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中國國際航空股份有限公司
AIR CHINA LIMITED

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

FIRST QUARTERLY REPORT 2019

This announcement is made pursuant to Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) and Rule 13.09 and Rule 13.10B of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The board of directors (the “**Board**”) of Air China Limited (the “**Company**”) held a meeting of the Board on 25 April 2019 and passed the resolution approving the first quarterly report 2019 of the Company for the first quarter ended 31 March 2019 (the “**Reporting Period**” or “**Period**”) prepared in accordance with the PRC Accounting Standards for Business Enterprises.

1. IMPORTANT NOTICE

1.1 The Board and the supervisory committee of the Company together with the directors, supervisors and the senior management of the Company guarantee that the contents of the quarterly report are true, accurate and complete and do not contain any false representation, misleading statement or material omission, and shall jointly and severally accept legal liability.

1.2 Particulars of absent directors

Name of absent director	Position of absent director	Reason(s) for absence	Name of proxy
John Robert Slosar	Director	Business engagement	Cai Jianjiang
Stanley Hui Hon-chung	Independent Director	Business engagement	Liu Deheng

1.3 Mr. Cai Jianjiang (legal representative and the Chairman of the Board of the Company), Mr. Xiao Feng (person in charge of accounting function and the Chief Accountant), and Mr. Zhan Zhong (person in charge of accounting department (accounting superintendent) and the general manager of finance department) hereby guarantee that the financial statements set out in this quarterly report are true, accurate and complete.

1.4 The first quarterly report of the Company is unaudited.

2. BASIC INFORMATION OF THE COMPANY

2.1 Major financial data

Unit: RMB'000

	At the end of the Reporting Period	At the end of the previous year	Increase/ decrease at the end of the Reporting Period as compared to the end of the previous year (%)
Total assets	281,178,118	243,716,006	15.37
Net asset attributable to shareholders of the listed company	89,876,726	93,216,239	-3.58
	For the period from the beginning of the year to the end of the Reporting Period	For the corresponding period of the previous year	Increase/ decrease as compared to the corresponding period of the previous year (%)
Net cash flows from operating activities	5,935,389	7,237,628	-17.99

	For the period from the beginning of the year to the end of the Reporting Period	For the corresponding period of the previous year	Increase/ decrease as compared to the corresponding period of the previous year (%)
Revenue	32,554,019	31,606,754	3.00
Net profit attributable to shareholders of the listed company	2,722,816	2,628,202	3.60
Net profit attributable to shareholders of the listed company after deducting non-recurring profits and losses	2,650,507	2,600,253	1.93
Weighted average return on net assets (%)	3.07	3.01	Increased by 0.06 ppt
Basic earnings per share (<i>RMB per share</i>)	0.20	0.19	3.60
Diluted earnings per share (<i>RMB per share</i>)	N/A	N/A	N/A

Non-recurring profits and losses

Applicable Not applicable

Unit: RMB'000

Items	Amounts for the Period
Gains or losses on disposal of non-current assets	-1,542
Government subsidies recorded in the income statement for the current period (excluding those closely related to the Company's normal business and continuously entitled to in fixed amounts or quotas in accordance with the requirements of the state policy)	32,228
Gains or losses from changes in fair value of financial assets/liabilities held for trading and derivative financial assets/liabilities and investment gains from disposal of financial assets/liabilities held for trading and derivative financial assets/liabilities and other debt investments (except for hedging activities related to the Company's normal operating business)	441
Reversal of provision for impairment of receivables and contract asset which are individually tested for impairment	12,700
Other non-operating income and expenses not covered above	106,645
Effect of non-controlling shareholders' interests (after taxation)	-41,375
Effect of income tax	<u>-36,788</u>
Total	<u><u>72,309</u></u>

2.2 Total number of shareholders, 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

Name of shareholder (full name)	Particulars of the top 10 shareholders					
	Number of shares held as at the end of the Period	Shareholding percentage	Number of shares held subject to selling restrictions	Shares pledged or frozen		Nature of shareholder
				Status	Number	
Total number of shareholders						140,457
China National Aviation Holding Corporation Limited	5,952,236,697	40.98	513,478,818	Frozen	127,445,536	State-owned legal person
Cathay Pacific Airways Limited	2,633,725,455	18.13	0	Nil	0	Foreign legal person
HKSCC NOMINEES LIMITED	1,687,836,428	11.62	0	Unknown	0	Foreign legal person
China National Aviation Corporation (Group) Limited	1,556,334,920	10.72	0	Frozen	36,454,464	Foreign legal person
China National Aviation Fuel Group Corporation	468,485,702	3.23	0	Nil	0	State-owned legal person
China Securities Finance Corporation Limited	311,302,365	2.14	0	Nil	0	State-owned legal person
Zhongyuan Equity Investment Management Co., Ltd.	128,369,705	0.88	0	Unknown	128,369,705	State-owned legal person
China Structural Reform Fund Co., Ltd.	106,869,159	0.74	0	Nil	0	State-owned legal person
Hong Kong Securities Clearing Company Ltd.	69,406,658	0.48	0	Nil	0	Foreign legal person
China Merchants Bank Co., Ltd. – Boserá CSI Central-SOEs' Structural Reform ETF	33,312,200	0.23	0	Nil	0	Others

