines and flight equipment:			
Core parts of airframe and engines	15 to 30 years	5%	3.17% – 6.33%
Overhaul of airframe and cabin refurbishment	5 to 12 years	Nil	8.33% – 20.00%
Overhaul components of engines	9 to 43 thousand hours	Nil	2.33% – 11.11%
Rotable	3 to 15 years	Nil	6.67% – 33.33%
Buildings	5 to 50 years	3%-5%	1.90% – 19.40%
Other equipment	3 to 20 years	Nil-5%	4.75% – 33.33%

As at 31 December 2023, the Group's aircraft and flight equipment, buildings and other equipment with an aggregate net book value of approximately RMB839 million (2022: RMB1,994 million) were pledged to secure certain bank loans of the Group (Note 35).

As at 31 December 2023, the Group was in the process of applying for the title certificates of certain buildings with an aggregate net book value of approximately RMB7,390 million (2022: RMB4,854 million). The Directors are of the opinion that the Group is entitled to lawfully and validly occupy and use the above-mentioned buildings, and the aforesaid matter did not have any significant impact on the Group's consolidated financial position as at 31 December 2023.

18. RIGHT-OF-USE ASSETS

	Aircraft and engines RMB'000	Land RMB'000	Buildings RMB'000	Others RMB'000	Total RMB'000
Cost					
At 1 January 2022	186,385,876	3,197,737	2,385,679	371,704	192,340,996
Additions	3,331,617	906,430	1,072,921	109,472	5,420,440
Transfer from property, plant and equipment	12,540,646	–	–	1,723	12,542,369
Transfer from investment properties	–	9,018	–	–	9,018
Transfer to property, plant and equipment upon obtaining ownership of the underlying leased assets	(3,045,004)	–	–	–	(3,045,004)
Reduction upon completion/early termination of leases	(1,981,336)	(7,051)	(179,541)	(6,895)	(2,174,823)
Exchange adjustments	404,495	–	12,482	–	416,977
At 31 December 2022	197,636,294	4,106,134	3,291,541	476,004	205,509,973
Additions	1,253,435	215,003	346,015	54,089	1,868,542
Acquired on the acquisition of a subsidiary subsidiary (Note 42)	10,631,781	863,396	62,158	–	11,557,335
Transfer from property, plant and equipment	2,061,865	500,732	–	–	2,562,597
Transfer to property, plant and equipment upon obtaining ownership of the underlying leased assets	(8,230,018)	–	–	(147,229)	(8,377,247)
Reduction upon completion/early termination of leases	(4,576,768)	(87,864)	(260,804)	(22,183)	(4,947,619)
Exchange adjustments	84,700	–	2,481	–	87,181
At 31 December 2023	198,861,289	5,597,401	3,441,391	360,681	208,260,762
Accumulated depreciation					
At 1 January 2022	(68,631,778)	(801,018)	(1,242,126)	(55,820)	(70,730,742)
Depreciation charged for the year	(11,462,583)	(77,698)	(779,458)	(105,526)	(12,425,265)
Transfer from investment properties	–	(3,175)	–	–	(3,175)
Transfer to property, plant and equipment upon obtaining ownership of the underlying leased assets	1,473,724	–	–	–	1,473,724
Reduction upon completion/early termination of leases	1,960,333	2,565	169,842	6,893	2,139,633
Exchange adjustments	(140,806)	–	(4,741)	–	(145,547)

18. RIGHT-OF-USE ASSETS (continued)

	Aircraft and engines RMB'000	Land RMB'000	Buildings RMB'000	Others RMB'000	Total RMB'000
At 31 December 2022	(76,801,110)	(879,326)	(1,856,483)	(154,453)	(79,691,372)
Depreciation charged for the year	(14,419,495)	(106,817)	(835,601)	(106,211)	(15,468,124)
Transfer to property, plant and equipment upon obtaining ownership of the underlying leased assets	3,085,065	–	–	34,099	3,119,164
Reduction upon completion/early termination of leases	4,490,941	16,898	257,657	22,126	4,787,622
Exchange adjustments	(35,715)	–	(1,278)	–	(36,993)
At 31 December 2023	(83,680,314)	(969,245)	(2,435,705)	(204,439)	(87,289,703)
Net book value					
At 31 December 2023	115,180,975	4,628,156	1,005,686	156,242	120,971,059
At 31 December 2022	120,835,184	3,226,808	1,435,058	321,551	125,818,601

During the year, expense relating to short-term leases amounted to approximately RMB832 million (2022: RMB578 million), expense relating to leases of low-value assets, excluding short-term leases of low value assets, amounted to approximately RMB7,261,000 (2022: RMB344,000).

Leases committed

As at 31 December 2023, the Group had future undiscounted lease payments under non-cancellable period of RMB2 million (2022: RMB275 million), which was not recognised as lease liabilities since leases have yet to be commenced.

During the year, total cash outflow for leases was RMB26,240 million (2022: RMB18,140 million).

Details of the lease maturity analysis of lease liabilities are set out in Notes 34 and 44.

As at 31 December 2023, all the Group's land use rights, which are recorded as part of right-of-use assets are located in Mainland China, with an aggregate net book value of approximately RMB24 million (2022: RMB25 million) were pledged to secure certain bank loans and other borrowings of the Group (Note 35).

As at 31 December 2023, the Group was in the process of applying for the title certificates of certain land use rights acquired by the Group with an aggregate net book value of approximately RMB595 million (2022: RMB841 million). The Directors are of the opinion that the Group is entitled to lawfully and validly occupy and use the above-mentioned land, and the aforesaid matter did not have any significant impact on the Group's financial position as at 31 December 2023.

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19. INVESTMENT PROPERTIES

	2023 RMB'000	2022 RMB'000
Cost		
As at 1 January	**722,215**	759,692
Acquired on the acquisition of a subsidiary (Note 42)	**227,669**	–
Disposals	**(1,662)**	–
Transfer to property, plant and equipment	**(72)**	(28,459)
Transfer to right-of-use assets	**–**	(9,018)
As at 31 December	**948,150**	722,215
Accumulated depreciation		
As at 1 January	**(191,705)**	(187,894)
Depreciation for the year	**(31,257)**	(23,839)
Disposals	**1,348**	–
Transfer to property, plant and equipment	**58**	16,853
Transfer to right-of-use assets	**–**	3,175
As at 31 December	**(221,556)**	(191,705)
Net carrying amount		
As at 31 December	**726,594**	530,510

20. GOODWILL

	2023 RMB'000	2022 RMB'000
Cost		
As at 1 January	**1,229,710**	1,229,710
Arising on acquisition of a subsidiary (Note 42)	**2,995,757**	–
At 31 December	**4,225,467**	1,229,710
Impairment		
As at 1 January and 31 December	**(129,735)**	(129,735)
Carrying amount		
As at 31 December	**4,095,732**	1,099,975

For the purposes of impairment testing, goodwill acquired through these business combinations has been allocated to the cash-generating units of Shenzhen Airlines and Shandong Aviation respectively.

The recoverable amounts for both Shenzhen Airlines and Shandong Aviation cash-generating units were determined based on value in use calculations. These calculations used cash flow projections based on financial budgets approved by the managements covering a five-year period and discount rates of 11% to 11.5% for both Shenzhen Airlines and Shandong Aviation (2022: 11% for Shenzhen Airlines). The discount rates used are pre-tax rates that reflect the risks specific to each unit. The cash flows beyond the five-year period were extrapolated using a 2.5% growth rate for both Shenzhen Airlines and Shandong Aviation (2022: 2.5% for Shenzhen Airlines: 2.5%). Other key assumptions for value in use calculations include budgeted sales and gross margins which are based on the cash-generating units' past performances and managements' market development expectations.

As the recoverable amounts are significantly above the carrying amounts of Shenzhen Airlines and Shandong Aviation cash-generating units respectively, the Management believes that any reasonably possible change in any of these assumptions would not result in impairment.

21. INTERESTS IN SUBSIDIARIES

Details of the subsidiaries directly and indirectly held by the Company at the end of the reporting period are set out below:

Name of Subsidiaries	Place of incorporation/ registration/operations	Legal status	Paid up issued/ registered capital	Proportion of ownership interest and voting power held by the Company Direct 2023 %	Direct 2022 %	Indirect 2023 %	Indirect 2022 %	Principal activities
China National Aviation Company Limited ("CNAC") (中航興業有限公司)	Hong Kong SAR, China	Limited liability company	HKD331,268,000	**69**	69	**31**	31	Investment holding
Air China Import and Export Co., Ltd. (國航進出口有限公司) (Note (a))	PRC/Mainland China	Limited liability company	RMB95,080,786	**100**	100	**-**	-	Import and export trading
Zhejiang Aviation Service Co., Ltd. (浙江航空服務有限公司) (Note (a))	PRC/Mainland China	Limited liability company	RMB20,000,000	**100**	100	**-**	-	Provision of cabin service and airline catering
Air China Development Corporation (Hong Kong) Limited (國航香港發展有限公司)	Hong Kong SAR, China	Limited liability company	HKD9,379,010	**95**	95	**-**	-	Provision of air ticketing services
Air China Shantou Industrial Development Co., Ltd. (中國國際航空汕頭實業發展公司)#	PRC/Mainland China	Limited liability company	RMB18,000,000	**51**	51	**-**	-	Airline related service
Beijing Golden Phoenix Human Resource Co., Ltd. (北京金鳳凰人力資源服務有限公司) (Note (a))	PRC/Mainland China	Limited liability company	RMB2,000,000	**100**	100	**-**	-	Provision of human resources services
Total Transform Group Ltd. (國航海外控股有限公司)	British Virgin Islands ("BVI")	Limited liability company	HKD13,765,440,000	**99.94**	99.94	**0.06**	0.06	Investment holding
Air Macau Company Limited (澳門航空股份有限公司)	Macau SAR, China	Limited liability company	Macau Pataca ("MOP") 842,042,000	**-**	-	**66.9**	66.9	Airline operator
Beijing Airlines Co., Ltd. (北京航空有限責任公司) (Note (a))	PRC/Mainland China	Limited liability company	RMB1,000,000,000	**51**	51	**-**	-	Airline operator
Dalian Airlines Co., Ltd.# (大連航空有限責任公司) (Note (a))	PRC/Mainland China	Limited liability company	RMB3,000,000,000	**80**	80	**-**	-	Airline operator
Air China Inner Mongolia Co., Ltd. (中國國際航空內蒙古有限公司) (Note (a))	PRC/Mainland China	Limited liability company	RMB1,000,000,000	**80**	80	**-**	-	Airline operator

21. INTERESTS IN SUBSIDIARIES (continued)

Name of Subsidiaries	Place of incorporation/ registration/operations	Legal status	Paid up issued/ registered capital	Proportion of ownership interest and voting power held by the Company Direct 2023 %	Direct 2022 %	Indirect 2023 %	Indirect 2022 %	Principal activities
China National Aviation Finance Co., Ltd. ("CNAF") (中國航空集團財務有限責任公司) (Note (a))	PRC/Mainland China	Limited liability company	RMB1,127,961,864	**51**	51	**-**	-	Provision of financial services
Chengdu Falcon Aircraft Engineering Service Co., Ltd. (成都富凱飛機工程服務有限公司) (Note (b))	PRC/Mainland China	Limited liability company	RMB80,000,000	**30**	30	**30**	30	Provision of aircraft overhaul and maintenance services
Shenzhen Airlines (深圳航空有限責任公司) (Note (b))	PRC/Mainland China	Limited liability company	RMB5,360,000,000	**51**	51	**-**	-	Airline operator
Kunming Airlines Co., Ltd. ("Kunming Airlines") (昆明航空有限公司) (Notes (a) and (d))	PRC/Mainland China	Limited liability company	RMB1,064,000,000	**-**	-	**100**	80	Airline operator
Aircraft Maintenance and Engineering Corporation ("AMECO") (北京飛機維修工程有限公司) (Note (b))	PRC/Mainland China	Limited liability company	United State Dollar ("USD") 300,052,800	**75**	75	**-**	-	Provision of aircraft overhaul and maintenance services
Shandong Aviation (山東航空集團有限公司) (Notes (a) and (c))	PRC/Mainland China	Limited liability company	RMB10,454,489,846.24	**66**	49.4	**-**	-	Airline related service
Shandong Airline (山東航空股份有限公司) (Notes (a) and (c))	PRC/Mainland China	Limited liability company	RMB400,000,000	**22.8**	22.8	**42**	N/A	Airline operator

The English name of the company is direct translations of their Chinese names.

