

Auditor's report

Shandong Airlines Co., Ltd.

RONGCHENG SHENZI[2020]518Z0031

RSM CHINA CPA LLP

CHINA ● BEIJING

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Independent Auditor's Report

RONGCHENG SHENZI[2020]518Z0031

To the Board of Directors of Shandong Airlines Co., Ltd.,

I. Audit Opinion

We have audited the accompanying financial statements of Shandong Airlines Co., Ltd. (hereafter, Shandong Airlines or the Company), which comprise the consolidated and separate statements of financial position as at December 31 2019, the consolidated and separate statements of comprehensive income, the consolidated and separate statements of cash flows and the consolidated and separate statements of changes in equity for the year then ended and the notes to the financial statements.

In our opinion, the financial statements have been prepared in accordance with the requirements of the Enterprises Accounting Standards of China and presented fairly, in all material respects, the consolidated and separate financial positions of Shandong Airlines as at December 31 2019, and the Company's consolidated and separate results of operations and consolidated and separate cash flows for the year then ended.

II. Basis of Forming the Audit Opinion

We conducted our audit in accordance with the Chinese Certified Public Accountant Auditing Standards. The section "Auditors' Responsibility for the Financial Statements" in the audit report further describes our responsibilities in accordance with these standards. According to the Code of Ethics for Chinese Certified Public Accountants, we are independent of the Company and fulfilled other responsibilities of code of ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

III. Key Audit Items

Key audit items are the items which we believe, based on our professional judgment, to be significant in the audit of financial statements for the current period. Audit response to these items has been designed and implemented in the context of auditing the financial statements as a whole

for the purpose of expressing an audit opinion on the financial statements; and we do not express an opinion on each of these items individually.

1. Recognition of Passenger Service Revenue

1.1 Description

The revenue of passenger service of the Company is recognized when the service is provided. At the balance sheet date, the amount collected by the Company for transportation service which has been sold but not yet provided is included in the balance sheet as ticket settlement. The Company uses complex information technology systems, through the system of automatic processing of large amounts of data to keep track of ticket sales and transportation services provided, to confirm the timing and the exact amount of revenue of passenger service. Due to the recognition of passenger service revenue involving use of complex information technology system, it will lead to inaccurate recognition of passenger service revenue or the inherent risk of the inappropriateness of the accounting period. Therefore, we identify revenue recognition of passenger service as a key audit item.

Please refer to Note 3.22 Revenue under Note 3 Important Accounting Principles and Accounting Estimates. Please refer to Note 5.21 Advance from customers and Note 5.35 Operating revenues and costs under Note 5 Notes to significant elements of the consolidated financial statements. Please refer to Note 14.4 Operating revenues and costs under Note 14 Notes to elements of the separate financial statements for details.

1.2 Audit Response

The relevant procedures we implemented for the recognition of passenger service revenue mainly include:

1.2.1 We assessed the design, operation and effectiveness of the internal control related to the company's revenue recognition and assessed the effectiveness of the design and operation of information technology control related to the revenue system.

1.2.2 We assessed the difference between the information output from the information technology system and the company's financial and operational data and identified the differences in the process to track the related key labor control.

1.2.3 We compared the opening and closing balance of ticket settlement during the period, and analyzed the reasonableness of amount changes.

1.2.4 We checked the relevant supporting documents of the account entries of significant amounts or other specific risk standards.

2. Major Repair Fee for Operating Lease Aircrafts and related Engines

2.1 Description

On December 31 2019, the payable balance of operating lease aircrafts and major repair fee of the engines (including that due within one year) amounted to 4.08 billion. According to the terms of the lease agreement, the company shall return the aircraft in accordance with the agreed conditions demanded at the end of the lease period. In order to ensure the agreed conditions for the return of the aircraft, the company will make a provision for major repair to the fuselage and engine of operating lease during the estimated overhaul period, and the overhaul expenses will be included in the current profit and loss. Management estimates the expected overhaul cycle and overhaul cost based on the actual maintenance cost experience of the same or similar fuselage and engine in the past, current economic and aviation related development, and taking into account the predicted flight hours, flight cycles, overhaul intervals and other variables. Due to the inherent uncertainty of the prediction of the overhaul period and the future overhaul cost for different types of fuselages and engines, there is a risk of inaccurate estimated cost. Therefore, we identify major repair fee for operating leased aircrafts and related engines as a key audit matter.

Please refer to Note 3.26 Regular repair and substantial repair, Note 3.29.9 Aircraft operating lease and engine overhaul expenses under Note 3 Important Accounting Principles and Accounting Estimates. Please refer to Note 5.20 Notes payable and Accounts payable and Note 5.27 Long-term payables for the details under Note 5 Notes to significant elements of the consolidated financial statements.

2.2 Audit Response

The relevant procedures we implemented for major repair fee for operating lease aircrafts and related engines mainly include:

2.2.1 We assessed the effectiveness of the design and operation of the key internal controls related to the overhaul preparation for the aircraft of operating lease.

2.2.2 We discussed with the engineering department managers of the Company responsible for aircraft maintenance, obtained the information of the overhaul cycle, overhaul cost and actual maintenance cost, compared the information to that used by financial executives to calculate the overhaul preparation.

2.2.3 We compared the assumptions adopted by the management in the previous year with the actual situation and the assumptions of this year, and evaluated the key assumptions adopted by the management in estimating the overhaul cycle and the future overhaul cost, based on the terms of operation lease agreement and the historical maintenance experience of the Company.

2.2.4 We compared the actual cost of the returned aircraft which was in overhaul previously to the corresponding overhaul preparation, analyzed the difference to evaluate the rationality of management accounting estimates.

IV. Other Information

The management of the Company is responsible for other information, which includes the information contained in the Company's 2019 annual report except for the financial statements and our auditor report.

Our audit opinion on the financial statements does not cover other information, and we do not express assurance opinion in any form on the other information.

In parallel to our audit of the financial statements, our responsibilities include reading other information to assess if the information included in other information is significantly inconsistent with the financial statements or information obtained during the audit, and if there is possible material misstatement in other information.

Where we identify material misstatement in other information on the basis of our work, we shall report such fact. Based on our work, we have no such matter to be reported.

V. Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management of the Company (hereafter, the management) is responsible for preparing and presenting the financial statements in accordance with Enterprise Accounting Standards of China and for the purpose of fair presentation and designing, implementing and maintaining internal control necessary to the preparation of financial statements that are free from material

misstatements, whether due to fraud or error.

During the preparation of the financial statements, the management is responsible for assessing the Company's going-concern capability; disclosing matters in relation to the going-concern status; and applying the going-concern assumption for preparation of the financial statements, unless the management plans to liquidate the Company, terminates operation of the Company or has no other practical alternative choice.

Those charged with governance are responsible for monitoring the Company's financial reporting process.

VI. Auditors' Responsibility for the Financial Statements

Our objective is to obtain reasonable assurance as to whether the financial statements are free from material misstatement, whether due to frauds or errors, and issue an audit report with audit opinion. Reasonable assurance is a high-level assurance, but there is no guarantee that a material misstatement will always be found in the audit performed in accordance with the auditing standards. Misstatements may be caused by fraud or error. Misstatements are considered to be material if they, individually or in aggregate, could reasonably be expected to influence the economic decisions of users based on the financial statements.

During the performance of our audit in accordance with the auditing standards, we use professional judgment and maintain professional skepticism. We also perform the following procedures:

A. Identify and assess the risks of material misstatement of the financial statements due to fraud and error, design and implement audit procedures to address these risks, and obtain sufficient and appropriate audit evidence as a basis for forming the audit opinion. As fraud may involve collusion, forgery, willful omission, misrepresentation or override of internal control, the risk of not discovering a material misstatement due to fraud is higher than the risk of failing to detect a material misstatement resulting from a mistake.