Particulars of the top 10 shareholders not subject to selling restrictions

Name of shareholder	Number of tradable shares held not subject to selling restrictions	Class and number of shares	
		Class	Number
China National Aviation Holding Corporation Limited	5,438,757,879	RMB ordinary shares	5,438,757,879
Cathay Pacific Airways Limited	2,633,725,455	Overseas listed foreign shares	2,633,725,455
HKSCC NOMINEES LIMITED	1,687,836,428	Overseas listed foreign shares	1,687,836,428
China National Aviation Corporation (Group) Limited	1,556,334,920	RMB ordinary shares Overseas listed foreign shares	1,332,482,920 223,852,000
China National Aviation Fuel Group Corporation	468,485,702	RMB ordinary shares	468,485,702
China Securities Finance Corporation Limited	311,302,365	RMB ordinary shares	311,302,365
Zhongyuan Equity Investment Management Co., Ltd.	128,369,705	RMB ordinary shares	128,369,705
China Structural Reform Fund Co., Ltd.	106,869,159	RMB ordinary shares	106,869,159
Hong Kong Securities Clearing Company Ltd.	69,406,658	RMB ordinary shares	69,406,658
China Merchants Bank Co., Ltd. – Boser CSI Central-SOEs’ Structural Reform ETF	33,312,200	RMB ordinary shares	33,312,200

Explanation on connected relationship or action in concert among the above shareholders

China National Aviation Corporation (Group) Limited is a wholly-owned subsidiary of China National Aviation Holding Corporation Limited. Accordingly, China National Aviation Holding Corporation Limited is directly and indirectly interested in 51.70% of the shares of the Company.

Explanation of holders of preference shares with restored voting rights and 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 1,687,836,428 H shares held by it in the Company do not include the 166,852,000 shares held by it as nominee of China National Aviation Corporation (Group) Limited.
2. According to the “Implementation Measures on Partial Transfer of State-owned Shares to the National Social Security Fund in the Domestic Securities Market” (Cai Qi [2009] No. 94)(《境內證券市場轉持部分國有股充實全國社會保障基金實施辦法》(財企[2009]94號)) and the Notice ([2009] No. 63) jointly issued by the Ministry of Finance, the State-owned Assets Supervision and Administration Commission of the State Council, China Securities Regulatory Commission and the National Council for Social Security Fund, 127,445,536 shares and 36,454,464 shares held by China National Aviation Holding Corporation Limited, the controlling shareholder of the Company, and China National Aviation Corporation (Group) Limited respectively are frozen at present.

2.3 Total number of holders of preference shares, the top 10 holders of preference shares and the shareholdings of the top 10 holders of preference shares not subject to selling restrictions as at the end of the Reporting Period

Applicable Not applicable

3. SIGNIFICANT EVENTS

3.1 Particulars of, and reasons for, significant changes in major items in the accounting statements and key financial indicators of the Company

Applicable Not applicable

In the first quarter of 2019, the Group achieved positive operating result by optimizing production organizations, increasing operating efficiency, refining yield control and maintaining strict cost control, and recorded revenue of RMB32,554 million, total profit of RMB4,085 million and net profits attributable to shareholders of the Company of RMB2,723 million. Net profits attributable to shareholders of the Company increased by RMB95 million as compared to the corresponding period of the previous year for which the scope of consolidation of the Group included Air China Cargo Co., Ltd.

3.1.1 Changes in important accounting policies

According to the Notice on the Amendment to the Accounting Standard for Business Enterprises No.21-Leases (Cai Kuai [2018] No.35) (the “**New Lease Standard**”), the Group adopted the New Lease Standard from 1 January 2019 and made adjustment to amount of relevant items in the financial statements as at 1 January 2019, while the data related to comparable period were not adjusted. For impact of adoption of the New Lease Standard by the Group at 1 January 2019, please refer to appendix 4.2.

The abovementioned impact of changes in accounting policies was made by the Group in accordance with the relevant regulations which had been issued by the Ministry of Finance as of the date of this report. If the Ministry of Finance issues new guidelines, interpretations, reporting requirements and new tax regulatory guidelines related to the New Lease Standard, the Group will review the accuracy of the above disclosures on changes in accounting policies, which may lead to inconsistency between the disclosure of the abovementioned impact of changes in accounting policies and the corresponding data of the first quarterly financial statements of 2019.

3.1.2 Description and reasons for changes of major financial statements items

In addition to the impact of implementing the New Lease Standard as set out in appendix 4.2, description and reasons for changes of other financial statements items were as follows:

Unit: RMB'000

Items in consolidated balance sheet	31 March 2019	31 December 2018	Percentage of Change (%)	Reasons for Change
Short-term bonds payable	6,760,505	3,467,482	94.97	Mainly due to the issuance of short-term commercial papers during the Period.
Domestic air traffic liabilities	2,065,846	3,238,429	-36.21	Decrease in outstanding air traffic tickets as at the end of the Reporting Period.
Long-term loans	2,021,038	3,185,481	-36.55	Mainly due to new loans raised being less than the loans repaid during the Period.
Other comprehensive income	-1,427,788	-962,968	-48.27	Mainly due to the decrease in exchange difference on translation of financial statements in foreign currency during the Period.
Items in consolidated income statement	The first quarter of 2019	The first quarter of 2018	Percentage of Change (%)	Reasons for Change
Finance expenses	-112,936	-997,160	88.67	Mainly due to the increase in interest expenses as a result of adopting the New Lease Standard during the Period and the period-to-period decrease of net exchange gain.
Investment income	309,911	133,484	132.17	Mainly due to the increase in the net profit of the Group's associates as compared to the corresponding period of the previous year.
Other income	704,118	503,353	39.89	Mainly due to the increase in the income from cooperative routes during the Period.