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21. INTERESTS IN SUBSIDIARIES (continued)

Notes:

(a) These companies are wholly-domestic owned enterprises.

(b) These companies are sino-foreign equity joint ventures.

(c) Upon the completion of the acquisition as set out in Note 42, Shandong Aviation and Shandong Aviation, being associates of the Company previously, became non-wholly owned subsidiaries of the Company.

(d) In April 2023, upon the capital reduction of the non-controlling shareholder in Kunming Airlines, the equity interest of Shenzhen Airlines in Kunming Airlines increased from 80% to 100% and Kunming Airlines become an indirect wholly owned subsidiaries of the Company.

The above table lists the subsidiaries of the Company which, in the opinion of the Directors, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the Directors, result in particulars of excessive length.

Information of debt securities, representing corporate bonds and short-term commercial papers, issued by a subsidiary of the Group:

As at 31 December 2023, the Company had a subsidiary which had outstanding issued debt securities as follows:

Name	Face value of debt securities RMB'000	Carrying value of debt securities RMB'000	Maturity date
Shenzhen Airlines	**2,000,000**	**2,022,242**	**23/08/2024**
	1,500,000	**1,538,030**	**18/02/2025**
	1,500,000	**1,540,063**	**25/02/2025**
	1,000,000	**1,026,566**	**21/03/2025**
	1,500,000	**1,537,082**	**07/04/2025**
	700,000	**716,048**	**26/04/2025**
		8,380,031	

21. INTERESTS IN SUBSIDIARIES (continued)

Information of debt securities, representing corporate bonds and short-term commercial papers, issued by a subsidiary of the Group: (continued)

As at 31 December 2022, the Company had a subsidiary which had outstanding issued debt securities as follows:

Name	Face value of debt securities RMB'000	Carrying value of debt securities RMB'000	Maturity date
Shenzhen Airlines	1,000,000	1,024,739	05/03/2023
	2,000,000	2,020,817	23/08/2024
	1,500,000	1,537,210	18/02/2025
	1,500,000	1,539,672	25/02/2025
	1,000,000	1,026,309	21/03/2025
	1,500,000	1,536,677	07/04/2025
	700,000	715,855	26/04/2025
		9,401,279	

Composition of the Group

Principal activities	**Place of incorporation/ registration and operations**	**Number of principal subsidiaries**	
		2023	2022
Airline operator	PRC/Macau SAR	**7**	6
Investment holding	Hong Kong SAR/BVI	**2**	2
Import and export trading	PRC	**1**	1
Provision of cabin service and airline catering	PRC	**1**	1
Provision of air ticketing service	Hong Kong SAR	**1**	1
Provision of human resources services	PRC	**1**	1
Provision of aircraft overhaul and maintenance services	PRC	**2**	2
Provision of airline related services	PRC	**2**	1
Provision of financial services	PRC	**1**	1
		18	16

21. INTERESTS IN SUBSIDIARIES (continued)

Details of non-wholly owned subsidiaries that have material NCI

The table below shows details of non-wholly owned subsidiaries of the Company that have material NCI:

Name of subsidiaries	Place of registration and operations	Proportion of ownership interest and voting power held by NCI at 31 December		(Loss)/profit allocated to NCI year ended 31 December		Accumulated NCI at 31 December	
		2023	2022	2023 RMB'000	2022 RMB'000	2023 RMB'000	2022 RMB'000
Shenzhen Airlines	PRC	**49%**	49%	**(855,954)**	(5,753,524)	**(5,155,650)**	(4,548,830)
Shandong Aviation	PRC	**34%**	N/A	**326,024**	–	**710,618**	–
Individually immaterial subsidiaries with NCI				**7,093**	(802,891)	**2,503,066**	2,499,882
Total				**(522,837)**	(6,556,415)	**(1,941,966)**	(2,048,948)

Summarised financial information in respect of the Company's subsidiaries that have material NCI is set out below. The summarised financial information below represents amounts before intra-group elimination. The summarised financial information below represents amounts shown in the subsidiaries' financial statements prepared in accordance with IFRSs.

21. INTERESTS IN SUBSIDIARIES (continued)

Details of non-wholly owned subsidiaries that have material NCI (continued)

	Shenzhen Airlines	
	2023	2022
	RMB'000	RMB'000
Current assets	**5,121,868**	4,043,309
Non-current assets	**58,049,688**	60,266,673
Current liabilities	**(27,502,925)**	(22,057,983)
Non-current liabilities	**(46,202,653)**	(51,028,062)
Net liabilities	**(10,534,022)**	(8,776,063)
– Equity contributed to equity shareholders of Shenzhen Airlines	**(10,545,827)**	(8,288,691)
– Equity contributed to the NCI of Shenzhen Airlines' subsidiaries	**11,805**	(487,372)
Carrying amount of NCI	**(5,155,650)**	(4,548,830)
Revenue	**29,988,128**	12,540,728
Loss for the year	**(1,734,168)**	(11,428,498)
Total comprehensive expense	**(1,741,959)**	(11,379,944)
– attributable to equity shareholders of Shenzhen Airlines	**(1,729,779)**	(11,078,847)
– attributable to NCI of Shenzhen Airlines' subsidiaries	**(12,180)**	(301,097)
Dividend paid to NCI	**–**	–
Cash from/(used in)operating activities	**7,535,277**	(3,936,692)
Cash used in investing activities	**(3,184,482)**	(489,364)
Cash (used in)/from financing activities	**(4,486,825)**	3,765,041

	Shandong Aviation
	31 December 2023
	RMB'000
Current assets	**4,962,693**
Non-current assets	**26,812,919**
Current liabilities	**(9,207,792)**
Non-current liabilities	**(17,650,278)**
Net assets	**4,917,542**
– Equity contributed to equity shareholders of Shandong Aviation	**8,946,512**
– Equity contributed to the NCI of Shandong Aviation' subsidiaries	**(4,028,970)**
Carrying amount of NCI	**710,618**

21. INTERESTS IN SUBSIDIARIES (continued)

Details of non-wholly owned subsidiaries that have material NCI (continued)

	Shandong Aviation For the period from the acquisition date to 31 December 2023 RMB'000
Revenue	**15,674,953**
Profit for the year	**906,335**
Total comprehensive income	**879,751**
– attributable to equity shareholders of Shandong Aviation	**575,816**
– attributable to NCI of Shandong Aviation' subsidiaries	**303,935**
Dividend paid to NCI	**7,339**
Cash generated from operating activities	**2,363,998**
Cash used in investing activities	**(1,190,298)**
Cash used in financing activities	**(4,177,576)**

The summarised financial information of Shandong Aviation is presented based on the fair value measurement of identifiable net assets acquired on a recurring basis since the acquisition date. Details of the fair value of identifiable net assets acquired on the acquisition date are set out in Note 42.

22. INTERESTS IN ASSOCIATES

	2023 RMB'000	2022 RMB'000
Share of net assets		
– Listed shares in the PRC (Note)	**–**	–
– Listed shares in Hong Kong SAR, China	**10,024,259**	7,828,779
– Unlisted investments	**266,939**	144,913
Goodwill	**2,571,825**	2,562,791
As at 31 December	**12,863,023**	10,536,483
Market value of listed shares	**14,275,696**	14,692,504

22. INTERESTS IN ASSOCIATES (continued)

Details of each of the Group's associates at the end of the reporting period are as follows:

Company name	Place of incorporation/ registration and operations	Paid up issued/ registered capital	Percentage of equity interests attributable to the Group as at 31 December 2023 %	2022 %	Principal activities
Cathay Pacific* (國泰航空有限公司)	Hong Kong SAR, China	HKD28,822,000,000	**29.99**	29.99	Airline operator
Menzies Macau Airport Services Limited* (明捷澳門機場服務有限公司)	Macau SAR, China	MOP10,000,000	**41**	41	Provision of airport ground handling services
Chongqing Civil Aviation Cares Information Technology Co., Ltd. (重慶民航凱亞信息技術有限公司)	PRC/Mainland China	RMB14,800,000	**24.5**	24.5	Provision of airline-related information system services
Chengdu Civil Aviation Southwest Cares Co., Ltd. (成都民航西南凱亞有限責任公司)	PRC/Mainland China	RMB10,000,000	**35**	35	Provision of airline-related information system services
Tibet Airlines Co., Ltd. (西藏航空有限公司)	PRC/Mainland China	RMB280,000,000	**31**	31	Airline operator
ZhengZhou Aircraft Maintenance and Engineering Co., Ltd.# (鄭州飛機維修工程有限公司)	PRC/Mainland China	RMB150,000,000	**30**	30	Provision of overhaul and maintenance services
Shandong Aviation (山東航空集團有限公司) (Note)	PRC/Mainland China	RMB10,454,489,846	**N/A**	49.4	Investment holding
Shandong Airlines (山東航空股份有限公司) (Note)	PRC/Mainland China	RMB400,000,000	**N/A**	22.8	Airline operator
Staeco (Beijing) Business Jet Maintenance Co., Ltd.* (北京山太公務機維修技術有限公司) ("Staeco Business Jet Maintenance") (Note)	PRC/Mainland China	RMB5,000,000	**40**	N/A	Provision of overhaul and maintenance services
Shandong Airlines Rainbow Jet Co., Ltd.* (山東航空彩虹公務機有限公司) ("Shandong Airlines Rainbow") (Note)	PRC/Mainland China	RMB50,000,000	**51**	N/A	Airline operator

* The equity interests of these associates are held indirectly through certain subsidiaries of the Company.

\# The English names of these companies are direct translations of their Chinese names.