B. Understand the internal controls related to auditing in order to design appropriate audit procedures.

C. Evaluate the appropriateness of accounting policies adopted by the management and the reasonableness of accounting estimates and relevant disclosures made by management.

D. Conclude on the appropriateness of management's application of the going concern assumption. Meanwhile, based on the audit evidence obtained, conclude whether there is material uncertainty about the Company's ability to continue as a going-concern. If we conclude that there is material uncertainty, the auditing standards require us to draw attention of the users of the financial statements to the relevant disclosures in the financial statements. If the disclosure is inadequate, we shall express a qualified opinion. Our conclusion is based on information available as of the date of the audit report. However, future events or circumstances may cause the Company not being able to continue as a going-concern.

E. Evaluate the overall presentation, structure and content of financial statements and evaluate whether the financial statements present fairly the relevant transactions and events.

F. Obtain sufficient and appropriate audit evidence regarding to the Company's financial information of the entities or business activities in order to express audit opinion on the financial statements. We are responsible for the guidance, supervision and execution of the group audit, and take full responsibility for the audit opinion.

We communicate with those charged with governance on the scope and time schedule of the audit, and significant audit findings, etc., including deficiency of internal control that we identified during the audit which warrants attention.

We also provide a statement to those charged with governance regarding the fact that we comply with the requirements of professional ethics relating to independence, and also communicate with them about all relationships and other matters that may be reasonably deemed to affect our independence, as well as, where applicable, the relevant precautions (if applicable).

Through the matters we communicate with those charged with governance, we identify matters that are significant in the audit of the financial statements for the current period, which therefore become the key audit items. We disclose these items in the audit report, unless public disclosure of such items is prohibited by laws and regulations; in exceptional circumstances, where the benefit arising from public disclosure of certain matters is outweighed by the negative consequence brought by such disclosure in consideration of public interest. We do not disclose such items in the audit report.

RSM China
(Special General Partnership)

Chinese CPA
(Engagement Partner): Ou Changxian

Beijing, China

Chinese CPA: Guo Yuefeng

26 March 2020

2. Consolidated Statement of Financial Position

Prepared by Shandong Airlines Co., Ltd

31 December 2019

In RMB

Item	2019-12-31	2018-12-31
Current assets:		
Monetary funds	598,961,065.69	840,960,104.09
Settlement provisions		
Capital lent		
Tradable financial assets		
Financial assets measured by fair value and with variation reckoned into current gains/losses		90,488.17
Derivative financial assets		
Note receivable		
Account receivable	456,758,290.60	413,726,456.71
Receivable financing		
Accounts paid in advance	232,061,479.78	265,931,342.94
Insurance receivable		
Reinsurance receivables		
Contract reserve of reinsurance receivable		
Other account receivable	232,147,324.23	225,281,412.22
Including: Interest receivable		
Dividend receivable		
Buying back the sale of financial assets		
Inventories	109,435,256.69	105,625,519.42
Contractual assets		
Assets held for sale		
Non-current asset due within one year		
Other current assets	170,020,416.07	236,596,457.60
Total current assets	1,799,383,833.06	2,088,211,781.15
Non-current assets:		

Loans and payments on behalf		
Debt investment		
Finance asset available for sales		310,842,965.35
Other debt investment		
Held-to-maturity investment		
Long-term account receivable		
Long-term equity investment		
Investment in other equity instrument	874,728,633.32	
Other non-current financial assets		
Investment real estate		
Fixed assets	7,362,687,431.80	7,770,750,794.37
Construction in progress	5,479,071,703.01	4,790,300,972.13
Productive biological asset		
Oil and gas asset		
Right-of-use assets		
Intangible assets	113,459,129.62	115,541,881.39
Expense on Research and Development		
Goodwill	454,020.13	454,020.13
Long-term expenses to be apportioned	657,772,583.81	573,645,342.64
Deferred income tax asset	1,105,378,651.73	914,231,343.25
Other non-current asset		
Total non-current asset	15,593,552,153.42	14,475,767,319.26
Total assets	17,392,935,986.48	16,563,979,100.41
Current liabilities:		
Short-term loans	300,329,083.33	580,000,000.00
Loan from central bank		
Capital borrowed		
Trading financial liability	126,264.75	
Financial liability measured by fair value and with variation reckoned into current gains/losses		
Derivative financial liability		

Note payable	402,996,891.30	
Account payable	2,482,248,514.51	2,273,836,607.26
Accounts received in advance	936,873,667.96	787,371,671.33
Contractual liability		
Selling financial asset of repurchase		
Absorbing deposit and interbank deposit		
Security trading of agency		
Security sales of agency		
Wage payable	549,061,919.97	543,294,439.81
Taxes payable	149,437,183.71	252,717,258.87
Other account payable	586,143,459.66	635,499,470.13
Including: Interest payable		10,428,894.80
Dividend payable	602,306.96	602,306.96
Commission charge and commission payable		
Reinsurance payable		
Liability held for sale		
Non-current liabilities due within one year	885,299,947.83	455,840,675.34
Other current liabilities		
Total current liabilities	6,292,516,933.02	5,528,560,122.74
Non-current liabilities:		
Insurance contract reserve		
Long-term loans	808,001,382.82	1,885,556,557.83
Bonds payable		
Including: Preferred stock		
Perpetual capital securities		
Lease liability		
Long-term account payable	4,623,939,875.40	4,368,213,445.33
Long-term wages payable	152,746,225.21	135,224,119.11
Accrual liability		
Deferred income	109,423,070.21	118,279,868.16

Deferred income tax liabilities	232,789,494.25	56,819,008.96
Other non-current liabilities		
Total non-current liabilities	5,926,900,047.89	6,564,092,999.39
Total liabilities	12,219,416,980.91	12,092,653,122.13
Owner's equity:		
Share capital	400,000,000.00	400,000,000.00
Other equity instrument		
Including: Preferred stock		
Perpetual capital securities		
Capital public reserve	75,410,363.70	75,410,363.70
Less: Inventory shares		
Other comprehensive income	570,487,739.92	149,300,488.94
Reasonable reserve		
Surplus public reserve	538,773,444.97	503,999,977.58
Provision of general risk		
Retained profit	3,588,847,456.98	3,342,615,148.06
Total owner's equity attributable to parent company	5,173,519,005.57	4,471,325,978.28
Minority interests		
Total owner's equity	5,173,519,005.57	4,471,325,978.28
Total liabilities and owner's equity	17,392,935,986.48	16,563,979,100.41

Legal Representative: Sun Xiujiang

Person in charge of Accounting Works: Xu Guojian

Person in charge of Accounting Institution: Zhou Shoubin

3. Consolidated Statement of Profit or Loss and Other Comprehensive Income

In RMB

Item	2019	2018
I. Total operating income	18,990,415,024.88	18,765,953,326.74
Including: Operating income	18,990,415,024.88	18,765,953,326.74
Interest income		
Insurance gained		
Commission charge and commission income		

II. Total operating cost	18,719,010,870.08	18,603,860,257.96
Including: Operating cost	17,198,527,408.30	17,168,678,072.03
Interest expense		
Commission charge and commission expense		
Cash surrender value		
Net amount of expense of compensation		
Net amount of withdrawal of insurance contract reserve		
Bonus expense of guarantee slip		
Reinsurance expense		
Tax and extras	15,566,184.32	14,883,492.61
Sales expense	851,783,078.83	848,039,181.63
Administrative expense	482,684,059.23	428,763,602.19
R&D expense	22,442,549.67	20,646,996.66
Financial expense	148,007,589.73	122,848,912.84
Including: Interest expenses	124,509,494.05	117,650,618.41
Interest income	10,691,861.94	15,278,180.93
Add: other income	107,638,847.09	221,815,360.84
Investment income (Loss is listed with "-")	6,293,674.12	18,025,825.93
Including: Investment income on affiliated company and joint venture		
The termination of income recognition for financial assets measured by amortized cost(Loss is listed with "-")		
Exchange income (Loss is listed with "-")		
Net exposure hedging income (Loss is listed with "-")		