Items in consolidated cash flow statement	The first quarter of 2019	The first quarter of 2018	Percentage of Change (%)	Reasons for Change
Net cash proceeds from disposal of fixed assets, intangible assets and other long-term assets	36,739	190,982	-80.76	Mainly due to the decrease in aircraft disposals completed during the Period as compared to the corresponding period of the previous year.
Cash paid for purchase and construction of fixed assets, intangible assets and other long-term assets	1,559,059	4,266,407	-63.46	Mainly due to the decrease in the cash payment of advances and remaining balances for aircraft during the Period as compared to the corresponding period of the previous year.
Cash received from borrowings	786,183	8,991,154	-91.26	Due to the period-to-period decrease in new debt during the Period.
Cash received from issue of debentures	5,700,000	500,000	1,040.00	Due to the increase in short-term commercial papers and mid- to long-term bonds issued during the Reporting Period as compared to the corresponding period of the previous year.
Cash paid for repayment of borrowings	5,311,612	9,556,697	-44.42	Due to the period-to-period decrease in repayment of debt during the Period.
Cash paid for repayment of debentures	1,400,000	600,000	133.33	Due to the period-to-period increase in repayment of debentures during the Period.
Cash paid for distribution of dividends, profits or payment of interest expenses	1,303,106	857,545	51.96	Mainly due to the impact of adopting the New Lease Standard during the Period.
Other cash paid relating to financing activities	3,519,190	1,452,860	142.22	Mainly due to the impact of adopting the New Lease Standard during the Period.

3.2 Analysis and explanation on the progress of significant events and their impact and resolutions

Applicable Not applicable

3.3 Undertakings that were failed to fulfill as scheduled during the Reporting Period

Applicable Not applicable

3.4 Warnings and explanations with regard to forecast of a probable loss in respect of the accumulative net profits from the beginning of the year to the end of the next reporting period or any significant changes as compared with that of the corresponding period of previous year

Applicable Not applicable

Company name Air China Limited
Legal representative Mr. Cai Jianjiang
Date 25 April 2019

4. APPENDICES

4.1 Financial Statements

CONSOLIDATED BALANCE SHEET

31 March 2019

Prepared by Air China Limited

Unit: RMB'000 (Unaudited)

Items	31 March 2019	31 December 2018
CURRENT ASSETS:		
Cash and bank	6,727,921	7,807,572
Provisions on payables		
Contributions made		
Financial asset held for trading		
Financial assets at FVTPL		
Derivative financial assets		
Bills and accounts receivable	6,388,983	5,374,375
Including: Bills receivable	631	403
Accounts receivable	6,388,352	5,373,972
Prepayments	837,105	1,188,879
Premium receivable		
Receivables on reinsurance		
Provisions for reinsurance contracts		
Other receivables	2,377,506	3,031,157

Items	31 March 2019	31 December 2018
Including: Interest receivable		
Dividend receivable		
Purchase of financial assets resold		
Inventories	2,103,356	1,877,494
Contract asset		
Held-for-sale assets		
Non-current assets due within a year		
Other current assets	4,524,181	4,446,630
Total current assets	22,959,052	23,726,107
NON-CURRENT ASSETS:		
Loans and advances		
Investments in debt instruments		
AFS financial assets		
Other investments in debt instruments	1,164,656	1,040,419
Held-to-maturity investments		
Long-term receivables	1,140,188	1,142,235
Long-term equity investments	15,276,604	16,540,888
Investment in other equity instruments	257,857	270,114
Other non-current financial assets		
Investment properties	169,113	170,942
Fixed assets	81,360,907	160,402,819
Construction in progress	31,654,195	32,179,581
Biological assets for production		
Oil and gas assets		
Right-of-use assets	117,444,408	
Intangible assets	3,722,359	3,759,144
Development expenses		
Goodwill	1,102,185	1,102,185
Long-term deferred expenses	493,134	606,105
Deferred tax assets	4,433,460	2,775,467
Other non-current assets		
Total non-current assets	258,219,066	219,989,899
Total assets	281,178,118	243,716,006
CURRENT LIABILITIES:		
Short-term loans	14,350,714	17,561,546
Borrowings from central bank		
Contributions received		
Financial liabilities held for trading		
Financial liabilities at fair value through profit or loss		

Items	31 March 2019	31 December 2018
Derivative financial liabilities		
Short-term bonds payable	6,760,505	3,467,482
Bills and accounts payable	17,700,209	16,174,121
Domestic air traffic liabilities	2,065,846	3,238,429
International air traffic liabilities	5,548,081	5,647,845
Receipts in advance		
Sale of financial assets repurchased		
Deposits from clients and placements from other banks		
Brokerage payable		
Underwriting fees payable		
Employee compensations payable	2,239,009	2,806,901
Taxes payable	1,498,603	1,428,926
Other payables	6,240,445	7,162,819
Including: Interest payable		
Dividend payable		
Fees and commissions payable		
Amounts payable on reinsurance		
Contract liabilities	1,146,407	1,301,518
Held-for-sale liabilities		
Non-current liabilities due within a year	17,785,251	13,441,489
Other current liabilities		
Total current liabilities	75,335,070	72,231,076
NON-CURRENT LIABILITIES:		
Reserves on insurance contracts		
Long-term loans	2,021,038	3,185,481
Debentures payable	13,450,304	12,400,000
Including: Preference shares		
Perpetual bonds		
Lease liabilities	81,507,285	
Long-term payables	3,971,478	4,208,771

Items	31 March 2019	31 December 2018
Obligations under finance leases		45,848,095
Defined benefit obligations	266,262	263,862
Accrued liabilities	2,847,843	431,705
Deferred income	492,197	647,973
Deferred tax liabilities	901,317	879,372
Other non-current liabilities	3,191,400	3,062,739
Total non-current liabilities	108,649,124	70,927,998
Total liabilities	183,984,194	143,159,074
OWNERS' EQUITY(OR SHAREHOLDERS' EQUITY):		
Registered capital (or issued capital)	14,524,815	14,524,815
Other equity instruments		
Including: Preference shares		
Perpetual bonds		
Capital reserve	26,270,841	26,270,841
Less: Treasury shares		
Other comprehensive income	-1,427,788	-962,968
Including: exchange difference on translation of financial statements in foreign currency	-2,171,880	-1,705,555
Surplus reserves	9,953,163	10,409,470
General risk provisions	93,188	93,188
Retained earnings	40,462,507	42,880,893
Total owners' equity(or shareholders' equity) attributable to equity shareholders of the Company	89,876,726	93,216,239
Non-controlling interests	7,317,198	7,340,693
Total owners' equity(or shareholders' equity)	97,193,924	100,556,932
Total liabilities and owners' equity (or shareholders' equity)	281,178,118	243,716,006