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22. INTERESTS IN ASSOCIATES (continued)

Note: Upon the completion of the acquisition on 20 March 2023 as set out in Note 42, Shandong Aviation and Shandong Airlines became non-wholly owned subsidiaries of the Company. In addition, Staeco Business Jet Maintenance and Shandong Airlines Rainbow which are previously associates of Shandong Aviation, became associates of the Group at the acquisition date.

The above table lists the associates of the Group which, in the opinion of the Directors, principally affected the results or assets of the Group. To give details of other associates would, in the opinion of the Directors, result in particulars of excessive length.

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

Cathay Pacific

	2023 RMB'000	2022 RMB'000
Gross amounts of the associate's		
Current assets	**20,615,599**	23,525,160
Non-current assets	**137,170,897**	138,079,890
Current liabilities	**(41,226,666)**	(38,769,705)
Non-current liabilities	**(62,156,724)**	(65,769,684)
Equity	**54,403,106**	57,065,661
– Equity contributed to equity shareholders of the associate	**44,911,357**	37,887,154
– Equity contributed to preferred shareholders of the associate	**9,008,733**	18,703,287
– Equity contributed to NCI of the associate	**6,344**	5,360
– Equity contributed to convertible bond holders of the associate	**476,672**	469,860
Revenue	**85,012,406**	43,657,981
Profit/(loss) for the year	**8,741,428**	(5,600,533)
Other comprehensive expense	**(1,667,227)**	(1,555,181)
Total comprehensive income/(expense)	**7,074,201**	(7,155,714)
Reconciled to the Group's interests in the associate		
Gross amounts of net assets of the associate attributable to equity shareholders	**44,911,357**	37,887,154
Group's effective interest	**29.99%**	29.99%
Group's share of net assets of the associate	**13,468,916**	11,362,357
Elimination of reciprocal shareholding	**(3,444,657)**	(3,533,578)
Goodwill	**2,571,825**	2,535,073
Carrying amount in the consolidated financial statements	**12,596,084**	10,363,852

22. INTERESTS IN ASSOCIATES (continued)

Aggregate information of associates that are not individually material:

	2023 RMB'000	2022 RMB'000
Aggregate carrying amounts of individually immaterial associates in the consolidated financial statements	**266,939**	172,631
Aggregate amounts of the Group's share of those associates'		
– Profit/(loss) for the year	**122,300**	(729,401)
– Other comprehensive income for the year	**698**	3,821
– Total comprehensive income/(expense) for the year	**122,998**	(725,580)

23. INTERESTS IN JOINT VENTURES

	2023 RMB'000	2022 RMB'000
Share of net assets	**2,407,304**	2,171,314
Goodwill	**6,495**	6,495
	2,413,799	2,177,809

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23. INTERESTS IN JOINT VENTURES (continued)

Details of each of the Group's joint ventures at the end of the reporting period are as follows:

Company name	Place of incorporation/ registration and operations	Paid up issued/ registered capital	Percentage of equity interests attributable to the Group as at 31 December		Principal activities
			2023 %	2022 %	
Shanghai Pudong International Airport Cargo Terminal Co., Ltd.# (上海浦東國機場西區公共貨運站有限公司)	PRC/Mainland China	RMB680,000,000	**39**	39	Provision of cargo carriage services
Sichuan Services Aero-Engine Maintenance Co., Ltd. (四川國際航空發動機維修有限公司)	PRC/Mainland China	USD88,000,000	**60**	60	Provision of engine overhaul and maintenance services
GA Innovation China (北京集安航空資產管理有限公司)	PRC/Mainland China	USD10,000,000	**50**	50	Wholesale and import of aircraft and components
Shanghai International Airport Ground Services Ltd. (上海國際機場地面服務有限公司)	PRC/Mainland China	RMB360,000,000	**24**	24	Provision of airport ground handling services
Wuxi Xiangyi Development Co., Ltd.# (無錫市祥翼發展有限公司)	PRC/Mainland China	RMB20,000,000	**46.3**	46.3	Property development
Beijing Aero-Engine Services Co., Ltd.# (北京航空發動機維修有限公司)	PRC/Mainland China	USD190,000,000	**50**	50	Provision of engine overhaul and maintenance services

The English names of these companies are the direct translations of their Chinese names.

The decisions about the relevant activities of the above investees require unanimous consent of the Group and other investors pursuant to the articles of association of these investees.

23. INTERESTS IN JOINT VENTURES (continued)

The Directors are of the opinion that no joint ventures are individually material to the Group. Aggregate information of joint ventures that are not individually material are listed as follows:

	2023 RMB'000	2022 RMB'000
Aggregate carrying amounts of individually immaterial joint ventures in the consolidated financial statements	**2,413,799**	2,177,809
Aggregate amounts of the Group's share of those joint ventures' – Profit for the year	**279,566**	376,872
– Total comprehensive income for the year	**279,566**	376,872

24. EQUITY INSTRUMENTS AT FVTOCI

	2023 RMB'000	2022 RMB'000
Unlisted investments: – Equity securities	**1,547,986**	241,717

The above unlisted equity investments represent the Group's equity interests in a number of private entities established in the PRC and certain interest in unlisted securities of a listed company. The Directors have elected to designate these investments in equity instruments at FVTOCI as they believe that these equity instruments are not held for trading and not expected to be sold in the foreseeable future.

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25. DEBT INSTRUMENTS AT FVTOCI

	2023 RMB'000	2022 RMB'000
Investments in listed bonds	**1,397,310**	1,360,982

The above investments are held by the Group within a business model whose objective is both to collect their contractual cash flows which are solely payments of principal and interest on the principal amount outstanding and to sell these financial assets. Hence, these investments are classified as at debt instruments at FVTOCI.

Details of impairment assessment are set out in Note 44.

26. DEFERRED TAXATION

The movements in deferred tax assets and liabilities during the year were as follows:

	2023 RMB'000	2022 RMB'000
Deferred tax assets:		
As at 1 January	**18,679,375**	18,231,095
Acquisition of a subsidiary (Note 42)	**5,695,801**	–
Credited to profit or loss (Note 14)	**(1,194,005)**	446,056
Exchange realignment	**408**	2,224
Gross deferred tax assets as at 31 December	**23,181,579**	18,679,375
Deferred tax liabilities:		
As at 1 January	**8,529,345**	8,802,061
Acquisition of a subsidiary (Note 42)	**2,715,945**	–
Charged to profit or loss (Note 14)	**(1,510,907)**	(285,970)
Charged to other comprehensive income	**37,926**	13,254
Gross deferred tax liabilities as at 31 December	**9,772,309**	8,529,345
Net deferred tax assets as at 31 December	**13,409,270**	10,150,030

26. DEFERRED TAXATION (continued)

The principal components of the Group's deferred tax assets and liabilities were as follows:

	2023 RMB'000	2022 RMB'000
Deferred tax assets:		
Deductible tax losses	**7,452,665**	6,295,356
Provisions and accruals	**5,562,188**	3,313,963
Lease liabilities	**9,498,934**	8,495,367
Impairment	**375,037**	294,182
Unrealised profit of intra-group transactions	**238,823**	222,470
Differences in value of property, plant and equipment	**53,218**	55,875
Impairment of investments in debt instruments at FVTOCI	**487**	2,159
Unrealised loss on derivative financial instruments	**227**	3
Gross deferred tax assets	**23,181,579**	18,679,375
Deferred tax liabilities:		
Right-of-use assets	**(7,748,228)**	(6,762,099)
Depreciation allowances in excess of the related depreciation	**(1,372,469)**	(1,318,755)
Changes in fair value of equity instruments at FVTOCI	**(205,426)**	(51,247)
Unrealised equity investment income	**(122,284)**	(117,033)
Changes in fair value of debt instruments at FVTOCI	**(4,064)**	(1,779)
Impairment of investments in debt instruments at FVTOCI	**(487)**	(2,159)
Others	**(319,351)**	(276,273)
Gross deferred tax liabilities	**(9,772,309)**	(8,529,345)
Net deferred tax assets	**13,409,270**	10,150,030

The following amounts, determined after appropriate offsetting, are shown separately on the consolidated statement of financial position:

	2023 RMB'000	2022 RMB'000
Net deferred tax assets	**13,757,180**	10,473,327
Net deferred tax liabilities	**(347,910)**	(323,297)
	13,409,270	10,150,030

26. DEFERRED TAXATION (continued)

Details of tax losses and other deductible temporary differences not recognised are set out below:

	2023 RMB'000	2022 RMB'000
Deductible tax losses	**59,112,856**	47,280,705
Other unrecognised deductible temporary differences	**326,651**	490
	59,439,507	47,281,195

At the end of the reporting period, the Group has unused tax losses of approximately RMB90,173 million (2022: RMB72,462 million) available for offset against future profits. Deferred tax asset has been recognised in respect of approximately RMB31,060 million (2022: RMB25,181 million) of such losses. No deferred tax asset has been recognised in respect of the remaining tax losses of approximately RMB59,113 million (2022: RMB47,281 million) which relate to subsidiaries that have been loss-making for some years and it is not considered probable that sufficient taxable profits will be available in the near future against which the tax losses can be utilised. Included in unrecognised tax losses are losses of approximately RMB59,085 million (2022: RMB47,251 million) with expiry dates as disclosed in the following table. Other tax losses may be carried forward indefinitely.

	2023 RMB'000	2022 RMB'000
2023	–	445,810
2024	**302,295**	302,295
2025	**450,281**	450,281
2026	**9,696,642**	7,437,825
2027	**39,300,103**	33,417,819
2028	**9,335,472**	5,197,211
	59,084,793	47,251,241

27. INVENTORIES

An analysis of inventories as at the end of the reporting period is as follows:

	2023 RMB'000	2022 RMB'000
Spare parts of flight equipment	**2,184,056**	1,136,602
Work in progress	**1,297,067**	1,242,975
Catering supplies	**101,531**	78,418
Equipment	**7,653**	7,440
Others	**92,514**	92,388
	3,682,821	2,557,823

28. ACCOUNTS RECEIVABLE

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

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 RMB'000	2022 RMB'000
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	**411,580**	318,949
	3,182,797	1,649,356

Details of impairment assessment of accounts receivable are set out in Note 44.

29. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

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

	2023 RMB'000	2022 RMB'000
Manufacturers' credits	**567,759**	456,026
Prepayments of jet fuel	**99,925**	85,077
Other prepayments	**314,506**	283,615
	982,190	824,718
Deposits and other receivables	**4,870,155**	2,351,700
	5,852,345	3,176,418

As at 31 December 2023, the allowance at lifetime ECL recognised on credit-impaired debtor mainly consisted of the full provision for the amount due from Shenzhen Airlines Property Development Co., Ltd. of RMB293,685,000 (2022: RMB293,685,000).

Details of impairment assessment of deposits and other receivables are set out in Note 44.

30. RESTRICTED BANK DEPOSITS, CASH AND CASH EQUIVALENTS

	2023 RMB'000	2022 RMB'000
Time deposits with banks	**439,195**	231,390
Bank and cash	**15,189,301**	11,204,487
Less: Restricted bank deposits (Note)	**(611,692)**	(828,166)
Cash and cash equivalents	**15,016,804**	10,607,711

Note: As at 31 December 2023 and 2022, the Group's restricted bank deposits mainly contains deposits with the People's Bank of China by CNAF, deposits against aircraft leases and bank deposits with an original maturity of more than three months.