Income from change of fair value (Loss is listed with “-”)	-216,752.92	3,697,878.32
Loss of credit impairment (Loss is listed with “-”)	-2,937,990.94	
Losses of devaluation of asset (Loss is listed with “-”)	-4,469,223.84	-5,072,142.56
Income from assets disposal (Loss is listed with “-”)	116,645.48	26,528,980.99
III. Operating profit (Loss is listed with “-”)	377,829,353.79	427,088,972.30
Add: Non-operating income	106,408,051.60	38,380,646.96
Less: Non-operating expense	3,343,238.16	3,959,082.04
IV. Total profit (Loss is listed with “-”)	480,894,167.23	461,510,537.22
Less: Income tax expense	119,888,390.92	114,131,222.33
V. Net profit (Net loss is listed with “-”)	361,005,776.31	347,379,314.89
(i) Classify by business continuity		
1.continuous operating net profit (net loss listed with ‘-’)	361,005,776.31	347,379,314.89
2.termination of net profit (net loss listed with ‘-’)		
(ii) Classify by ownership		
1.Net profit attributable to owner’s of parent company	361,005,776.31	347,379,314.89
2.Minority shareholders’ gains and losses		
VI. Net after-tax of other comprehensive income	61,700,929.17	-29,194,350.54
Net after-tax of other comprehensive income attributable to owners of parent company	61,700,929.17	-29,194,350.54

(I) Other comprehensive income items which will not be reclassified subsequently to profit of loss	61,700,929.17	-9,293,000.00
1.Changes of the defined benefit plans that re-measured	-1,727,000.00	-9,293,000.00
2.Other comprehensive income under equity method that cannot be transfer to gain/loss		
3.Change of fair value of investment in other equity instrument	63,427,929.17	
4.Fair value change of enterprise's credit risk		
5. Other		
(ii) Other comprehensive income items which will be reclassified subsequently to profit or loss		-19,901,350.54
1.Other comprehensive income under equity method that can transfer to gain/loss		
2.Change of fair value of other debt investment		
3.gain/loss of fair value changes for available-for-sale financial assets		-19,901,350.54
4.Amount of financial assets re-classify to other comprehensive income		
5.Gain/loss of held-to-maturity investments that re-classify to available-for-sale financial asset		
6.Credit impairment provision for other debt investment		
7.Cash flow hedging reserve		
8.Translation differences arising on translation of foreign currency financial statements		
9.Other		

Net after-tax of other comprehensive income attributable to minority shareholders		
VII. Total comprehensive income	422,706,705.48	318,184,964.35
Total comprehensive income attributable to owners of parent Company	422,706,705.48	318,184,964.35
Total comprehensive income attributable to minority shareholders		
VIII. Earnings per share:		
(i) Basic earnings per share	0.9	0.87
(ii) Diluted earnings per share	0.9	0.87

Legal Representative: Sun Xiujiang

Person in charge of Accounting Works: Xu Guojian

Person in charge of Accounting Institution: Zhou Shoubin

4. Consolidated Statement of Cash Flows

In RMB

Item	2019	2018
I. Cash flows arising from operating activities:		
Cash received from selling commodities and providing labor services	20,647,602,531.11	20,807,163,753.99
Net increase of customer deposit and interbank deposit		
Net increase of loan from central bank		
Net increase of capital borrowed from other financial institution		
Cash received from original insurance contract fee		
Net cash received from reinsurance business		
Net increase of insured savings and investment		
Cash received from interest, commission charge and commission		
Net increase of capital borrowed		

Net increase of returned business capital		
Net cash received by agents in sale and purchase of securities		
Write-back of tax received	136,223,181.63	160,585,071.09
Other cash received concerning operating activities	226,860,833.30	451,507,473.74
Subtotal of cash inflow arising from operating activities	21,010,686,546.04	21,419,256,298.82
Cash paid for purchasing commodities and receiving labor service	13,974,802,792.98	14,782,948,436.20
Net increase of customer loans and advances		
Net increase of deposits in central bank and interbank		
Cash paid for original insurance contract compensation		
Net increase of capital lent		
Cash paid for interest, commission charge and commission		
Cash paid for bonus of guarantee slip		
Cash paid to/for staff and workers	3,214,582,261.75	3,127,969,349.97
Taxes paid	830,166,097.48	721,075,563.94
Other cash paid concerning operating activities	361,323,141.45	337,245,429.23
Subtotal of cash outflow arising from operating activities	18,380,874,293.66	18,969,238,779.34
Net cash flows arising from operating activities	2,629,812,252.38	2,450,017,519.48
II. Cash flows arising from investing activities:		
Cash received from recovering investment		
Cash received from investment income	6,284,357.21	17,934,220.07

Net cash received from disposal of fixed, intangible and other long-term assets	6,084,030.35	59,270,834.82
Net cash received from disposal of subsidiaries and other units		
Other cash received concerning investing activities	9,316.91	91,605.86
Subtotal of cash inflow from investing activities	12,377,704.47	77,296,660.75
Cash paid for purchasing fixed, intangible and other long-term assets	1,909,607,697.75	4,196,183,599.83
Cash paid for investment		
Net increase of mortgaged loans		
Net cash received from subsidiaries and other units obtained	110,832.50	490,295.22
Other cash paid concerning investing activities		
Subtotal of cash outflow from investing activities	1,909,718,530.25	4,196,673,895.05
Net cash flows arising from investing activities	-1,897,340,825.78	-4,119,377,234.30
III. Cash flows arising from financing activities		
Cash received from absorbing investment		
Including: Cash received from absorbing minority shareholders' investment by subsidiaries		
Cash received from loans	890,000,000.00	1,784,385,239.67
Other cash received concerning financing activities	495,464,436.83	1,543,271,788.39
Subtotal of cash inflow from financing activities	1,385,464,436.83	3,327,657,028.06
Cash paid for settling debts	1,824,791,031.88	965,762,682.37
Cash paid for dividend and profit distributing or interest paying	173,707,282.61	171,267,798.35

Including: Dividend and profit of minority shareholder paid by subsidiaries		
Other cash paid concerning financing activities	367,299,836.44	273,646,123.68
Subtotal of cash outflow from financing activities	2,365,798,150.93	1,410,676,604.40
Net cash flows arising from financing activities	-980,333,714.10	1,916,980,423.66
IV. Influence on cash and cash equivalents due to fluctuation in exchange rate	5,863,249.10	49,654,474.95
V. Net increase of cash and cash equivalents	-241,999,038.40	297,275,183.79
Add: Balance of cash and cash equivalents at the period -begin	840,860,104.09	543,584,920.30
VI. Balance of cash and cash equivalents at the period -end	598,861,065.69	840,860,104.09

Legal Representative: Sun Xiujiang

Person in charge of Accounting Works: Xu Guojian

Person in charge of Accounting Institution: Zhou Shoubin

5. Consolidated Statement of Changes in Owners' Equity

This Period

In RMB

Item	2019														
	Owners' equity attributable to the parent Company													Minority interests	Total owners' equity
	Share capital	Other equity instrument			Capital reserve	Less: Inventory shares	Other comprehensive income	Reasonable reserve	Surpluses	Provision of general risk	Retained profit	Other	Subtotal		
	Preferred stock	Perpetual capital securities	Other												
I. Balance at the end of the last year	400,000.00				75,410,363.70		149,300,488.94		503,999,977.58		3,342,615,148.06		4,471,325,978.28		4,471,325,978.28
Add: Changes of accounting policy							359,486,321.81						359,486,321.81		359,486,321.81