Legal representative: Mr. Cai Jianjiang
Person in charge of accounting function: Mr. Xiao Feng
Person in charge of accounting department: Mr. Zhan Zhong

BALANCE SHEET OF THE COMPANY*31 March 2019*

Prepared by Air China Limited

Unit: RMB'000 (Unaudited)

Item	31 March 2019	31 December 2018
Current assets:		
Cash and bank	5,874,121	7,179,671
Financial asset held for trading		
Financial assets at fair value through profit or loss		
Derivative financial assets		
Bills and accounts receivable	5,255,582	4,399,059
Including: Bills receivable		
Accounts receivable	5,255,582	4,399,059
Prepayments	411,498	787,964
Other receivables	1,846,337	1,612,383
Including: Interest receivable		
Dividend receivable		
Inventories	90,555	90,329
Contract asset		
Held-for-sale assets		
Non-current assets due within a year		
Other current assets	1,870,645	1,986,693
Total current assets	15,348,738	16,056,099

Item	31 March 2019	31 December 2018
NON-CURRENT ASSETS:		
Investments in debt instruments		
AFS financial assets		
Other investments in debt instruments		
Held-to-maturity investments		
Long-term receivables	1,035,258	477,016
Long-term equity investments	23,904,128	24,707,500
Investment in other equity instruments	22,783	22,783
Other non-current financial assets		
Investment properties		
Fixed assets	56,313,200	114,433,435
Construction in progress	20,672,777	21,300,211
Biological assets for production		
Oil and gas assets		
Right-of-use assets	84,531,099	
Intangible assets	2,658,748	2,687,038
Development expenses		
Goodwill		
Long-term deferred expenses	281,519	294,316
Deferred tax assets	3,658,901	2,340,262
Other non-current assets		
Total non-current assets	193,078,413	166,262,561
Total assets	208,427,151	182,318,660
CURRENT LIABILITIES:		
Short-term loans	6,685,162	7,988,814
Financial liabilities held for trading		
Financial liabilities at fair value through profit or loss		
Derivative financial liabilities		
Bills and accounts payable	13,823,397	12,793,179
Domestic air traffic liabilities	1,616,494	2,297,562
International air traffic liabilities	5,083,726	5,111,873
Receipts in advance		
Contract liabilities	542,834	767,900

Item	31 March 2019	31 December 2018
Employee compensations payable	747,045	1,166,450
Taxes payable	971,589	1,112,465
Other payables	8,004,214	8,310,250
Including: Interest payable		
Dividend payable		
Held-for-sale liabilities		
Non-current liabilities due within a year	13,956,094	10,432,216
Other current liabilities		
Total current liabilities	51,430,555	49,980,709
NON-CURRENT LIABILITIES:		
Long-term loans	1,194,539	1,523,388
Debentures payable	10,500,000	10,500,000
Including: Preference shares		
Perpetual bonds		
Lease liabilities	56,683,580	
Long-term payables	1,924,804	2,175,079
Accrued liabilities	1,859,802	88,705
Obligations under finance leases		30,729,202
Deferred income	363,906	371,494
Deferred tax liabilities		
Other non-current liabilities	2,888,409	2,654,793
Total non-current liabilities	75,415,040	48,042,661
Total liabilities	126,845,595	98,023,370
OWNERS' EQUITY(OR SHAREHOLDERS' EQUITY):		
Registered capital(or Issued capital)	14,524,815	14,524,815
Other equity instruments		
Including: Preference shares		
Perpetual bonds		
Capital reserve	30,618,680	30,618,680
Less: Treasury shares		
Other comprehensive income	206,238	206,238
Surplus reserves	9,916,057	10,372,364
Retained earnings	26,315,766	28,573,193
Total owners' equity (or shareholders' equity)	81,581,556	84,295,290
Total liabilities and owners' equity (or shareholders' equity)	208,427,151	182,318,660

Legal representative: Mr. Cai Jianjiang
Person in charge of accounting function: Mr. Xiao Feng
Person in charge of accounting department: Mr. Zhan Zhong

CONSOLIDATED INCOME STATEMENT

January to March 2019

Prepared by Air China Limited

Unit: RMB'000 (Unaudited)

Items	First quarter of 2019	First quarter of 2018
I. Total revenue from operations	32,554,019	31,606,754
Including: Operating income	32,554,019	31,606,754
Interest income		
Premium earned		
Fees and commission income		
II. Total operating cost	29,587,953	28,230,239
Including: Operating costs	26,936,042	26,595,757
Interest expenses		
Fees and commission expenses		
Returned premium		
Net reimbursement paid		
Net amounts of provisions on insurance contracts drawn		
Bonus paid on insurance policy		
Reinsurance premium		
Taxes and other levies	47,161	34,984
Selling expenses	1,655,505	1,498,159
General and administrative expenses	1,052,924	1,078,410
Research and development expenditures	22,086	20,672
Finance expenses	-112,936	-997,160
Including: Interest expense	1,200,965	657,222
Interest income	28,702	20,113
Impairment loss of assets		-583
Impairment losses in respect of credit	-12,829	
Add: Other income	704,118	503,353
Investment income (loss is represented by “-” sign)	309,911	133,484
Including: Share of profits or losses of associates and joint ventures	297,353	124,259
Exchange gains (loss is represented by “-” sign)		
Gains from net exposure to hedging (loss is represented by “-” sign)		
Gains from changes in fair value (loss is represented by “-” sign)		4,364