31. OTHER CURRENT ASSETS

	2023 RMB'000	2022 RMB'000
The value added tax credit	**3,503,185**	2,458,518
Loans to related parties	**265,217**	120,107
Debt instruments at FVTOCI	**99,365**	793,677
Others	**17,173**	47,272
	3,884,940	3,419,574
Impairment	**(11,311)**	(6,100)
	3,873,629	3,413,474

Loans to related parties mainly represented loans to CNAHC and its subsidiaries by CNAF at a rate of 2.50%-3.30% (2022: 3.20%-3.60%) per annum and the loans are repayable within one year.

Details of impairment assessment of other current assets are set out in Note 44.

32. 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 RMB'000	2022 RMB'000
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	**4,545,784**	4,522,415
	17,954,298	10,935,546

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

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33. OTHER PAYABLES AND ACCRUALS

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

	2023 RMB'000	2022 RMB'000
Accrued salaries, wages and benefits	**3,154,495**	4,371,313
Payables for construction in progress	**1,715,427**	1,484,480
Deposits received from sales agents	**512,378**	307,024
Other tax payables	**495,176**	266,571
Current portion of long-term payables	**4,233**	3,003
Deposits received by CNAF from related parties	**7,088,514**	7,790,663
Others	**2,731,323**	2,325,090
	15,701,546	16,548,144

34. LEASE LIABILITIES

The Group has obligations under lease agreements expiring during the years from 2024 to 2033 (2022: from 2023 to 2033). An analysis of the lease payments as at the end of the reporting period, together with the present values of the lease payments which are principally denominated in foreign currencies, is as follows:

	At 31 December 2023		At 31 December 2022	
	Lease payments RMB'000	Present values of lease payments RMB'000	Lease payments RMB'000	Present values of lease payments RMB'000
Amounts repayable				
– Within 1 year	**20,663,819**	**18,175,349**	20,023,361	17,085,829
– After 1 year but within 2 years	**17,712,432**	**15,840,293**	18,618,357	16,082,080
– After 2 years but within 5 years	**35,082,619**	**32,158,689**	40,807,251	36,673,405
– After 5 years	**16,889,125**	**16,054,985**	25,190,894	24,141,862
Total	**90,347,995**	**82,229,316**	104,639,863	93,983,176
Less: Amounts representing future finance costs	**(8,118,679)**		(10,656,687)	
Present values of lease payments	**82,229,316**		93,983,176	
Less: Portion classified as current liabilities	**(18,175,349)**		(17,085,829)	
Non-current portion	**64,053,967**		76,897,347	

The weighted average incremental borrowing rates applied to lease liabilities ranged from 0.37% to 8.31% per annum at 31 December 2023 (2022: from 0.32% to 4.90%).

Under the terms of certain lease agreements, the Group has the option to purchase the aircraft at the end of or during the lease term, at the price as stipulated in those lease agreements.

35. INTEREST-BEARING BORROWINGS

	2023 RMB'000	2022 RMB'000
Bank loans and other borrowings:		
– Secured	**748,462**	1,315,191
– Unsecured	**139,882,030**	113,287,610
	140,630,492	114,602,801
Corporate bonds and short-term commercial papers:		
– Secured	**–**	6,773,180
– Unsecured	**11,400,907**	14,428,305
	11,400,907	21,201,485
	152,031,399	135,804,286

	2023 RMB'000	2022 RMB'000
Bank loans and other borrowings repayable:		
– Within 1 year	**45,067,693**	32,949,027
– After 1 year but within 2 years	**57,883,821**	19,980,259
– After 2 years but within 5 years	**33,414,939**	61,558,753
– After 5 years	**4,264,039**	114,762
	140,630,492	114,602,801
Corporate bonds and short-term commercial papers repayable:		
– Within 1 year	**2,204,075**	10,008,143
– After 1 year but within 2 years	**9,196,832**	2,020,817
– After 2 years but within 5 years	**–**	9,172,525
	11,400,907	21,201,485
Total interest-bearing borrowings	**152,031,399**	135,804,286
Less: Portion classified as current liabilities	**(47,271,768)**	(42,957,170)
Non-current portion	**104,759,631**	92,847,116

35. INTEREST-BEARING BORROWINGS (continued)

Bank and other borrowings denominated in currencies other than the functional currencies of respective entities are set out below:

	2023 RMB'000	2022 RMB'000
MOP	**487,814**	673,747
European Dollar ("EURO")	**121,611**	114,859
USD	–	116,117
HKD	–	403,299
	609,425	1,308,022

The carrying amount of the bank and other borrowings and the range of interest rates are as below:

	2023		2022	
	RMB'000	%	RMB'000	%
Fixed rate bank loans and other borrowings	**91,804,188**	**2.00-4.38**	75,590,803	2.00-4.38
Fixed rate corporate bonds and short-term commercial papers	**11,400,907**	**2.54-3.46**	21,201,485	1.81-5.30
Floating rate bank loans and other borrowings	**48,826,304**	**2.30-4.45**	39,011,998	2.25-5.79
	152,031,399		135,804,286	

The floating rate bank and other borrowings are arranged at the interest rate based on benchmark interest rates of The People's Bank of China.

The Group's interest-bearing borrowings had been secured by the Group's assets and the carrying amounts of the respective assets at the end of the reporting period are as follows:

	2023 RMB'000	2022 RMB'000
Aircraft and flight equipment, buildings and other equipment	**837,673**	1,994,160
Land use rights	**24,221**	25,008
Intangible assets	**6,105**	–
	867,999	2,019,168

As at 31 December 2022, corporate bonds issued by the Group with a par value of RMB6,500 million were guaranteed by CNAHC, As these corporate bonds were repaid at maturity during the year, there are no guaranteed borrowings as at 31 December 2023.

As at 31 December 2023, corporate bonds with carrying amount of RMB8,380 million (2022: corporate bonds with carrying amount of RMB9,401 million) were issued by Shenzhen Airlines, a subsidiary of the Company.

36. PROVISION FOR RETURN CONDITION CHECKS

Details of the movements in provision for return condition checks in respect of aircraft under leases at the end of the reporting period are as follows:

	2023 RMB'000	2022 RMB'000
As at 1 January	**9,542,222**	9,384,846
Acquisition of a subsidiary (Note 42)	**6,951,253**	–
Provision for the year	**2,659,165**	963,654
Utilisation during the year	**(1,304,881)**	(806,278)
As at 31 December	**17,847,759**	9,542,222
Less: Portion classified as current liabilities	**(650,777)**	(936,804)
Non-current portion	**17,196,982**	8,605,418

As at 31 December 2023, provision for major overhauls was RMB13,739 million (2022: RMB6,421 million). Provision for major overhauls is calculated based on a number of variable factors and assumptions, including the anticipated utilisation of the aircraft and the expected costs of maintenance. The estimates are reviewed on an ongoing basis and revised whenever appropriate.

37. CONTRACT LIABILITIES

	2023 RMB'000	2022 RMB'000
Frequent-flyer programme (Note)	**2,172,125**	2,028,222
Others	**1,014,354**	489,806
	3,186,479	2,518,028
Analysed as:		
Current portion	**1,522,492**	1,095,185
Non-current portion	**1,663,987**	1,422,843
	3,186,479	2,518,028

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37. CONTRACT LIABILITIES (continued)

Note:

The movements of the Group's frequent-flyer programme during the year were as follows:

	2023 RMB'000	2022 RMB'000
As at 1 January	**2,028,222**	2,706,173
Additions during the year	**1,598,477**	805,257
Recognised as revenue during the year	**(1,454,574)**	(1,483,208)
As at 31 December	**2,172,125**	2,028,222
Less: Portion classified as current liabilities	**(508,138)**	(605,379)
Non-current portion	**1,663,987**	1,422,843

The Group operates frequent-flyer programme and provides free services or products to the customers according to the miles they earn. The Group maintains IT systems in order to track the point of service provision for each sale and also to track the issuance and subsequent redemption and utilisation and expiry of frequent-flyer programme awards. The amount allocated to the miles earned by the frequent-flyer programme members is deferred until the miles are redeemed when the Group fulfils its obligations to supply services or products or when the miles expire.

38. DEFINED BENEFIT OBLIGATIONS

The liabilities recognised in the consolidated statement of financial position represent:

	2023 RMB'000	2022 RMB'000
Post-retirement benefit obligations	**210,054**	225,824
Less: current portion	**(22,244)**	(23,808)
Long-term portion	**187,810**	202,016

AMECO, a subsidiary of the Company, provides monthly retirement benefits for those staff who were retired before AMECO adopted its own enterprise annuity plan (the "Plan"). These retirement benefits are recognised as defined benefit obligations.

38. DEFINED BENEFIT OBLIGATIONS (continued)

Movements of the defined benefit obligations were set out as follows:

	2023 RMB'000	2022 RMB'000
At 1 January	**225,824**	242,920
Remeasurement loss	**912**	952
Past service cost	**308**	–
Interest cost	**6,204**	6,573
Payments	**(23,194)**	(24,621)
At 31 December	**210,054**	225,824
Less: current portion	**(22,244)**	(23,808)
Long-term portion	**187,810**	202,016

Expenses recognised in the consolidated statement of profit or loss and other comprehensive income are as follows:

	2023 RMB'000	2022 RMB'000
Finance costs		
– Interest cost	**6,204**	6,573
Past service cost	**308**	–
Other comprehensive expense		
– Remeasurement loss	**912**	952
Total defined benefit costs	**7,424**	7,525

The Plan exposes the Group to actuarial risks such as interest rate risk and longevity risk.

Interest rate risk — The present value of the defined benefit plan obligation is calculated using a discount rate determined by reference to government bond yields. A decrease in the bond interest rate will increase the plan liability.

Longevity risk — The present value of the defined benefit plan obligation is calculated by reference to the best estimate of the mortality of plan participants after their employment. An increase in the life expectancy of the plan participants will increase the plan liability.

The most recent actuarial valuations of the present value of the defined benefit obligations as at 31 December 2023 and 2022 were carried out by an independent firm of actuaries, Ernst & Young (China) Advisory Limited. The present value of the defined benefit obligations, and the related past cost were measured using the projected unit credit method.

38. DEFINED BENEFIT OBLIGATIONS (continued)

Significant actuarial assumptions (expressed as weighted averages) are as follows:

	2023	2022
Discount rate	**2.60%**	2.90%
Average expected remaining life of eligible participants	**11.0 years**	11.7 years

Significant actuarial assumptions for the determination of the defined benefit obligation are discount rate and mortality. The sensitivity analyses below have been determined based on reasonably possible changes of the respective assumptions occurring at the end of the reporting period, while holding all other assumptions constant.

- If the discount rate on benefit obligation decreases by 0.5%, the defined benefit obligations would increase by RMB7.6 million (2022: increase by RMB8.3 million).