Error correction of the last period																			
Enterprise combine under the same control																			
Other																			
II. Balance at the beginning of this year	400,000.00				75,410,363.70		508,786,810.75		503,999,977.58		3,342,615,148.06		4,830,812,300.09		4,830,812,300.09				
III. Increase/Decrease in this year (Decrease is listed with "-")							61,700,929.17		34,773,467.39		246,232,308.92		342,706,705.48		342,706,705.48				
(i) Total comprehensive income							61,700,929.17				361,005,776.31		422,706,705.48		422,706,705.48				
(ii) Owners' devoted and decreased capital																			
1.Common shares invested by shareholders																			
2. Capital invested by holders of other equity instruments																			
3. Amount reckoned into owners equity with share-based payment																			
4. Other																			
(III) Profit distribution									34,773,467.39		-114,773,467.39		-80,000,000.00		-80,000,000.00				
1. Withdrawal of surplus reserves									34,773,467.39		-34,773,467.39								
2. Withdrawal of general risk provisions																			

3. Distribution for owners (or shareholders)											-80,000,000.00		-80,000,000.00		-80,000,000.00
4. Other															
(IV) Carrying forward internal owners' equity															
1. Capital reserves converted to capital (share capital)															
2. Surplus reserves converted to capital (share capital)															
3. Remedying loss with surplus reserve															
4. Carry-over retained earnings from the defined benefit plans															
5. Carry-over retained earnings from other comprehensive income															
6. Other															
(V) Reasonable reserve															
1. Withdrawal in the report period															
2. Usage in the report period															
(VI)Others															
IV. Balance at the end of the report period	400,000.00			75,410,363.70		570,487,739.92		538,773,444.97		3,588,847,456.98		5,173,519,005.57		5,173,519,005.57	

Last Period

In RMB

Item	2018			
	Owners' equity attributable to the parent Company			Minorit Total

	Share capital	Other equity instrument			Capital reserve	Less: Inventory shares	Other comprehensive income	Reasonable reserve	Surpluses reserve	Provision of general risk	Retained profit	Other	Subtotal	Minority interests	Total owners' equity
		Preferred stock	Perpetual capital securities	Other											
I. Balance at the end of the last year	400,000.00				75,410,363.70		178,494,839.48		471,457,259.99		3,127,778.55		4,253,141.01		4,253,141,013.93
Add: Changes of accounting policy															
Error correction of the last period															
Enterprise combine under the same control															
Other															
II. Balance at the beginning of this year	400,000.00				75,410,363.70		178,494,839.48		471,457,259.99		3,127,778.55		4,253,141.01		4,253,141,013.93
III. Increase/Decrease in this year (Decrease is listed with "-")							-29,194,350.54		32,542,717.59		214,836,597.30		218,184,964.35		218,184,964.35
(i) Total comprehensive income							-29,194,350.54				347,379,314.89		318,184,964.35		318,184,964.35
(ii) Owners' devoted and decreased capital															
1. Common shares invested by shareholders															
2. Capital invested by holders of other equity instruments															

3. Amount reckoned into owners equity with share-based payment														
4. Other														
(III) Profit distribution								32,542,717.59		-132,542,717.59		-100,000,000.00		-100,000,000.00
1. Withdrawal of surplus reserves														
2. Withdrawal of general risk provisions														
3. Distribution for owners (or shareholders)														
4. Other														
(IV) Carrying forward internal owners' equity														
1. Capital reserves conversed to capital (share capital)														
2. Surplus reserves conversed to capital (share capital)														
3. Remedying loss with surplus reserve														
4. Carry-over retained earnings from the defined benefit plans														
5. Carry-over retained earnings from other comprehensive income														

6. Other															
(V) Reasonable reserve															
1. Withdrawal in the report period															
2. Usage in the report period															
(VI)Others															
IV. Balance at the end of the report period	400,000.00			75,410,363.70		149,300,488.94		503,999,977.58		3,342,615.14		4,471,325.97		4,471,325,978.28	

Legal Representative: Sun Xiujiang

Person in charge of Accounting Works: Xu Guojian

Person in charge of Accounting Institution: Zhou Shoubin

6. Statement of Financial Position of Parent Company

In RMB

Item	2019-12-31	2018-12-31
Current assets:		
Monetary funds	563,534,831.81	804,583,812.57
Trading financial assets		
Financial assets measured by fair value and with variation reckoned into current gains/losses		90,488.17
Derivative financial assets		
Note receivable		
Account receivable	456,602,459.51	412,570,738.01
Receivable financing		
Accounts paid in advance	231,804,126.69	263,658,892.86
Other account receivable	237,966,773.59	239,078,612.04
Including: Interest receivable		
Dividend receivable		
Inventories	108,006,448.04	104,444,823.98
Contractual assets		
Assets held for sale		

Non-current assets maturing within one year		
Other current assets	169,612,615.24	236,057,827.36
Total current assets	1,767,527,254.88	2,060,485,194.99
Non-current assets:		
Debt investment		
Available-for-sale financial assets		310,842,965.35
Other debt investment		
Held-to-maturity investments		
Long-term receivables		
Long-term equity investments	144,101,285.43	144,101,285.43
Investment in other equity instrument	874,728,633.32	
Other non-current financial assets		
Investment real estate		
Fixed assets	7,265,719,146.41	7,667,474,888.84
Construction in progress	5,479,071,703.01	4,790,300,972.13
Productive biological assets		
Oil and natural gas assets		
Right-of-use assets		
Intangible assets	100,681,207.47	102,375,769.20
Research and development costs		
Goodwill		
Long-term deferred expenses	657,569,167.99	572,919,885.06
Deferred income tax assets	1,104,641,386.20	913,510,618.39
Other non-current assets		
Total non-current assets	15,626,512,529.83	14,501,526,384.40
Total assets	17,394,039,784.71	16,562,011,579.39
Current liabilities		
Short-term borrowings	300,329,083.33	580,000,000.00
Trading financial liability	126,264.75	
Financial liability measured by fair value and with variation reckoned into current gains/losses		
Derivative financial liability		

Notes payable	402,996,891.30	
Account payable	2,494,426,631.18	2,292,392,127.26
Accounts received in advance	935,722,229.11	785,082,130.23
Contractual liability		
Wage payable	539,824,147.52	532,617,252.72
Taxes payable	147,060,509.11	248,981,430.52
Other accounts payable	649,376,495.57	680,079,759.56
Including: Interest payable		10,428,894.80
Dividend payable	11,940.00	11,940.00
Liability held for sale		
Non-current liabilities due within one year	885,299,947.83	455,840,675.34
Other current liabilities		
Total current liabilities	6,355,162,199.70	5,574,993,375.63
Non-current liabilities:		
Long-term loans	808,001,382.82	1,885,556,557.83
Bonds payable		
Including: preferred stock		
Perpetual capital securities		
Lease liability		
Long-term account payable	4,623,939,875.40	4,368,213,445.33
Long term employee compensation payable	152,746,225.21	135,224,119.11
Accrued liabilities		
Deferred income	109,423,070.21	118,279,868.16
Deferred income tax liabilities	231,746,231.52	55,645,338.38
Other non-current liabilities		
Total non-current liabilities	5,925,856,785.16	6,562,919,328.81
Total liabilities	12,281,018,984.86	12,137,912,704.44
Owners' equity:		
Share capital	400,000,000.00	400,000,000.00
Other equity instrument		
Including: preferred stock		