Items	First quarter of 2019	First quarter of 2018
Gains from disposal of assets (loss is represented by “-” sign)	-7	-568
III. Profit from operations (loss is represented by “-” sign)	3,980,088	4,017,148
Add: Non-operating income	114,880	13,358
Less: Non-operating expenses	9,730	6,219
IV. Total profit (total loss is represented by “-” sign)	4,085,238	4,024,287
Less: Income tax expenses	848,053	846,567
V. Net profit (net loss is represented by “-” sign)	3,237,185	3,177,720
(I) Classified by continuity of operations		
1. Net profit from continuing operations (net loss is represented by “-” sign)	3,237,185	3,177,720
2. Net profit from discontinued operation (net loss is represented by “-” sign)		
(II) Classified by ownership of equity		
1. Net profits attributable to shareholders of the Company (net loss is represented by “-” sign)	2,722,816	2,628,202
2. Net profits attributable to non-controlling interests (net loss is represented by “-” sign)	514,369	549,518
VI. Other comprehensive income after taxation	-472,019	-903,232
Other comprehensive income after taxation attributable to shareholders of the Company	-462,981	-868,818
(I) Other comprehensive income that cannot be subsequently reclassified to profit or loss	2,961	
1. Changes arising on remeasurement of defined benefit plans		
2. Other comprehensive income accounted for using the equity method that cannot be reclassified to profit or loss		
3. Change in fair value of investments in other equity instruments	2,961	

Items	First quarter of 2019	First quarter of 2018
4. Change in fair value of own credit risk		
(II) Other comprehensive income that will be reclassified to profit or loss	-465,942	-868,818
1. Other comprehensive income accounted for using the equity method that may be reclassified to profit or loss		
2. Change in fair value of other debt investments	383	
3. Fair value gain or loss of available-for-sale financial assets		-10,491
4. Amount of financial assets reclassified into other comprehensive income		
5. Gains or losses arising from reclassification of held-to-maturity investments to available-for-sale financial assets		
6. Credit impairment reserve for other debt investment		
7. Reserve for cash flow hedging (Effective portion of profit or loss on cash flow hedge)		
8. Exchange difference on translation of financial statements in foreign currency	-466,325	-858,327
9. Others		
Other comprehensive income after taxation attributable to non-controlling interests	-9,038	-34,414
VII. Total comprehensive income	2,765,166	2,274,488
Total comprehensive income attributable to shareholders of the Company	2,259,835	1,759,384
Total comprehensive income attributable to non-controlling interests	505,331	515,104
VIII. Earnings per share:		
(I) Basic earnings per share (<i>RMB per share</i>)	0.20	0.19
(II) Diluted earnings per share (<i>RMB per share</i>)	N/A	N/A

Legal representative: Mr. Cai Jianjiang

Person in charge of accounting function: Mr. Xiao Feng

Person in charge of accounting department: Mr. Zhan Zhong

INCOME STATEMENT OF THE COMPANY

January to March 2019

Prepared by Air China Limited

Unit: RMB'000 (Unaudited)

Items	First quarter of 2019	First quarter of 2018
I. Revenue from operations	22,202,958	21,061,803
Less: Operating costs	18,631,830	17,862,405
Taxes and other levies	18,237	2,492
Selling expenses	1,171,404	1,125,788
General and administrative expenses	435,612	396,071
R&D expenses	15,357	13,216
Finance expenses	-16,660	-448,853
Including: Interest expenses	865,872	442,266
Interest income	39,676	10,816
Impairment loss of assets		
Impairment loss of credit		
Add: Other income	417,276	312,229
Investment income (loss is represented by “-” sign)	45,000	195,798
Including: Share of profits or losses of associates and joint ventures	44,441	189,972
Gains from net exposure to hedging (loss is represented by “-” sign)		
Gains from changes in fair value (loss is represented by “-” sign)		
Income from disposal of assets (loss is represented by “-” sign)		
II. Profit from operations (loss is represented by “-” sign)	2,409,454	2,618,711
Add: Non-operating income	1,446	2,169
Less: Non-operating expenses	6,173	4,246
III. Total profit (total loss is represented by “-” sign)	2,404,727	2,616,634
Less: Income Taxation	555,390	570,956
IV. Net profit (net loss is represented by “-” sign)	1,849,337	2,045,678
(I) Net profit from continuing operations (net loss is represented by “-” sign)	1,849,337	2,045,678
(II) Net profit from discontinued operations (net loss is represented by “-” sign)		

Items	First quarter of 2019	First quarter of 2018
V. Other comprehensive income after taxation, net		
(I) Other comprehensive income that cannot be subsequently reclassified to profit or loss		
1. Change arising from re-measurement of defined benefit plans		
2. Other comprehensive income accounted for using the equity method that cannot be reclassified to profit or loss		
3. Changes in fair value of investment in other equity instruments		
4. Changes in fair value of enterprise's own credit risk		
(II) Other comprehensive income that will be reclassified to profit or loss		
1. Other comprehensive income accounted for using the equity method that can be reclassified to profit or loss		
2. Change in fair value of other debt investments		
3. Gains or losses from changes in fair value of available-for-sale financial assets		
4. Amount of financial assets reclassified into other comprehensive income		
5. Gains or losses from reclassification of held-to-maturity investments to available-for-sale financial assets		
6. Provision for credit impairment of other debt investments		
7. Cash flows hedging reserve (effective portion of gains or losses from cash flows hedging)		
8. Exchange difference on translation of financial statements in foreign currency		
9. Others		
VI. Total comprehensive income	1,849,337	2,045,678
VII. Earnings per share:		
(I) Basic earnings per share (<i>RMB per share</i>)		
(II) Diluted earnings per share (<i>RMB per share</i>)		