- If the mortality changes to 95% of original assumption, the defined benefit obligations would increase by RMB4.8 million (2022: increase by RMB4.9 million).

39. DEFERRED INCOME

	2023 RMB'000	2022 RMB'000
Government grants	**308,315**	317,993
Others	**95,788**	100,207
	404,103	418,200

40. CAPITAL AND RESERVES

(a) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out below:

	Issued capital RMB'000	**Capital reserve** RMB'000	**Reserve funds** RMB'000	**Retained earnings/ (accumulated losses)** RMB'000	**Total** RMB'000
As at 1 January 2022	14,524,815	27,536,676	11,527,181	6,892,057	60,480,729
Total comprehensive expense for the year	–	(10)	–	(30,794,040)	(30,794,050)
Others	–	10	–	(10)	–
As at 31 December 2022	14,524,815	27,536,676	11,527,181	(23,901,993)	29,686,679
Total comprehensive expense for the year	–	–	–	(3,070,996)	(3,070,996)
Issue new shares	1,675,978	13,317,039	–	–	14,993,017
As at 31 December 2023	16,200,793	40,853,715	11,527,181	(26,972,989)	41,608,700

Under the PRC Company Law and the Company's articles of association, profit after taxation as reported in the PRC statutory financial statements can only be distributed as dividends after allowances have been made for the following:

(i) making up prior years' cumulative losses, if any;

(ii) allocations to the statutory reserve fund of at least 10% of the after-tax profit, until the fund reaches 50% of the Company's registered capital (for the purpose of calculating transfers to reserves, profit after taxation would be the amount determined under CASs). The transfers to reserves should be made before any distribution of dividends to shareholders. The statutory reserve fund can be used to offset previous years' losses, if any, and part of the statutory reserve fund can be capitalised as the Company's share capital provided that the amount of such reserve remaining after the capitalisation shall not be less than 25% of the share capital of the Company; and

(iii) allocations to the discretionary reserve fund approved by the shareholders.

40. CAPITAL AND RESERVES (continued)

(a) Movements in components of equity (continued)

The above reserves cannot be used for purposes other than those for which they are created and are not distributable as cash dividends. As at 31 December 2023, in accordance with the PRC Company Law, amount of approximately RMB11,527 million (2022: RMB11,527 million) standing to the credit of the Company's reserve funds, as determined in accordance with CASs, were available for distribution by way of future capitalisation issue. In addition, the Company had accumulated losses of approximately RMB28,356 million as at 31 December 2023 (2022: accumulated losses of approximately RMB25,147 million), as determined in accordance with CASs.

(b) Share capital

The number of shares of the Company and their nominal values as at 31 December 2023 and 31 December 2022 are as follows:

	Number of shares 2023	**Nominal value 2023 RMB'000**	Number of shares 2022	Nominal value 2022 RMB'000
Registered, issued and fully paid:				
H shares of RMB1.00 each:				
– Tradable	**4,562,683,364**	**4,562,683**	4,562,683,364	4,562,683
A shares of RMB1.00 each:				
– Tradable	**11,023,584,324**	**11,023,585**	9,962,131,821	9,962,132
– Tradable-restricted (Note)	**614,525,150**	**614,525**	–	–
	16,200,792,838	**16,200,793**	14,524,815,185	14,524,815

A shares rank pari passu, in all material respects, with H shares of the Company.

Note: On 3 January 2023, the Company issued 1,675,977,653 new non-public A shares at the price of RMB8.95 per share with par value of RMB1. Total proceed of the issuance was RMB15,000 million and the net proceed was RMB14,993 million, after deducting issue cost of RMB7 million (excluding value-added tax), of which RMB1,676 million was recognised as issued capital and RMB13,317 million was recognised as capital reserve. Upon completion of the issuance, the new A shares subscribed by CNAHC and other subscribers are subject to a lock-up period of 18 months and 6 months respectively. The new A shares issued rank pari passu with the existing A shares and H shares in all respects.

(c) Treasury shares

As at 31 December 2023, the Group owned 29.99% equity interest in Cathay Pacific (2022: 29.99%), which in turn owned 16.26% (2022: 18.13%) equity interest in the Company. Accordingly, the 29.99% of Cathay Pacific's shareholding in the Company was recorded in the Group's consolidated financial statements as treasury shares through deduction from equity.

40. CAPITAL AND RESERVES (continued)

(d) Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies, or processes for managing capital during the years ended 31 December 2023 and 2022.

The Group monitors capital structure by reference to the gearing ratio, which represents total liabilities divided by total assets. The gearing ratio as at the end of the reporting periods was as follows:

	2023 RMB'000	2022 RMB'000
Total liabilities	**300,014,685**	273,451,149
Total assets	**335,278,694**	294,979,377
Gearing ratio	**89.48%**	92.70%

41. CONTINGENT LIABILITIES

As at 31 December 2023, the Group had the following contingent liabilities:

Pursuant to the restructuring of CNAHC in preparation for the listing of the Company's H shares on the HKSE and the LSE, the Company entered into a restructuring agreement (the "Restructuring Agreement") with CNAHC and China National Aviation Corporation (Group) Limited ("CNACG", a wholly-owned subsidiary of CNAHC) on 20 November 2004. According to the Restructuring Agreement, except for liabilities constituting or arising out of or relating to business undertaken by the Company after the restructuring, no liabilities would be assumed by the Company and the Company would not be liable, whether severally, or jointly and severally, for debts and obligations incurred prior to the restructuring by CNAHC and CNACG. The Company has also undertaken to indemnify CNAHC and CNACG against any damage suffered or incurred by CNAHC and CNACG as a result of any breach by the Company of any provision of the Restructuring Agreement.

42. ACQUISITION OF A SUBSIDIARY

According to the share transfer agreement signed between the Company and shareholders of Shandong Aviation, the Company acquired 2.311% of Shandong Aviation from its existing shareholders and acquired another 14.2823% of Shandong Aviation through a capital injection. Both the equity transfer and the capital injection belong to a single transaction. Upon the completion of the acquisition on 20 March 2023, the Company's direct equity interest in Shandong Aviation is 66% and Shandong Aviation became a non-wholly owned subsidiary of the Company from then on. Prior to the acquisition, the Company's equity interests in Shandong Aviation and Shandong Airline, a subsidiary of Shandong Aviation, were accounted for as interest in associates under equity method. The acquisition has been accounted for as an acquisition of business using the acquisition method.

Assets and liabilities recognised at the date of acquisition

	RMB'000
Property, plant and equipment	**7,195,133**
Right-of-use assets	**11,557,335**
Investment properties	**227,669**
Intangible assets	**71,553**
Advance payments for aircraft and flight equipment	**4,912,566**
Deferred tax assets	**3,059,699**
Inventories	**476,996**
Accounts receivable	**378,666**
Prepayments, deposits and other receivables	**10,416,460**
Restricted bank deposits	**20,919**
Cash and cash equivalents	**5,425,076**
Other current and non-current assets	**753,874**
Accounts payable	**(3,027,852)**
Lease liabilities	**(9,876,072)**
Interest-bearing borrowings and corporate bonds	**(17,919,560)**
Provision for return condition checks	**(6,951,253)**
Deferred tax liabilities	**(79,843)**
Other current and non-current liabilities	**(2,600,691)**
Net assets recognised at the date of acquisition	**4,040,675**

The gross contractual amounts of the receivables acquired (which principally comprised accounts receivable and other receivables) at the date of acquisition were approximate their fair values. The best estimate at the acquisition date of the contractual cash flows not expected to be collected amounted to RMB155 million.

NCI

The NCI recognised at the acquisition date were measured by reference to the proportionate share of recognised amounts of net assets of Shandong Aviation and amounted to RMB403 million.

42. ACQUISITION OF A SUBSIDIARY (continued)

Consideration transferred and goodwill arising on acquisition

	RMB'000
49.4067% equity interests in Shandong Aviation previously held	–
22.8% equity interests in Shandong Airlines previously held	–
Cash consideration for the 2.311% equity interests in Shandong Aviation	32,963
Injected capital to Shandong Aviation	6,600,000
Total	6,632,963
Plus: NCI	403,469
Less: net assets recognised at the date of acquisition	(4,040,675)
Goodwill arising on acquisition	2,995,757

None of the goodwill arising on this acquisition is expected to be deductible for tax purposes.

The capital contribution of RMB6,600 million and RMB3,400 million by the Company and a NCI respectively were injected in April 2023.

Net cash inflows arising on acquisition are as follows:

	RMB'000
Consideration paid in cash	32,963
Less: cash and cash equivalents acquired	(5,425,076)
Net cash inflows	5,392,113

Impact of acquisition on the results of the Group

Included in the loss for the year of the Group is profit of RMB906 million attributable to the additional business generated by Shandong Aviation after the acquisition. Revenue for the year of the Group includes RMB15,675 million generated from Shandong Aviation after the acquisition.

Had the acquisition been completed on 1 January 2023, revenue and loss for the year of the Group would have been RMB144,538 million and RMB1,891 million, respectively. The pro forma information has not been audited and is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2023, nor is it intended to be a projection of future results.

In determining the 'pro-forma' revenue and profit of the Group had Shandong Aviation been acquired at the beginning of the current year, the Directors of the Company calculated depreciation of property, plant and equipment, right-of-use assets and investment properties based on the recognised amounts at the date of the acquisition.

42. ACQUISITION OF A SUBSIDIARY (continued)

Impact of acquisition on the results of the Group (continued)

On the date of acquisition, the cumulative share of other comprehensive income of Shandong Aviation and Shandong Airlines previously accumulated in the capital reserve were transferred to accumulated losses.

As set out in the announcement published by the Company dated 27 April 2023, on 22 March 2023, in accordance with the Regulations on the Takeover of Listed Companies issued by China Securities Regulatory Commission, the Company made a general offer to the shareholders of Shandong Airlines other than the Company and Shandong Aviation at the price of Hong Kong Dollars 2.62 per share. Upon the expiration of the offer period, the Company have acquired 5,832 B shares with consideration amounting to approximately RMB13,000. The transaction was accounted for as an equity transaction with non-controlling shareholders.

43. COMMITMENTS

(a) Capital commitments

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

	2023 **RMB'000**	2022 RMB'000
Contracted for but not provided in the consolidated financial statements	**72,078,516**	58,508,783

(b) Investment commitments

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

	2023 **RMB'000**	2022 RMB'000
Contracted, but not provided for:		
– investment commitment to joint ventures	**456,834**	511,898

In 2012, the Company entered into an agreement with a joint venture as its 50% shareholder. As at 31 December 2023 and 2022, the Company has invested USD1.5 million and committed to invest USD3.5 million in the future.

In 2022, the Company entered into an agreement with a joint venture as its 50% shareholder. As at 31 December 2023, the Company has invested USD34 million (2022: USD25 million) and committed to further invest USD61 million (2022: USD70 million) in the future.