Perpetual capital securities		
Capital public reserve	86,911,168.71	86,911,168.71
Less: Inventory shares		
Other comprehensive income	570,487,739.92	149,300,488.94
Special reserve		
Surplus reserve	538,112,740.44	503,339,273.05
Retained profit	3,517,509,150.78	3,284,547,944.25
Total owner's equity	5,113,020,799.85	4,424,098,874.95
Total liabilities and owner's equity	17,394,039,784.71	16,562,011,579.39

Legal Representative: Sun Xiujiang

Person in charge of Accounting Works: Xu Guojian

Person in charge of Accounting Institution: Zhou Shoubin

7. Statement of Profit or Loss and Other Comprehensive Income of Parent Company

In RMB

Item	2019	2018
I. Operating income	18,962,765,329.89	18,735,517,367.52
Less: Operating cost	17,211,456,987.80	17,189,929,884.10
Taxes and surcharge	13,484,089.20	12,175,296.39
Sales expenses	848,969,881.93	844,010,110.57
Administration expenses	464,015,327.87	411,885,097.58
R&D expenses	22,442,549.67	20,646,996.66
Financial expenses	148,076,246.70	122,918,574.63
Including: interest expenses	124,509,494.05	117,650,618.41
Interest income	10,579,287.12	15,170,575.64
Add: other income	107,576,270.88	221,139,549.48
Investment income (Loss is listed with "-")	6,293,674.12	18,025,825.93
Including: Investment income on affiliated Company and joint venture		

The termination of income recognition for financial assets measured by amortized cost (Loss is listed with “-”)		
Net exposure hedging income (Loss is listed with “-”)		
Changing income of fair value (Loss is listed with “-”)	-216,752.92	3,697,878.32
Loss of credit impairment (Loss is listed with “-”)	-2,871,828.27	
Losses of devaluation of asset (Loss is listed with “-”)	-4,469,223.84	-5,166,365.82
Income on disposal of assets (Loss is listed with “-”)	116,645.48	26,528,980.99
II. Operating profit (Loss is listed with “-”)	360,749,032.17	398,177,276.49
Add: Non-operating income	106,239,635.93	38,140,601.14
Less: Non-operating expense	3,300,015.44	3,959,082.04
III. Total Profit (Loss is listed with “-”)	463,688,652.66	432,358,795.59
Less: Income tax	115,953,978.74	106,931,619.66
IV. Net profit (Net loss is listed with “-”)	347,734,673.92	325,427,175.93
(i)continuous operating net profit (net loss listed with “-”)	347,734,673.92	325,427,175.93
(ii) termination of net profit (net loss listed with “-”)		
V. Net after-tax of other comprehensive income	61,700,929.17	-29,194,350.54
(I) Other comprehensive income items which will not be reclassified subsequently to profit of loss	61,700,929.17	-9,293,000.00
1.Changes of the defined benefit plans that re-measured	-1,727,000.00	-9,293,000.00

2.Other comprehensive income under equity method that cannot be transfer to gain/loss		
3.Change of fair value of investment in other equity instrument	63,427,929.17	
4.Fair value change of enterprise's credit risk		
5. Other		
(II) Other comprehensive income items which will be reclassified subsequently to profit or loss		-19,901,350.54
1.Other comprehensive income under equity method that can transfer to gain/loss		
2.Change of fair value of other debt investment		
3.gain/loss of fair value changes for available-for-sale financial assets		-19,901,350.54
4.Amount of financial assets re-classify to other comprehensive income		
5.Gain/loss of held-to-maturity investments that re-classify to available-for-sale financial asset		
6.Credit impairment provision for other debt investment		
7.Cash flow hedging reserve		
8.Translation differences arising on translation of foreign currency financial statements		
9.Other		
VI. Total comprehensive income	409,435,603.09	296,232,825.39
VII. Earnings per share:		
(i) Basic earnings per share		
(ii) Diluted earnings per share		

Legal Representative: Sun Xiujiang

Person in charge of Accounting Works: Xu Guojian

Person in charge of Accounting Institution: Zhou Shoubin

8. Statement of Cash Flows of Parent Company

In RMB

Item	2019	2018
I. Cash flows arising from operating activities:		
Cash received from selling commodities and providing labor services	20,604,455,339.52	20,757,159,181.82
Write-back of tax received	136,223,181.63	160,585,071.09
Other cash received concerning operating activities	220,791,697.95	465,154,723.66
Subtotal of cash inflow arising from operating activities	20,961,470,219.10	21,382,898,976.57
Cash paid for purchasing commodities and receiving labor service	14,033,321,787.89	14,869,671,425.31
Cash paid to/for staff and workers	3,160,139,543.10	3,081,272,484.34
Taxes paid	814,335,271.26	701,248,455.48
Other cash paid concerning operating activities	324,257,252.74	306,064,682.62
Subtotal of cash outflow arising from operating activities	18,332,053,854.99	18,958,257,047.75
Net cash flows arising from operating activities	2,629,416,364.11	2,424,641,928.82
II. Cash flows arising from investing activities:		
Cash received from recovering investment		
Cash received from investment income	6,284,357.21	17,934,220.07
Net cash received from disposal of fixed, intangible and other long-term assets	6,084,030.35	59,270,834.82
Net cash received from disposal of subsidiaries and other units		

Other cash received concerning investing activities	18,633.82	91,605.86
Subtotal of cash inflow from investing activities	12,387,021.38	77,296,660.75
Cash paid for purchasing fixed, intangible and other long-term assets	1,908,271,068.75	4,179,715,750.42
Cash paid for investment		
Net cash received from subsidiaries and other units obtained	110,832.50	490,295.22
Other cash paid concerning investing activities		
Subtotal of cash outflow from investing activities	1,908,381,901.25	4,180,206,045.64
Net cash flows arising from investing activities	-1,895,994,879.87	-4,102,909,384.89
III. Cash flows arising from financing activities		
Cash received from absorbing investment		
Cash received from loans	890,000,000.00	1,784,385,239.67
Other cash received concerning financing activities	495,464,436.83	1,543,271,788.39
Subtotal of cash inflow from financing activities	1,385,464,436.83	3,327,657,028.06
Cash paid for settling debts	1,824,791,031.88	965,762,682.37
Cash paid for dividend and profit distributing or interest paying	173,707,282.61	171,267,798.35
Other cash paid concerning financing activities	367,299,836.44	273,646,123.68
Subtotal of cash outflow from financing activities	2,365,798,150.93	1,410,676,604.40
Net cash flows arising from financing activities	-980,333,714.10	1,916,980,423.66
IV. Influence on cash and cash equivalents due to fluctuation in exchange rate	5,863,249.10	49,654,474.95
V. Net increase of cash and cash equivalents	-241,048,980.76	288,367,442.54

Add: Balance of cash and cash equivalents at the period -begin	804,583,812.57	516,216,370.03
VI. Balance of cash and cash equivalents at the period -end	563,534,831.81	804,583,812.57

Legal Representative: Sun Xiujiang

Person in charge of Accounting Works: Xu Guojian

Person in charge of Accounting Institution: Zhou Shoubin

9. Statement of Changes in Owners' Equity of Parent Company

This Period

In RMB

Item	2019											
	Share capital	Other equity instrument			Capital public reserve	Less: Inventory shares	Other comprehensive income	Reasonable reserve	Surplus reserve	Retained profit	Other	Total owners' equity
		Preferr ed stock	Perpet ual capital securiti es	Other								
I. Balance at the end of the last year	400,000,000.00				86,911,168.71		149,300,488.94		503,339,273.05	3,284,547,944.25		4,424,098,874.95
Add: Changes of accounting policy							359,486,321.81					359,486,321.81
Error correction of the last period												
Other												
II. Balance at the beginning of this year	400,000,000.00				86,911,168.71		508,786,810.75		503,339,273.05	3,284,547,944.25		4,783,585,196.76
III. Increase/Decrease in this year (Decrease is listed with "-")							61,700,929.17		34,773,467.39	232,961,206.53		329,435,603.09
(i) Total comprehensive income							61,700,929.17			347,734,673.92		409,435,603.09
(ii) Owners' devoted and decreased capital												
1.Common shares invested by shareholders												