Legal representative: Mr. Cai Jianjiang
Person in charge of accounting function: Mr. Xiao Feng
Person in charge of accounting department: Mr. Zhan Zhong

CONSOLIDATED CASH FLOW STATEMENT

January to March 2019

Prepared by Air China Limited

Unit: RMB'000 (Unaudited)

Items	First quarter of 2019	First quarter of 2018
I. Cash flows from operating activities:		
Cash received from sales of goods and provision of services	31,766,329	32,612,171
Net increase in deposits from clients and placements from other banks		
Net increase in borrowings from central bank		
Net increase in borrowings from other financial institutions		
Cash received from premiums of original insurance contracts		
Net cash receipt from reinsurance operations		
Net increase in reserve of the insured and investment		
Cash received from interest, fees and commission		
Net increase in contributions received		
Net increase in cash from repurchase operations		
Net cash receipt from securities trading as agent		
Refund of taxes and levies	9,016	52,298
Other cash received relating to operating activities	1,546,956	2,073,744
Subtotal of cash inflows of operating activities	33,322,301	34,738,213
Cash paid for goods purchased and services received	16,579,439	17,045,091
Net increase in loans and advances to clients		
Net increase in deposits in central bank and other banks		
Cash paid in respect of claims under original insurance contracts		
Net increase of held-for-trading financial assets		
Net increase in contributions made		
Cash paid for interest, fees and commissions		
Cash paid for bonus paid on insurance policy		
Cash paid to or on behalf of employees	6,662,886	6,098,999
Taxes and levies paid	1,685,285	1,977,075
Other cash paid relating to operating activities	2,459,302	2,379,420
Subtotal of cash outflows from operating activities	27,386,912	27,500,585
Net cash flows from operating activities	5,935,389	7,237,628

Items	First quarter of 2019	First quarter of 2018
II. Cash flows from investing activities:		
Cash received from sale and redemption of investments		43,720
Recovery of the secured bank deposits	3,042	2,114
Cash received from investment income	559	8,825
Net cash proceeds from disposal of fixed assets, intangible assets and other long-term assets	36,739	190,982
Net cash proceeds from disposal of subsidiaries and other business units		
Other cash received relating to investing activities	36,941	42,027
Subtotal of cash inflows from investing activities	77,281	287,668
Cash paid for purchase and construction of fixed assets, intangible assets and other long-term assets	1,559,059	4,266,407
Cash paid for investments	119,476	
Net increase in secured loans		
Net cash payments for acquisition of subsidiaries and other business units		
Other cash paid relating to investing activities	150	3,620
Subtotal of cash outflows from investing activities	1,678,685	4,270,027
Net cash flows from investing activities	-1,601,404	-3,982,359
III. Cash flows from financing activities:		
Cash received from capital injection		
Including: Cash received from capital injection of minority shareholders in subsidiaries		
Cash received from borrowings	786,183	8,991,154
Cash received from issue of debentures	5,700,000	500,000
Other cash received relating to financing activities		
Subtotal of cash inflows from financing activities	6,486,183	9,491,154
Cash paid for repayment of borrowings	5,311,612	9,556,697
Cash paid for repayment of debentures	1,400,000	600,000
Cash paid for distribution of dividends, profits or payment of interest expenses	1,303,106	857,545
Including: Dividends and profits paid to minority shareholders by subsidiaries		4,900
Other cash paid relating to financing activities	3,519,190	1,452,860
Subtotal of cash outflows from financing activities	11,533,908	12,467,102
Net cash flows from financing activities	-5,047,725	-2,975,948

Items	First quarter of 2019	First quarter of 2018
IV. Effect of exchange rate changes on cash and cash equivalents	-63,831	-65,147
V. Net increase in cash and cash equivalents	-777,571	214,174
Add: Balance of cash and cash equivalents as at the beginning of the period	6,763,183	5,562,907
VI. Balance of cash and cash equivalents as at the end of the period	5,985,612	5,777,081

Legal representative: Mr. Cai Jianjiang

Person in charge of accounting function: Mr. Xiao Feng

Person in charge of accounting department: Mr. Zhan Zhong

CASH FLOW STATEMENT OF THE COMPANY

January to March 2019

Prepared by Air China Limited

Unit: RMB'000 (Unaudited)

Items	First quarter of 2019	First quarter of 2018
I. Cash flows from operating activities:		
Cash received from sales of goods and provision of services	21,226,675	21,296,041
Refund of taxes and levies		
Other cash received relating to operating activities	872,089	871,437
Subtotal of cash inflows of operating activities	22,098,764	22,167,478
Cash paid for goods purchased and services received	12,174,483	11,351,029
Cash paid to or on behalf of employees	3,234,234	2,701,246
Taxes and levies paid	1,203,083	1,101,422
Other cash paid relating to operating activities	1,398,544	1,409,773
Subtotal of cash outflows from operating activities	18,010,344	16,563,470
Net cash flows from operating activities	4,088,420	5,604,008
II. Cash flows from investing activities:		
Cash received from sale and redemption of investments		
Cash received from investment income	559	5,826
Net cash proceeds from disposal of fixed assets, intangible assets and other long-term assets	364,970	456,996
Net cash proceeds from disposal of subsidiaries and other business units		
Other cash received relating to investing activities	39,676	13,563
Subtotal of cash inflows from investing activities	405,205	476,385
Cash paid for purchase and construction of fixed assets, intangible assets and other long-term assets	661,770	4,078,474