44. FINANCIAL INSTRUMENTS

a. Categories of financial instruments

	2023 RMB'000	2022 RMB'000
Financial assets		
Amortised cost:		
Accounts receivable	**3,182,797**	1,649,356
Deposits and other receivables	**4,870,155**	2,351,700
Deposits for aircraft under leases	**525,463**	539,624
Bills receivable	**3,601**	7,483
Loans to related parties	**253,906**	114,007
Restricted bank deposits	**611,692**	828,166
Cash and cash equivalents	**15,016,804**	10,607,711
Long-term receivables from related parties included in other non-current assets	**328,886**	–
	24,793,304	16,098,047
Financial assets at FVTPL	**2,505**	3,398
Equity instruments at FVTOCI	**1,547,986**	241,717
Debt instruments at FVTOCI (including debt instruments at FVTOCI included in other current assets)	**1,496,675**	2,154,659
Financial liabilities		
Amortised cost:		
Accounts payable	**17,954,298**	10,935,546
Bills payable	**500,160**	–
Other payables	**11,569,341**	11,744,531
Interest-bearing borrowings	**152,031,399**	135,804,286
Dividends payable	**98,000**	98,000
	182,153,198	158,582,363
Lease liabilities	**82,229,316**	93,983,176

44. FINANCIAL INSTRUMENTS (continued)

b. Financial risk management objectives and policies

The above table lists the Group's major financial instruments. Details of these financial instruments are disclosed in the respective notes. The risks associated with these financial instruments include market risks (interest rate risk and foreign currency risk), credit risk, and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

(i) Interest rate risk

The Group is exposed to fair value interest rate risk which arises from fixed rate lease liabilities, fixed rate bank loans and other borrowings (see Notes 34 and 35 for details), fixed rate corporate bonds, loans to related parties include in other current assets.

In addition, the Group is exposed to cash flow interest rate risk which arises from floating rate bank loans and other borrowings, lease liabilities, restricted bank deposits, bank balances and loans to related parties include in other current assets. The Group's exposures to interest rates on financial liabilities are detailed in the liquidity risk management section of this note.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for bank balances, restricted bank deposits, floating rate loans to related parties include in other current assets, floating rate bank loans and other borrowings and floating rate lease liabilities at the end of the reporting period. The analysis is prepared assuming the financial instruments outstanding at the end of reporting period were outstanding for the whole year. A 50 basis points increase or decrease in interest rate are used which represent management's assessment of the reasonably possible changes in interest rates.

If interest rates had been 50 basis points (2022: 50 basis points) higher/lower with all other variables held constant, the Group's post-tax loss for the year ended 31 December 2023 and equity as at 31 December 2023 would increase/decrease by approximately RMB288 million (2022: RMB337 million) taking into account the capitalisation of borrowing costs.

In management's opinion, the sensitivity analysis is unrepresentative of the inherent interest rate risk as exposure at the end of the reporting period does not reflect the exposure during the year.

44. FINANCIAL INSTRUMENTS (continued)

b. Financial risk management objectives and policies (continued)

Market risk (continued)

(ii) Currency risk

The Group's exposure to currency risk is attributable to cash and cash equivalents, accounts receivable, deposits and other receivables, accounts payable, other payables, lease liabilities and interest-bearing borrowings which are denominated in the currencies other than the functional currency of the relevant group entities. The management manages and monitors this exposure to ensure appropriate measures are implemented on a timely and effective manner.

The carrying amounts of the Group's major foreign currency denominated monetary assets and monetary liabilities other than the functional currency of the relevant group entities at the end of the reporting period are as follows:

	Assets		**Liabilities**	
	2023	2022	**2023**	2022
	RMB'000	RMB'000	**RMB'000**	RMB'000
USD	**7,331,898**	4,662,006	**37,869,554**	41,190,431
EURO	**152,202**	126,316	**1,081,917**	662,117
HKD	**75,215**	250,970	**181,287**	504,600
JPY	**50,836**	27,488	**594,172**	501,719

Sensitivity analysis

The sensitivity analysis below has been determined based on a 1% (2022: 1%) increase/decrease in functional currency of respective group entities against USD. 1% (2022: 1%) is the sensitivity rate used and represents management's assessment of the reasonably possible change in exchange rate. The sensitivity analysis includes only outstanding USD denominated monetary items and adjusts their translation at the end of the reporting period for a 1% (2022: 1%) change in foreign currency rates. A positive number below indicates a decrease in the Group's post-tax loss, where functional currency of respective group entities had strengthened 1% (2022: 1%) against USD. For a 1% (2022: 1%) weakening of functional currency of respective group entities against USD, there would be an equal and opposite impact on the post-tax loss for the year.

	Decrease in the Group's post-tax loss/ equity 2023 RMB'000	Decrease in the Group's post-tax loss/ equity 2022 RMB'000
– if RMB strengthens against USD	**229,032**	273,963

44. FINANCIAL INSTRUMENTS (continued)

b. Financial risk management objectives and policies (continued)

Credit risk and impairment assessment

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Group. At the end of the reporting period, the Group's maximum exposure is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

Accounts receivable of the Group mainly include receivables from receivables from BSP agents (a clearing system between airlines and sales agents organised by the International Air Transportation Association), receivables of transportation service fee on the passenger aircraft cargo business and CNAHC. The balance due from above customers respectively amounted to approximately RMB689 million or 21% of accounts receivable, RMB568 million or 17% of accounts receivable, and RMB353 million or 11% of accounts receivable as at 31 December 2023 (2022: RMB242 million or 13% of accounts receivable, RMB308 million or 17% of accounts receivable, and RMB403 million or 22% of accounts receivable). The credit risk exposure to above customers and the remaining accounts receivable balance are monitored by the Group on an ongoing basis. In addition, the Group performs impairment assessment under ECL model on accounts receivable individually or based on provision matrix. The Group continues to pay attention to the credit risk and the balance of the above amounts.

In the opinion of management, the Group has no significant credit risk with BSP as the Group maintains long-term and stable business relationships with BSP with healthy repayment history.

The credit risk on bank deposits is limited because the counterparties are banks and financial institutions with good reputation.

Other than the above mentioned concentration of credit risk, the Group does not have any other significant concentration of credit risk associated with financial assets.

44. FINANCIAL INSTRUMENTS (continued)

b. Financial risk management objectives and policies (continued)

Credit risk and impairment assessment (continued)

The tables below detail the credit risk exposures of the Group's financial assets, which are subject to ECL assessment:

	Notes	External credit rating	12m or lifetime ECL	2023 Gross carrying amount RMB'000	2023 Subtotal RMB'000	2022 Gross carrying amount RMB'000	2022 Subtotal RMB'000
Financial assets at FVTOCI							
Investments in listed bonds	25	AAA	12m ECL	**1,397,310**		1,360,982	
Other current assets – debt instruments	31	AAA	12m ECL	**99,365**	**1,496,675**	793,677	2,154,659
Financial assets at amortised costs							
Accounts receivable	28	N/A	Lifetime ECL (provision matrix)	**3,226,410**		1,668,139	
			Credit-impaired	**131,506**	**3,357,916**	126,325	1,794,464
Deposits and other receivables	29	N/A	12m ECL	**3,142,033**		2,317,669	
			Lifetime ECL (not credit-impaired)	**1,779,571**		49,173	
			Credit-impaired	**740,186**	**5,661,790**	636,749	3,003,591
Deposits for aircraft under leases		N/A	12m ECL	**525,463**	**525,463**	539,624	539,624
Bills receivable		N/A	12m ECL	**3,601**	**3,601**	7,483	7,483
Loans to related parties	31	N/A	12m ECL	**265,217**	**265,217**	120,107	120,107
Restricted bank deposits	30	N/A	12m ECL	**611,692**	**611,692**	828,166	828,166
Cash and cash equivalents	30	N/A	12m ECL	**15,014,189**	**15,014,189**	10,603,771	10,603,771
Other non-current assets-long-term receivables		N/A	12m ECL	**328,886**	**328,886**	–	–

Note:

For accounts receivable, the Group has applied the simplified approach in IFRS 9 to measure the loss allowance at lifetime ECL. Except for debtors which are credit-impaired, the Group determines the ECL on these items by using a provision matrix. The following table provides information about the exposure to credit risk for accounts receivable which are assessed based on provision matrix as at 31 December 2023. Debtors with credit-impaired with gross carrying amounts of RMB132 million as at 31 December 2023 (2022: RMB126 million) were assessed individually.

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44. FINANCIAL INSTRUMENTS (continued)

b. Financial risk management objectives and policies (continued)

Credit risk and impairment assessment (continued)

For deposits and other receivables, debt instruments included in other current assets and long-term receivables included in other non-current assets, the Group measures the loss allowance equal to 12m ECL, unless when these has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL.

Gross carrying amount of accounts receivable using a provision matrix

	2023		2022	
Customer group	**Loss rate**	**Accounts receivable RMB'000**	Loss rate	Accounts receivable RMB'000
Ground service receivable	**1%**	**32,551**	1%	11,522
BSP international	**1%**	**110,617**	1%	19,942
Others	**0.05% – 4%**	**3,083,242**	0.05% – 4%	1,636,675
		3,226,410		1,668,139

The estimated loss rates are estimated based on historical loss rates of the debtors and are adjusted for forward-looking information that is available without undue cost or effort.

44. FINANCIAL INSTRUMENTS (continued)

b. Financial risk management objectives and policies (continued)

Gross carrying amount of accounts receivable using a provision matrix (continued)

The following table shows the movements in lifetime ECL that has been recognised for accounts receivable under the simplified approach.

	Lifetime ECL (not credit-impaired) RMB'000	**Lifetime ECL (credit-impaired)** RMB'000	**Total** RMB'000
As at 1 January 2022	18,561	140,422	158,983
Transfer to credit-impaired	(21)	21	–
Impairment losses recognised	653	7,795	8,448
Impairment losses reversed	(650)	(11,503)	(12,153)
Write-offs	–	(10,410)	(10,410)
Exchange adjustments	240	–	240
As at 31 December 2022	18,783	126,325	145,108
Acquisition of a subsidiary (Note 42)	15,712	2,766	18,478
Transfer to credit-impaired	(4,236)	4,236	–
Impairment losses recognised	13,339	13,007	26,346
Impairment losses reversed	–	(3,561)	(3,561)
Write-offs	–	(11,314)	(11,314)
Exchange adjustments	15	47	62
As at 31 December 2023	43,613	131,506	175,119

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44. FINANCIAL INSTRUMENTS (continued)

b. Financial risk management objectives and policies (continued)

Gross carrying amount of accounts receivable using a provision matrix (continued)

The following table shows reconciliation of loss allowances that has been recognised for deposits and other receivables.