2. Capital invested by holders of other equity instruments												
3. Amount reckoned into owners equity with share-based payment												
4. Other												
(III) Profit distribution								34,773,467.39	-114,773,467.39			-80,000,000.00
1. Withdrawal of surplus reserves								34,773,467.39	-34,773,467.39			
2. Distribution for owners (or shareholders)									-80,000,000.00			-80,000,000.00
3. Other												
(IV) Carrying forward internal owners' equity												
1. Capital reserves conversed to capital (share capital)												
2. Surplus reserves conversed to capital (share capital)												
3. Remedying loss with surplus reserve												
4. Carry-over retained earnings from the defined benefit plans												
5. Carry-over retained earnings from other comprehensive income												
6. Other												
(V) Reasonable reserve												

1. Withdrawal in the report period												
2. Usage in the report period												
(VI)Others												
IV. Balance at the end of the report period	400,000,000.00				86,911,168.71		570,487,739.92		538,112,740.44	3,517,509,150.78		5,113,020,799.85

Last period

In RMB

Item	2018											
	Share capital	Other equity instrument			Capital public reserve	Less: Inventory shares	Other comprehensive income	Reasonable reserve	Surplus reserve	Retained profit	Other	Total owners' equity
		Preferr ed stock	Perpet ual capital securities	Other								
I. Balance at the end of the last year	400,000,000.00				86,911,168.71		178,494,839.48		470,796,555.46	3,091,663,485.91		4,227,866,049.56
Add: Changes of accounting policy												
Error correction of the last period												
Other												
II. Balance at the beginning of this year	400,000,000.00				86,911,168.71		178,494,839.48		470,796,555.46	3,091,663,485.91		4,227,866,049.56
III. Increase/Decrease in this year (Decrease is listed with "-")							-29,194,350.54		32,542,717.59	192,884,458.34		196,232,825.39
(i) Total comprehensive income							-29,194,350.54			325,427,175.93		296,232,825.39
(ii) Owners' devoted and decreased capital												

1.Common shares invested by shareholders												
2. Capital invested by holders of other equity instruments												
3. Amount reckoned into owners equity with share-based payment												
4. Other												
(III) Profit distribution								32,542,717.59	-132,542,717.59			-100,000,000.00
1. Withdrawal of surplus reserves								32,542,717.59	-32,542,717.59			
2. Distribution for owners (or shareholders)									-100,000,000.00			-100,000,000.00
3. Other												
(IV) Carrying forward internal owners' equity												
1. Capital reserves conversed to capital (share capital)												
2. Surplus reserves conversed to capital (share capital)												
3. Remedying loss with surplus reserve												
4 . Carry-over retained earnings from the defined benefit plans												
5 . Carry-over retained earnings from other comprehensive income												

6. Other												
(V) Reasonable reserve												
1. Withdrawal in the report period												
2. Usage in the report period												
(VI)Others												
IV. Balance at the end of the report period	400,000.00				86,911,168.71		149,300,488.94		503,339,273.05	3,284,547,944.25		4,424,098,874.95

Legal Representative: Sun Xiujiang

Person in charge of Accounting Works: Xu Guojian

Person in charge of Accounting Institution: Zhou Shoubin

Shandong Airlines Co., Ltd.
Notes to the Financial Statements
for the Year Ended 31 December 2019

(All amounts are expressed in CNY unless otherwise stated)

Note 1 BASIC INFORMATION ABOUT THE COMPANY

1.1 Corporation Information

Shandong Airlines Co., Ltd. (hereafter, the Company) is a foreign-invested limited liability company incorporated in the People's Republic of China. The Company was incorporated through the restructuring project jointly initiated by Shandong Airlines Group Co., Ltd. (hereafter, SDA Group), Inspur Co., Ltd. (previously known as Inspur Electronic Information Industry Group Company (浪潮电子信息产业集团公司), Shandong Hualu Group Co., Ltd, Shandong Group Corp. of Fisheries Enterprises and Luyin Investment Group (鲁银投资集团股份有限公司) following the approval (LuTiGaiQiZi(1999)No.88 (鲁体改企字(1999)第 88 号)) granted by the Economic Reform Commission of Shandong Province (山东省经济体制改革委员会) on July 29 1999.

Shandong Airlines Group Co., Ltd. acquired 259,204,000 state-owned corporate shares (国有法人股), with CNY 1.00 at par, of the Company by transferring its air transportation operation and the related assets and liabilities to the Company on November 25 1999. Inspur Co., Ltd., Shandong Hualu Group Co., Ltd. and Shandong Group Corp. of Fisheries Enterprises each acquired 199,000 state-owned corporate shares, with CNY 1.00 at par, by cash investment of CNY 200,000.00 each on November 26 1999. Luyin Investment Group acquired 199,000 domestic corporate shares (国内法人股), with CNY 1.00 at par, by cash investment of CNY 200,000.00 on November 26 1999.

The Company issued 140,000,000 domestically listed shares denominated in foreign currency (境内上市外资股) (hereafter, B share(s)), with par value at CNY 1.00 each and issue price at HKD 1.58 each, on August 28 2000 upon the approval (ZhengJianFaXingZi[2000]No.116 (证监发行字[2000]116 号)) granted by the China Securities Regulatory Commission on August 22 2000; and, the Company was listed on the Shenzhen Stock Exchange on September 12 2000. Immediately after the issuance of the B shares, the capital of the Company increased to CNY 400,000,000.00.

The Agreement of Share Transfer (《股份转让协议》) signed by SDA Group and China National Aviation Holding Company (hereafter, China Aviation Group) on February 28 2004 authorized the transfer of 91,200,000 shares of the Company, equal to 22.8% shareholding, from SDA Group to China Aviation Group. Immediately after the share transfer, SDA Group's shareholding in the Company was 42.00%. In November 2004, the Board of Directors of the Company, in accordance with the approval (GuoZiChanQuan[2004]No.956 (国资产权[2004]956 号:《关于中国航空集团公司将受让山东航空股份有限公司国有股合同实施转让有关问题的批复》)) issued by the State-owned Assets Supervision and Administration Commission of the State Council, authorized China Aviation Group to transfer the state-owned corporate shares received from SDA Group to Air China Co., Ltd. (hereafter, Air China). As so provided in GuoZiChanQuan[2004]No.956, the rights and obligation attributable to China Aviation Group as specified in the Agreement of Share Transfer shall be afforded by Air China. The change of share ownership was registered at the China Securities Depository and Clearing Corporation Limited Shenzhen Office by SDA Group and Air China on December 3 2004; And, 91,200,000 shares of the Company then became held by Air China.

Legal representative of the Company: SUN, Xiujiang

Place of registration: Shandong Jinan Yaoqiang International Airport

Address of headquarter: Shandong Airlines Centre, 5746 – East 2nd Ring Road, Jinan, Shandong

The main operating activities of the Company include: undertake international and domestic passenger and cargo transportation, hotel and beverage related operation (limited to operation through branch); provision of aircraft maintenance, training of civil aviation pilots and air crew, insurance brokerage; inter-airline agenting, and principal operation related ground services; sales of airborne material and equipment, grocery, food, health food, art work, souvenir, etc.; retailing of tobacco products (limited to Qingdao Red-Crowned Crane Hotel); lease of airborne material and equipment; venue rental, private house rental, business services, hotel accommodation agents and ticket agents; conference services; transportation agency; air cargo storage; and aviation pilot provision (for other domestic airlines). (The operating activities listed herein does not involve operation related to commodity that are subject to State Administered Trading (国营贸易管理), but involve operation related to commodity that are subject to quotas, license requirements, which are restricted to obtain permission before the operation)(the project that subjects to the approval in accordance with the law, can carry out business activities only after the approval of the relevant departments to carry out business activities). The Company and the subsidiaries mainly operate in the industry of air transportation.