Items	First quarter of 2019	First quarter of 2018
Cash paid for investments		
Net cash payments for acquisition of subsidiaries and other business units		
Other cash paid relating to investing activities		
Subtotal of cash outflows from investing activities	661,770	4,078,474
Net cash flows from investing activities	-256,565	-3,602,089
III. Cash flows from financing activities:		
Cash received from capital injection		
Cash received from borrowings		6,797,791
Other cash received relating to financing activities		
Subtotal of cash inflows from financing activities		6,797,791
Cash paid for repayment of borrowings	1,630,169	6,688,145
Cash paid for distribution of dividends, profits or payment of interest expenses	956,538	580,362
Other cash paid relating to financing activities	2,505,318	1,104,422
Subtotal of cash outflows from financing activities	5,092,025	8,372,929
Net cash flows from financing activities	-5,092,025	-1,575,138
IV. Effect of exchange rate changes on cash and cash equivalents	-45,380	-22,722
V. Net increase in cash and cash equivalents	-1,305,550	404,059
Add: Balance of cash and cash equivalents as at the beginning of the period	7,149,360	3,172,520
VI. Balance of cash and cash equivalents as at the end of the period	5,843,810	3,576,579

Legal representative: Mr. Cai Jianjiang
Person in charge of accounting function: Mr. Xiao Feng
Person in charge of accounting department: Mr. Zhan Zhong

4.2 Particulars in relation to adjustments made to relevant items of the financial statements as at the beginning of the year of the initial adoption of New Financial Instruments Standard, New Revenue Standard and New Lease Standard

Applicable

Not applicable

CONSOLIDATED BALANCE SHEET

Unit: RMB'000

Items	31 December 2018	1 January 2019	Adjustment
CURRENT ASSETS:			
Cash and bank	7,807,572	7,807,572	
Provisions on payables			
Contributions made			
Financial assets held-for-trading			
Financial assets at fair value through profit or loss			
Derivative financial assets			
Bills receivable and accounts receivable	5,374,375	5,374,375	
Including: Bills receivable	403	403	
Accounts receivable	5,373,972	5,373,972	
Prepayments	1,188,879	629,299	-559,580
Premium receivable			
Receivables on reinsurance			
Provisions for reinsurance contracts			
Other receivables	3,031,157	3,031,157	
Including: Interest receivable			
Dividend receivable			
Purchase of financial assets resold			
Inventories	1,877,494	1,877,494	
Contract assets			
Held-for-sale assets			
Non-current assets due within a year			
Other current assets	4,446,630	4,446,630	
Total current assets	23,726,107	23,166,527	-559,580

Items	31 December 2018	1 January 2019	Adjustment
NON-CURRENT ASSETS:			
Loans and advances			
Debt investments			
Available-for-sale financial assets			
Other debt investments	1,040,419	1,040,419	
Held-to-maturity investments			
Long-term receivables	1,142,235	1,142,235	
Long-term equity investments	16,540,888	15,326,770	-1,214,118
Investments in other equity instruments	270,114	270,114	
Other non-current financial assets			
Investment properties	170,942	170,942	
Fixed assets	160,402,819	82,823,933	-77,578,886
Construction in progress	32,179,581	32,179,581	
Biological assets for production			
Oil and gas assets			
Right-of-use assets		114,571,573	114,571,573
Intangible assets	3,759,144	3,759,144	
Development expenses			
Goodwill	1,102,185	1,102,185	
Long-term deferred expenses	606,105	512,111	-93,994
Deferred tax assets	2,775,467	4,328,860	1,553,393
Other non-current assets			
Total non-current assets	219,989,899	257,227,867	37,237,968
Total assets	243,716,006	280,394,394	36,678,388

Items	31 December 2018	1 January 2019	Adjustment
CURRENT LIABILITIES:			
Short-term loans	17,561,546	17,561,546	
Borrowings from central bank			
Contributions received			
Short-term bonds payable	3,467,482	3,467,482	
Domestic air traffic liabilities	3,238,429	3,238,429	
International air traffic liabilities	5,647,845	5,647,845	
Financial liabilities held-for-trading			
Financial liabilities at fair value through profit or loss			
Derivative financial liabilities			
Bills payable and accounts payable	16,174,121	16,174,121	
Receipts in advance			
Sale of financial assets repurchased			
Deposits from clients and placements from other banks			
Brokerage payable			
Underwriting fees payable			
Employee compensations payable	2,806,901	2,806,901	
Taxes payable	1,428,926	1,428,926	
Other payables	7,162,819	7,162,819	
Including: Interest payable			
Dividend payable			
Fees and commissions payable			
Amounts payable on reinsurance			
Contract liabilities	1,301,518	1,301,518	
Held-for-sale liabilities			
Non-current liabilities due within a year	13,441,489	18,540,816	5,099,327
Other current liabilities			
Total current liabilities	72,231,076	77,330,403	5,099,327

Items	31 December 2018	1 January 2019	Adjustment
NON-CURRENT LIABILITIES:			
Reserves on insurance contracts			
Long-term loans	3,185,481	3,185,481	
Debentures payable	12,400,000	12,400,000	
Including: Preference shares			
Perpetual bonds			
Lease liabilities		81,324,048	81,324,048
Long-term payables	4,208,771	4,208,771	
Obligations under finance leases	45,848,095		-45,848,095
Defined benefit obligations	263,862	263,862	
Accrued liabilities	431,705	2,809,503	2,377,798
Deferred income	647,973	501,457	-146,516
Deferred tax liabilities	879,372	879,372	
Other non-current liabilities	3,062,739	3,062,739	
Total non-current liabilities	70,927,998	108,635,233	37,707,235
Total liabilities	143,159,074	185,965,636	42,806,562
OWNERS' EQUITY (OR SHAREHOLDERS' EQUITY):			
Paid-up capital (or share capital)	14,524,815	14,524,815	
Other equity instruments			
Including: Preference shares			
Perpetual bonds			
Capital reserve	26,270,841	26,270,841	
Less: Treasury shares			
Other comprehensive income	-962,968	-962,968	
Surplus reserves	10,409,470	9,953,163	-456,307
General risk provisions	93,188	93,188	
Retained earnings	42,880,893	37,737,852	-5,143,041
Total owners' equity attributable to equity shareholders of the Company	93,216,239	87,616,891	-5,599,348
Non-controlling interests	7,340,693	6,811,867	-528,826
Total owners' equity (or shareholders' equity)	100,556,932	94,428,758	-6,128,174
Total liabilities and owners' equity (or shareholders' equity)	243,716,006	280,394,394	36,678,388

Description of the adjustment of each item:

Applicable Not applicable

The above adjustments represent the impact of adopting the New Lease Standard.