	12m ECL RMB'000	Lifetime ECL (not credit-impaired) RMB'000	Lifetime ECL (credit-impaired) RMB'000	Total RMB'000
As at 1 January 2022	14,118	5,073	638,538	657,729
Transfer to credit-impaired	(2,942)	–	2,942	–
Impairment losses recognised	1	–	25	26
Impairment losses reversed	(1,127)	–	(4,753)	(5,880)
Write-offs	–	–	(3)	(3)
Exchange adjustments	19	–	–	19
As at 31 December 2022	10,069	5,073	636,749	651,891
Acquisition of a subsidiary (Note 42)	14,887	18,117	103,451	136,455
Impairment losses recognised	–	4,510	10	4,520
Impairment losses reversed	(1,211)	–	–	(1,211)
Write-offs	–	–	(24)	(24)
Exchange adjustments	4	–	–	4
As at 31 December 2023	23,749	27,700	740,186	791,635

44. FINANCIAL INSTRUMENTS (continued)

b. Financial risk management objectives and policies (continued)

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents as well as undrawn banking facilities deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of bank borrowings to ensure compliance with loan covenants.

The liquidity of the Group is primarily dependent on its ability to maintain adequate cash inflows from operations to meet its financial obligations as and when they fall due, and its ability to obtain external financing to meet its committed future capital expenditure. With regard to its future capital commitments and other financing requirements, the Company has already obtained banking facilities with several PRC banks of up to an aggregate amount of RMB217,683 million as at 31 December 2023 (2022: RMB196,101 million), of which an amount of approximately RMB92,530 million was utilised (2022: RMB85,156 million).

The Directors had carried out a detailed review of the cash flow forecast of the Group for the year ended 31 December 2023. Based on such forecast, the Directors had determined that adequate liquidity existed to finance the working capital and capital expenditure requirements of the Group. In preparing the cash flow forecast, the Directors had considered historical cash requirements of the Group as well as other key factors, including the availability of the above-mentioned loans financing which may impact the operations of the Group. The Directors are of the opinion that the assumptions and sensitivities which are included in the cash flow forecast are reasonable. However, these are subject to inherent limitations and uncertainties and some or all of these assumptions may not be realised.

The following tables detail the Group's remaining contractual maturities for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The maturity dates for other non-derivative financial liabilities are based on the agreed repayment dates.

Notes to the Consolidated Financial Statements

For the Year Ended 31 December 2023

44. FINANCIAL INSTRUMENTS (continued)

b. Financial risk management objectives and policies (continued)

Liquidity risk (continued)

The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate at the end of the reporting period.

	Repayable on demand or within one year RMB'000	In the second year RMB'000	In the third year RMB'000	In the fourth year RMB'000	In the fifth year RMB'000	After five years RMB'000	Total undiscounted cash flows RMB'000	Carrying amount RMB'000
At 31 December 2023								
Accounts payable	**17,954,298**	**-**	**-**	**-**	**-**	**-**	**17,954,298**	**17,954,298**
Bills payable	**500,160**	**-**	**-**	**-**	**-**	**-**	**500,160**	**500,160**
Other payables	**11,569,341**	**-**	**-**	**-**	**-**	**-**	**11,569,341**	**11,569,341**
Interest-bearing borrowings	**50,231,667**	**69,430,545**	**27,741,092**	**4,473,986**	**2,236,734**	**4,483,142**	**158,597,166**	**152,031,399**
Dividends payable	**98,000**	**-**	**-**	**-**	**-**	**-**	**98,000**	**98,000**
Lease liabilities	**20,663,819**	**17,712,432**	**14,434,039**	**11,675,095**	**8,973,485**	**16,889,125**	**90,347,995**	**82,229,316**
	101,017,285	**87,142,977**	**42,175,131**	**16,149,081**	**11,210,219**	**21,372,267**	**279,066,960**	**264,382,514**

	Repayable on demand or within one year RMB'000	In the second year RMB'000	In the third year RMB'000	In the fourth year RMB'000	In the fifth year RMB'000	After five years RMB'000	Total undiscounted cash flows RMB'000	Carrying amount RMB'000
At 31 December 2022								
Accounts payable	10,935,546	–	–	–	–	–	10,935,546	10,935,546
Other payables	11,744,531	–	–	–	–	–	11,744,531	11,744,531
Interest-bearing borrowings	45,530,167	24,036,740	69,132,604	460,109	3,220,491	212,761	142,592,872	135,804,286
Dividends payable	98,000	–	–	–	–	–	98,000	98,000
Lease liabilities	20,023,361	18,618,357	16,072,381	13,454,997	11,279,873	25,190,894	104,639,863	93,983,176
	88,331,605	42,655,097	85,204,985	13,915,106	14,500,364	25,403,655	270,010,812	252,565,539

44. FINANCIAL INSTRUMENTS (continued)

c. Fair value measurements of financial instruments

Fair value measurements for financial instruments measured at fair value on a recurring basis

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

	Fair value at 31 December 2023 RMB'000	**Fair value measurements as at 31 December 2023 categorised into**		
		Level 1 RMB'000	**Level 2 RMB'000**	**Level 3 RMB'000**
Financial assets at FVTPL	**2,505**	**2,505**	**–**	**–**
Equity instruments at FVTOCI	**1,547,986**	**–**	**–**	**1,547,986**
Debt instruments at FVTOCI (including debt instruments at FVTOCI included in other current assets)	**1,496,675**	**–**	**1,496,675**	**–**
Total financial assets at fair value	**3,047,166**	**2,505**	**1,496,675**	**1,547,986**

	Fair value at 31 December 2022 RMB'000	Fair value measurements as at 31 December 2022 categorised into		
		Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000
Financial assets at FVTPL	3,398	3,398	–	–
Equity instruments at FVTOCI	241,717	–	–	241,717
Debt instruments at FVTOCI (including debt instruments at FVTOCI included in other current assets)	2,154,659	–	2,154,659	–
Total financial assets at fair value	2,399,774	3,398	2,154,659	241,717

During the year ended 31 December 2023 and 2022, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

44. FINANCIAL INSTRUMENTS (continued)

c. Fair value measurements of financial instruments (continued)

Fair value measurements for financial instruments measured at fair value on a recurring basis (continued)

Valuation techniques and inputs used in Level 2 fair value measurements

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

Valuation techniques and inputs used in Level 3 fair value measurements

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

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

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

	Carrying amounts		Fair values	
	As at 31 December 2023 RMB'000	As at 31 December 2022 RMB'000	**As at 31 December 2023 RMB'000**	As at 31 December 2022 RMB'000
Financial liabilities				
– corporate bonds (fixed rate)	**11,400,907**	19,195,336	**11,183,499**	18,834,464

Fair value hierarchy as at 31 December 2023

	Level 1 RMB'000	**Level 2 RMB'000**	**Level 3 RMB'000**	**Total RMB'000**
Financial liabilities				
– corporate bonds (fixed rate)	**–**	**11,183,499**	**–**	**11,183,499**

Fair value hierarchy as at 31 December 2022

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Financial liabilities				
– corporate bonds (fixed rate)	–	18,834,464	–	18,834,464

45. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details major changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Borrowings Note 35 RMB'000	**Corporate bonds and short-term commercial papers Note 35** RMB'000	**Lease liabilities Note 34** RMB'000	**Total** RMB'000
At 1 January 2022	68,088,848	25,233,074	90,881,360	184,203,282
Financing cash flows	46,289,085	(4,050,000)	(17,561,884)	24,677,201
Foreign exchange translation	195,738	–	3,770,867	3,966,605
New leases entered/lease modified	–	–	16,923,537	16,923,537
Lease modification	–	–	(30,704)	(30,704)
Increase in accrued interest	29,130	18,411	–	47,541
At 31 December 2022	114,602,801	21,201,485	93,983,176	229,787,462
Acquisition of subsidiary (Note 42)	16,892,454	1,027,106	9,876,072	27,795,632
Financing cash flows	9,190,574	(10,500,000)	(25,400,182)	(26,709,608)
Foreign exchange translation	26,552	–	705,222	731,774
New leases entered/lease modified	–	–	3,215,087	3,215,087
Reduction upon completion/early termination of lease	–	–	(89,031)	(89,031)
Decrease in accrued interest	(81,889)	(327,684)	–	(409,573)
Debt restructuring	–	–	(61,028)	(61,028)
At 31 December 2023	140,630,492	11,400,907	82,229,316	234,260,715

46. MAJOR NON-CASH TRANSACTIONS

During the year, the Group entered into new lease agreements for the use of aircraft and engines, land, buildings and others and recognised right-of-use assets of RMB3,715 million (2022: RMB17,056 million) and lease liabilities of RMB3,215 million (2022: RMB16,924 million).

Notes to the Consolidated Financial Statements

For the Year Ended 31 December 2023

47. RELATED PARTY TRANSACTIONS

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

(i) Transactions with related parties

	2023 RMB'000	2022 RMB'000
Service provided to the CNAHC Group		
Transportation service fees on the passenger aircraft cargo business	**3,411,895**	9,665,584
Government charter flight services	**382,960**	252,041
Aircraft maintenance income	**300,836**	318,691
Transfer of pilots income	**189,610**	172,051
Land and buildings rental income	**185,073**	151,343
Ground services income	**121,679**	106,920
Air catering income	**50,335**	18,551
Aviation communication expenses	**21,460**	30,157
Income from advertising media business	**13,881**	13,162
Sales commission income	**9,608**	506
Trademark licensing income	**9,320**	–
Others	**295,529**	422,959
	4,992,186	11,151,965
Service provided by the CNAHC Group		
Air catering charges	**1,271,030**	372,721
Airport ground services, take-off, landing and depot expenses	**1,228,412**	847,820
Aviation communication expenses	**673,840**	235,687
Other procurement and maintenance	**586,547**	258,174
Interest expenses	**392,291**	352,399
Management fees	**360,827**	295,118
Media advertisement expenses	**128,148**	145,832
Expense relating to short-term leases and leases of low-value assets	**64,569**	87,882
Repair and maintenance costs	**55,707**	23,831
Construction management expenses	**8,367**	10,413
Sales commission expenses	**865**	1,193
Others	**49,838**	50,147
	4,820,441	2,681,217

47. RELATED PARTY TRANSACTIONS (continued)

(a) During the year, the Group had the following significant transactions with (i) CNAHC, its subsidiaries (other than the Group), joint ventures and associates (collectively, the "CNAHC Group"); (ii) its joint ventures; and (iii) its associates: (continued)

(i) Transactions with related parties (continued)

	2023 RMB'000	2022 RMB'000
Loans to the CNAHC Group by CNAF:		
Advances of loans	**145,000**	40,000
Interest income	**5,440**	2,556
Deposits from the CNAHC Group received by CNAF:		
Decrease in deposits received	**(573,910)**	(3,629,327)
Interest expenses	**63,708**	85,012
As a lessee with CNAHC Group:		
Additions to right-of-use assets and lease liabilities on new leases	**980,919**	5,043,426
Lease payments paid	**2,578,096**	2,154,594
Interest on lease liabilities	**464,896**	418,957
Service provided to joint ventures and associates		
Aircraft maintenance income	**106,702**	97,592
Ground services income	**61,181**	70,636
Frequent-flyer programme expenses	**4,886**	1,236
Air catering income	**3,935**	2,907
Land and buildings rental income	**2,189**	3,085
Sales commission income	**551**	398
Others	**546**	645
	179,990	176,499