Financial Statement Approval Reporting Date: The financial statements were approved for publication by the board of directors of the Company on 26 March 2020.

1.2 Scope and Changes of Consolidation

The scope of consolidation includes 4 subsidiaries in total. There is no change in the scope of consolidation compared to last financial year. For details of the subsidiaries, please refer to Note 7 INTEREST IN OTHER ENTITIES.

Note 2 BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

2.1 Basis for Preparation

The financial statements of company have been prepared on basis of going concern in conformity with Chinese Accounting Standards for Business Enterprises and the Accounting Systems for Business Enterprises issued by the Ministry of Finance of People's Republic of China (Ministry of Finance issued order No.33, the Ministry of Finance revised order No.76) on February 15 2006, and revised Accounting Standards (order 42 of the Ministry of Finance) and Compilation Rules for Information Disclosure by Companies Offering Securities to the Public No.15 – General Provisions on Financial Reports (2014 Revision) issued by the China Securities Regulatory Commission (CSRC).

According to the relevant accounting regulations in Chinese Accounting Standards for Business Enterprises, the Company has adopted the accrual basis of accounting. Held-for-sale non-current assets are measured at the lower of its book value at its classification date and fair value minus expected disposal costs. Where assets are impaired, provisions for asset impairment are made in accordance with relevant requirements.

2.2 Going Concern

The Company has assessed its ability to continually operate for the next twelve months from the end of the reporting period, and no matters that may result in doubt on its ability as a going concern were noted. Therefore, it is reasonable for the Company to prepare financial statements on the going concern basis.

Note 3 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

The Company and subsidiaries are principally engaged in air transportation. The Company and subsidiaries formulate a

number of specific accounting policies and accounting estimates for the revenue recognition and other transactions in accordance with the actual features of production and management, and the relevant provisions of the Accounting Standards. See Note 3.22 “Revenue” for the description. For description of significant accounting judgments and estimates made by management, see Note 3.29 “Significant accounting judgements and estimates”. The business not mentioned is carried out in accordance with the relevant accounting policies in Enterprise Accounting Standards.

3.1 Statement of Compliance with The Accounting Standards for Business Enterprises

The financial statements of the Company are recognized and measured in accordance with the regulations in the Chinese Accounting Standards for Business Enterprises and they give a true and fair view of the financial position, business result and cash flow of the Company as of 31 December 2019. In addition, the financial statements of the Company comply, in all material respects, with the revised disclosing requirements for financial statements and the Compilation Rules for Information Disclosure by Companies Offering Securities to the Public No.15—General Provisions on Financial Reports (2014 Revision) issued by China Securities Regulatory Commission (CSRC) in 2014.

3.2 Accounting Period

The accounting period of the Company is classified as interim period and annual period. Interim period refers to the reporting period shorter than a complete annual period. The accounting period of the Company is the calendar year from January 1 to December 31.

3.3 Operating Cycle

Normal business cycle is realized by the Company in cash or cash equivalents from the purchase of assets for processing until. The Company has a 12 -month operating cycle, and its assets and liabilities as liquidity criteria for the classification.

3.4 Functional Currency

Yuan (CNY) is the currency of the primary economic environment in which the Company and its domestic subsidiaries operate. Therefore, the Company and its domestic subsidiaries choose CNY as their functional currency. The Company adopts CNY to prepare its functional statements.

3.5 Accounting Treatment of Business Combinations Under and Not Under Common Control

3.5.1 Business Combinations Under Common Control

A business combination involving enterprises under common control is a business combination in which all of the combining enterprises are ultimately controlled by the same party or parties both before and after the combination, and that control is not transitory.

For a business combination involving enterprises under common control, the party that, on the combination date, obtains control of another enterprise participating in the combination is the absorbing party, while that other enterprise participating in the combination is a party being absorbed. Combination date is the date on which the absorbing party effectively obtains control of the party being absorbed.

The assets and liabilities obtained are measured at the carrying amounts as recorded by the enterprise being combined at the combination date. The difference between the carrying amount of the net assets obtained and the carrying amount of consideration paid for the combination (or the total face value of shares issued) is adjusted to the capital premium (or share premium) in the capital reserve. If the balance of the capital premium (or share premium) is insufficient, any excess is adjusted to retained earnings.

The cost of a combination incurred by the absorbing party includes any costs directly attributable to the combination shall be recognized as an expense through profit or loss for the current period when incurred.

3.5.2 Business Combination Involving Entities Not Under Common Control

A business combination involving enterprises not under common control is a business combination in which all of the combining enterprises are not ultimately controlled by the same party or parties both before and after the business combination.

For a business combination not involving enterprises under common control, the party that, on the acquisition date, obtains control of another enterprise participating in the combination is the acquirer, while that other enterprise participating in the

combination is the acquiree. Acquisition date is the date on which the acquirer effectively obtains control of the acquiree. For a business combination not involving enterprise under common control, the combination cost including the sum of fair value, at the acquisition date, of the assets given, liabilities incurred or assumed, and equity securities issued by the acquirer. The intermediary expenses incurred by the acquirer in respect of auditing, legal services, valuation and consultancy services etc. and other associated administrative expenses attributable to the business combination are recognized in profit or loss when they are incurred.

The transaction cost arose from issuing of equity securities or liability securities shall be initially recognized as equity securities or liability securities.

The contingent consideration related to the combination shall be booked as combination cost at the fair value at the acquisition date. If, within the 12 months after acquisition, additional information can prove the existence of related information at acquisition date and the contingent consideration need to be adjusted, goodwill can be adjusted.

Combination cost of the acquirer's interest and identifiable net assets of the acquirer acquired through the business combination shall be measured by the fair value at the acquisition date. Where the cost of combination exceeds the acquirer's interest in the fair value of the acquiree's identifiable net assets, the difference shall be recognized as goodwill. Where the cost of combination is less than the acquirer's interest in the fair value of the acquiree's identifiable net assets, the difference shall be accounted for according to the following requirements: (i) the acquirer shall reassess the measurement of the fair values of the acquiree's identifiable assets, liabilities and contingent liabilities and measurement of the cost of combination; (ii) if after that reassessment, the cost of combination is still less than the acquirer's interest in the fair values of the acquiree's identifiable net assets, the acquirer shall recognize the remaining difference immediately in profit or loss for the current period.

Where the temporary difference obtained by the acquirer was not recognized due to inconformity with the conditions applied for recognition of deferred income tax, if, within the 12 months after acquisition, additional information can prove the existence of related information at acquisition date and the expected economic benefits on the acquisition date arose from deductible temporary difference by the acquiree can be achieved, relevant income tax assets can be recognized, and goodwill offset. If the goodwill is not sufficient, the difference shall be recognized as profit of the current period.

Apart from above, the differences shall be taken into profit or loss of the current period if the recognition of deferred income tax assets is related to the combination.

For a business combination not involving enterprise under common control, which achieved in stages that involves multiple exchange transactions, according to "The notice of the Ministry of Finance on the issuance of Accounting Standards Interpretation No. 5" (CaiKuai [2012] No. 19) and Article 51 of "Accounting Standards for Business Enterprises No.33 - Consolidated Financial Statements" on the "package deal" criterion (see Note 3.6.2), to judge the multiple transactions whether they are the "package deal". If it belongs to the "package deal" in reference to the preceding paragraphs of this section and the Notes 3.14 "Long-term equity investments" accounting treatment, if it does not belong to the "package deal" to distinguish the individual financial statements and the consolidated financial statements related to the accounting treatment:

In the individual financial statements, the total value of the book value of the acquiree's equity investment before the acquisition date and the cost of new investment at the acquisition date, as the initial cost of the investment, the acquiree's equity investment before the acquisition date involved in other comprehensive income, in the disposal of the investment will be in other comprehensive income associated with the use of infrastructure and the acquiree directly related to the disposal of assets or liabilities of the same accounting treatment (that is, except in accordance with the equity method of accounting in the defined benefit plan acquiree is remeasured net changes in net assets or liabilities other than in the corresponding share of the lead, and the rest into the current investment income).