BALANCE SHEET OF THE COMPANY*Unit: RMB'000*

Items	31 December 2018	1 January 2019	Adjustment
CURRENT ASSETS:			
Cash and bank	7,179,671	7,179,671	
Financial assets held-for-trading			
Financial assets at fair value through profit or loss			
Derivative financial assets			
Bills receivable and accounts receivable	4,399,059	4,399,059	
Including: Bills receivable			
Accounts receivable	4,399,059	4,399,059	
Prepayments	787,964	405,974	-381,990
Other receivables	1,612,383	1,612,383	
Including: Interest receivable			
Dividend receivable			
Inventories	90,329	90,329	
Contract assets			
Held-for-sale assets			
Non-current assets due within a year			
Other current assets	1,986,693	1,986,693	
Total current assets	16,056,099	15,674,109	-381,990

Items	31 December 2018	1 January 2019	Adjustment
NON-CURRENT ASSETS:			
Debt investments			
Available-for-sale financial assets			
Other debt investments			
Held-to-maturity investments			
Long-term receivables	477,016	1,056,981	579,965
Long-term equity investments	24,707,500	23,859,687	-847,813
Investments in other equity instruments	22,783	22,783	
Other non-current financial assets			
Investment properties			
Fixed assets	114,433,435	57,617,243	-56,816,192
Construction in progress	21,300,211	21,300,211	
Biological assets for production			
Oil and gas assets			
Right-of-use assets		82,395,207	82,395,207
Intangible assets	2,687,038	2,687,038	
Development expenses			
Goodwill			
Long-term deferred expenses	294,316	294,316	
Deferred tax assets	2,340,262	3,578,681	1,238,419
Other non-current assets			
Total non-current assets	166,262,561	192,812,147	26,549,586
Total assets	182,318,660	208,486,256	26,167,596

Items	31 December 2018	1 January 2019	Adjustment
CURRENT LIABILITIES:			
Short-term loans	7,988,814	7,988,814	
Financial liabilities held-for-trading			
Financial liabilities at fair value through profit or loss			
Derivative financial liabilities			
Bills payable and accounts payable	12,793,179	12,793,179	
Domestic air traffic liabilities	2,297,562	2,297,562	
International air traffic liabilities	5,111,873	5,111,873	
Receipts in advance			
Contract liabilities	767,900	757,736	-10,164
Employee compensations payable	1,166,450	1,166,450	
Taxes payable	1,112,465	1,112,465	
Other payables	8,310,250	8,310,250	
Including: Interest payable			
Dividend payable			
Held-for-sale liabilities			
Non-current liabilities due within a year	10,432,216	14,032,513	3,600,297
Other current liabilities			
Total current liabilities	49,980,709	53,570,842	3,590,133
NON-CURRENT LIABILITIES:			
Long-term loans	1,523,388	1,523,388	
Debentures payable	10,500,000	10,500,000	
Including: Preference shares			
Perpetual bonds			
Lease liabilities		56,136,927	56,136,927
Long-term payables	2,175,079	2,175,079	
Obligations under finance leases	30,729,202		-30,729,202
Accrued liabilities	88,705	1,821,514	1,732,809
Deferred income	371,494	371,494	
Deferred tax liabilities			
Other non-current liabilities	2,654,793	2,654,793	
Total non-current liabilities	48,042,661	75,183,195	27,140,534
Total liabilities	98,023,370	128,754,037	30,730,667

Items	31 December 2018	1 January 2019	Adjustment
OWNERS' EQUITY (OR SHAREHOLDERS' EQUITY):			
Paid-up capital (or share capital)	14,524,815	14,524,815	
Other equity instruments			
Including: Preference shares			
Perpetual bonds			
Capital reserve	30,618,680	30,618,680	
Less: Treasury shares			
Other comprehensive income	206,238	206,238	
Surplus reserves	10,372,364	9,916,057	-456,307
Retained earnings	28,573,193	24,466,429	-4,106,764
Total owners' equity (or shareholders' equity)	84,295,290	79,732,219	-4,563,071
Total liabilities and owners' equity (or shareholders' equity)	182,318,660	208,486,256	26,167,596

Description of the adjustment of each item:

Applicable Not applicable

The above adjustments represent the impact of adopting the New Lease Standard.

4.3 Description of the retrospective adjustment to the comparable figures for the previous period due to the initial adoption of the New Financial Instruments Standard and the New Lease Standard

Applicable Not applicable

4.4 Auditor's Report

Applicable Not applicable

By Order of the Board
Air China Limited
Joint Company Secretaries
Zhou Feng Tam Shuit Mui

Beijing, the PRC, 25 April 2019

As at the date of this announcement, the directors of the Company are Mr. Cai Jianjiang, Mr. Song Zhiyong, Mr. Xue Yasong, Mr. John Robert Slosar, Mr. Wang Xiaokang, Mr. Liu Deheng*, Mr. Stanley Hui Hon-chung* and Mr. Li Dajin*.*

* *Independent non-executive director of the Company*