Notes to the Consolidated Financial Statements

For the Year Ended 31 December 2023

47. RELATED PARTY TRANSACTIONS (continued)

(a) During the year, the Group had the following significant transactions with (i) CNAHC, its subsidiaries (other than the Group), joint ventures and associates (collectively, the "CNAHC Group"); (ii) its joint ventures; and (iii) its associates: (continued)

(i) Transactions with related parties (continued)

	2023 RMB'000	2022 RMB'000
Service provided by joint ventures and associates		
Repair and maintenance costs	**2,400,112**	517,249
Airport ground services, take-off, landing and depot expenses	**334,691**	126,676
Other procurement and maintenance	**29,528**	94,547
Air catering charges	**12,446**	1,317
Aviation communication expenses	**4,620**	5,166
Expense relating to short-term leases and leases of low value assets	**2,990**	1,181
Frequent-flyer programme expenses	**1,459**	–
Sales commission expenses	**381**	300
Others	**–**	8
	2,786,227	746,444
Deposits from joint ventures and associates received by CNAF:		
(Decrease)/increase in deposits received	**(131,239)**	86,385
Interest expenses	**982**	2,406

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

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

47. RELATED PARTY TRANSACTIONS (continued)

(a) During the year, the Group had the following significant transactions with (i) CNAHC, its subsidiaries (other than the Group), joint ventures and associates (collectively, the "CNAHC Group"); (ii) its joint ventures; and (iii) its associates: (continued)

(ii) Balances with related parties

	2023 RMB'000	2022 RMB'000
Outstanding balances with related parties*		
Amount due from the ultimate holding company	**353,478**	405,194
Amounts due from associates	**56,710**	109,162
Amounts due from joint ventures	**536**	547
Amounts due from other related companies	**1,193,322**	653,381
Amount due to the ultimate holding company	**22,240**	39,706
Amounts due to associates	**43,354**	78,787
Amounts due to joint ventures	**957,807**	248,095
Amounts due to other related companies	**17,140,447**	17,214,383

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

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

	2023 RMB'000	2022 RMB'000
Outstanding borrowing balances with related parties:		
Interest-bearing borrowings:		
– Due to the ultimate holding company	**17,297,166**	14,796,068
– Due to other related companies	**1,361,917**	1,061,844

47. RELATED PARTY TRANSACTIONS (continued)

(a) During the year, the Group had the following significant transactions with (i) CNAHC, its subsidiaries (other than the Group), joint ventures and associates (collectively, the "CNAHC Group"); (ii) its joint ventures; and (iii) its associates: (continued)

(ii) Balances with related parties (continued)

	2023 RMB'000	2022 RMB'000
Outstanding balances between CNAF and related parties:		
(1) Outstanding balances between CNAF and CNAHC Group		
Loans granted	**265,000**	120,000
Deposits received	**7,038,063**	7,598,398
Interest payable to related parties	**8,487**	22,062
Interest receivable from related parties	**217**	67
(2) Outstanding balances between CNAF and joint ventures and associates of the Group		
Deposits received	**41,937**	173,151
Interest payable to related parties	**27**	52
Interest receivable to related parties	**–**	40

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

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

	2023 RMB'000	2022 RMB'000
Short term employee benefits	**10,849**	10,931
Retirement benefits	**1,309**	1,632
Total emoluments for key management personnel	**12,158**	12,563

47. RELATED PARTY TRANSACTIONS (continued)

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

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

	2023 RMB'000	2022 RMB'000
Directors and supervisors	**4,370**	3,074
Senior management	**7,788**	9,489
	12,158	12,563

Further details of the remuneration of the directors and supervisors are included in Note 13 to the consolidated financial statements.

(c) As at 31 December 2022, corporate bonds issued by the Group with a par value of RMB6,500 million were guaranteed by CNAHC. As these corporate bonds were repaid at maturity during the year, there are no guaranty given or received with related parties as at 31 December 2023.

(d) Asset transfers with the CNAHC Group:

	2023 RMB'000	2022 RMB'000
Sales of aircraft	**108,434**	–
Purchase of property, plant and equipment	**332,104**	–

47. RELATED PARTY TRANSACTIONS (continued)

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

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

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

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

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

48. EVENTS AFTER THE REPORTING PERIOD

In February 2024, pursuant to the approvals on 22 December 2023, the Company issued 392,927,308 new H shares at the price of HKD5.09 per share with par value of RMB1 to CNACG and total proceeds amounting to HKD2,000 million (equivalent to RMB1,817 million) have been received on 7 February 2024. After deducting issuance expenses of RMB1 million (excluding value added tax), the net proceeds raised by the Company amounted to RMB1,816 million.

49. INFORMATION ABOUT THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period included:

	31 December 2023 RMB'000	31 December 2022 RMB'000
Non-current assets		
Property, plant and equipment	**84,568,476**	74,601,990
Right-of-use assets	**79,748,959**	90,522,197
Intangible assets	**11,015**	11,015
Interests in subsidiaries	**26,786,144**	20,153,167
Interests in associates	**197,012**	119,756
Interests in joint ventures	**1,933,838**	1,724,271
Advance payments for aircraft and flight equipment	**13,080,703**	12,546,345
Deposits for aircraft under leases	**367,511**	393,104
Equity instruments at fair value through other comprehensive income	**195,437**	22,110
Deferred tax assets	**7,991,836**	7,837,205
Other non-current assets	**716,168**	477,690
	215,597,099	208,408,850
Current assets		
Inventories	**75,541**	70,232
Accounts receivable	**2,190,617**	1,095,090
Prepayments, deposits and other receivables	**3,256,871**	2,536,882
Financial assets at FVTPL	**2,505**	3,398
Restricted bank deposits	**30,853**	30,744
Cash and cash equivalents	**6,842,157**	6,057,863
Assets held for sale	**108,527**	–
Other current assets	**2,270,689**	1,857,777
	14,777,760	11,651,986
Total assets	**230,374,859**	220,060,836

49. INFORMATION ABOUT THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY (continued)

Information about the statement of financial position of the Company at the end of the reporting period included: (continued)

	31 December 2023 RMB'000	31 December 2022 RMB'000
Current liabilities		
Air traffic liabilities	**(6,530,022)**	(2,220,131)
Accounts payable	**(11,529,019)**	(7,349,395)
Other payables and accruals	**(5,485,133)**	(7,537,444)
Lease liabilities	**(11,192,725)**	(12,456,662)
Interest-bearing borrowings	**(31,796,215)**	(34,055,549)
Provision for return condition checks	**(397,148)**	(657,202)
Contract liabilities	**(903,374)**	(919,221)
	(67,833,636)	(65,195,604)
Net current liabilities	**(53,055,876)**	(53,543,618)
Total assets less current liabilities	**162,541,223**	154,865,232
Non-current liabilities		
Lease liabilities	**(40,444,416)**	(55,125,953)
Interest-bearing borrowings	**(73,107,211)**	(63,420,855)
Provision for return condition checks	**(5,623,509)**	(5,135,749)
Provision for early retirement benefit obligations	**(720)**	(807)
Contract liabilities	**(1,565,882)**	(1,256,237)
Deferred income	**(190,785)**	(238,952)
	(120,932,523)	(125,178,553)
NET ASSETS	**41,608,700**	29,686,679
CAPITAL AND RESERVES		
Issued capital	**16,200,793**	14,524,815
Reserves	**25,407,907**	15,161,864
TOTAL EQUITY	**41,608,700**	29,686,679

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:

	Notes	2023 RMB'000	2022 RMB'000
Net loss attributable to shareholders of the Company under CASs		**(1,046,382)**	(38,619,499)
Deferred taxation	(i)	**(2,657)**	(668)
Differences in value of fixed assets and certain non-current assets	(ii)	**10,628**	2,672
Net loss attributable to shareholders of the Company under IFRSs		**(1,038,411)**	(38,617,495)

	Notes	31 December 2023 RMB'000	31 December 2022 RMB'000
Equity attributable to shareholders of the Company under CASs		**37,229,962**	23,609,134
Deferred taxation	(i)	**53,218**	55,875
Differences in value of fixed assets and certain non-current assets	(ii)	**(217,124)**	(227,752)
Unrealised profit on the disposal of Hong Kong Dragon Airlines Limited	(iii)	**139,919**	139,919
Equity attributable to shareholders of the Company under IFRSs		**37,205,975**	23,577,176

Notes:

(i) The differences in deferred taxation were mainly caused by the differences under IFRSs and CASs as explained below.

(ii) The differences in the value of fixed assets and certain non-current assets mainly consist of the following: in accordance with the accounting policies under IFRSs, all assets are recorded at historical cost. Therefore, the revaluation surplus or deficit (and the related depreciation/amortisation or impairment) recorded under CASs should be reversed in the financial statements prepared under IFRSs.

(iii) The difference was caused by the disposal of Hong Kong Dragon Airlines Limited to Cathay Pacific and is expected to be eliminated when the Group's interest in Cathay Pacific is disposed of.

Glossary of Technical Terms

CAPACITY MEASUREMENTS

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

TRAFFIC MEASUREMENTS

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

EFFICIENCY MEASUREMENTS

"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 annual report, 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
"Beijing Air Catering"	Beijing Air Catering Co., Ltd., a subsidiary of CNAHC
"Board"	the board of directors of the Company
"Boeing"	The Boeing Company
"CASs"	China Accounting Standards for Business Enterprises
"CAAC"	Civil Aviation Administration of China
"Capital Holding"	China National Aviation Capital Holding Co., Ltd., a wholly-owned subsidiary of CNAHC
"Cathay Pacific"	Cathay Pacific Airways Limited, an associate of the Company
"CBIRC"	China Banking and Insurance Regulatory Commission
"CNACD"	China National Aviation Construction and Development Company, a wholly-owned subsidiary of CNAHC
"CNACG"	China National Aviation Corporation (Group) Limited, a wholly-owned subsidiary of CNAHC
"CNACG Group"	CNACG and its subsidiaries
"CNAF"	China National Aviation Finance Co., Ltd, a non-wholly owned subsidiary of the Company
"CNAHC"	China National Aviation Holding Corporation Limited
"CNAHC Group"	CNAHC and its subsidiaries
"COMAC"	Commercial Aircraft Corporation of China, Ltd.
"CNAMC"	China National Aviation Media Co., Ltd, a wholly-owned subsidiary of CNAHC
"Company, "We", or "Air China"	Air China Limited, a company incorporated in the PRC, whose H Shares are listed on the Hong Kong Stock Exchange as its primary listing venue and on the Official List of the UK Listing Authority as its secondary listing venue, and whose A Shares are listed on the Shanghai Stock Exchange
"CSRC"	China Securities Regulatory Commission
"Dalian Airlines"	Dalian Airlines Company Limited, a non-wholly owned subsidiary of the Company
"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

Definitions

"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
"NAFMII"	National Association of Financial Market Institutional Investors
"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"	from 1 January 2023 to 31 December 2023
"Date of this Annual Report"	28 March 2024
"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
"Supervisor(s)"	The supervisor(s) of the Company
"Supervisory Committee"	The supervisory committee of the Company
"Sichuan Airlines"	Sichuan Airlines Co., Ltd.
"US dollars"	United States dollars, the lawful currency of the United States

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