In the combination financial statements, the equity interest in the acquiree previously held before the acquisition date re-assessed at the fair value at the acquisition date, with any difference between its fair value and its carrying amount is recorded as investment income. The previously-held equity interest in the acquiree involved in other comprehensive

income and other comprehensive income associated with the purchase of the foundation should be used party directly related to the disposal of assets or liabilities of the same accounting treatment (that is, except in accordance with the equity method of accounting in the acquiree is remeasured defined benefit plans other than changes in net liabilities or net assets due to a corresponding share of the rest of the acquisition date into current investment income).

3.5.3 Treatment of Business Combination Related Costs

The intermediary costs such as audit, legal services and valuation consulting and other related management costs that are directly attributable to the business combination shall be charged in profit or loss in the period in which they are incurred. The costs to issue equity or debt securities for the consideration of business combination shall be recorded as a part of the value of the respect equity or debt securities upon initial recognition.

3.6 Method of Preparing the Consolidated Financial Statements

3.6.1 Scope of Consolidation

The scope of consolidation for the consolidated financial statements is determined on the basis of control. Control is the power to govern the financial and operating policies of an enterprise so as to obtain benefits from its operating activities. The scope of consolidation includes the Company and all of the subsidiaries. Subsidiary is an entity under the control of the Company.

Once the change in the relevant facts and circumstances leading to the definition of the relevant elements involved in the control of the change, the Company will be re-evaluated.

3.6.2 Method of Preparing the Consolidated Financial Statements

The subsidiary of the Company is included in the consolidated financial statements from the date when the control over the net assets and business decisions of the subsidiary is effectively obtained, and excluded from the date when the control ceases.

For a subsidiary disposed of by the Company, the operating results and cash flows before the date of disposal (the date when control is lost) are included in the consolidated income statement and consolidated statement of cash flows, as appropriate. For a subsidiary disposed during the period, no adjustment is made to the opening balance of the consolidated financial statements.

For a subsidiary acquired through a business combination not under common control, the operating results and cash flows from the acquisition (the date when the control is obtained) are included in the consolidated income statement and consolidated statement of cash flows, as appropriated; no adjustment is made to the opening balance and comparative figures in the consolidated financial statements.

Where a subsidiary and a party being absorbed in a merger by absorption was acquired during the reporting period, through a business combination involving enterprises under common control, the financial statements of the subsidiary are included in the consolidated financial statements. The results of operations and cash flow are included in the consolidated balance sheet and the consolidated income statement, respectively, based on their carrying amounts, from the date that common control was established, and the opening balances and the comparative figures of the consolidated financial statements are restated.

When the accounting period or accounting policies of a subsidiary are different from those of the Company, the Company makes necessary adjustments to the financial statements of the subsidiary based on the Company's own accounting period or accounting policies. Where a subsidiary was acquired during the reporting period through a business combination not under common control, the financial statements was reconciliated on the basis of the fair value of identifiable net assets at the date of acquisition.

Intra-Group balances and transactions, and any unrealized profit or loss arising from intra-Group transactions, are eliminated in preparing the consolidated financial statements.

Minority interest and the portion in the net profit or loss not attributable to the Company are presented separately in the consolidated balance sheet within shareholders'/ owners' equity and net profit. Net profit or loss attributable to minority shareholders in the subsidiaries is presented separately as minority interest in the consolidated income statement below the

net profit line item.

When the amount of loss for the current period attributable to the minority shareholders of a subsidiary exceeds the minority shareholders' portion of the opening balance of shareholders' equity of the subsidiary, the excess is allocated against the minority interests.

When the Company loses control of a subsidiary due to the disposal of a portion of an equity investment or other reasons, the remaining equity investment is re-measured at its fair value at the date when control is lost. The difference between 1) the total amount of consideration received from the transaction that resulted in the loss of control and the fair value of the remaining equity investment and 2) the carrying amounts of the interest in the former subsidiary's net assets immediately before the loss of the control is recognized as investment income for the current period when control is lost. Other comprehensive income related to the former subsidiary's equity investment, using the foundation and the acquiree directly related to the disposal of the same assets or liabilities are accounted when the control is lost (ie, in addition to the former subsidiary is remeasured at the net defined benefit plan or changes in net assets and liabilities resulting from, the rest are transferred to the current investment income). The retained interest is subsequently measured according to the rules stipulated in the - "Chinese Accounting Standards for Business Enterprises No.2 - Long-term equity investment" or "Chinese Accounting Standards for Business Enterprises No.22 - Determination and measurement of financial instruments". See Note 3.14 "Long-term equity investments" and Note 3.10 "Financial instruments" for details.

The Company through multiple transactions step deal with disposal of the subsidiary's equity investment until the loss of control, need to distinguish between equity until the disposal of a subsidiary's loss of control over whether the transaction is package deal. Terms of the transaction disposition of equity investment in a subsidiary, subject to the following conditions and the economic impact of one or more of cases, usually indicates that several transactions should be accounted for as a package deal: ① these transactions are considered simultaneously, or in the case of mutual influence made, ② these transactions as a whole in order to achieve a complete business results; ③ the occurrence of a transaction depends on occurs at least one other transaction; ④ a transaction look alone is not economical, but when considered together with other transaction is economical. If they does not belong to the package deal, each of them separately, as the case of a transaction in accordance with "without losing control over the disposal of a subsidiary part of a long-term equity investments"(see Note 3.14)) and "due to the disposal of certain equity investments or other reasons lost control of a subsidiary of the original" (see previous paragraph) principles applicable accounting treatment. Until the disposal of the equity investment loss of control of a subsidiary of the transactions belonging to the package deal, the transaction will be used as a disposal of a subsidiary and the loss of control of the transaction. However, before losing control of the price of each disposal entitled to share in the net assets of the subsidiary 's investment corresponding to the difference between the disposal, recognized in the consolidated financial statements as other comprehensive income, loss of control over the transferred together with the loss of control or loss in the period.

3.7 Classification of Joint Arrangements and Accounting for Joint Operation

A joint arrangement is an arrangement of which two or more parties have joint control. A joint arrangement is either a joint operation or a joint venture, depending of the rights and obligation of the Company in the joint arrangement. A joint operation is a joint arrangement whereby the Company has rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint venture is a joint arrangement whereby the Company has rights to the net assets of the arrangement.

The Company accounts for joint ventures using the equity method, see Note 3.14 for details.

The Company, a joint operator, recognizes in relation to its interest in a joint operation:(a)its assets, including its share of any assets held jointly;(b)its liabilities, including its share of any liabilities incurred jointly;(c)its revenue from the sale of its share of the output arising from the joint operation;(d)its share of the revenue from the sale of the output by the joint operation; and (e)its expenses, including its share of any expenses incurred jointly.

When the Company enters into a transaction with a joint operation in which it is a joint operator, such as a sale or contribution of assets, the Company, prior to disposal of the assets to a third party by the joint operation, recognizes gains

and losses resulting from such a transaction only to the extent of the other parties' interests in the joint operation. When there is evidence of a reduction in the net realizable value of the assets to be sold or contributed to the joint operation, or of an impairment loss of those assets which is in line with provision stipulated by CAS 8, those losses are recognized fully by the Company. When there is evidence of a reduction in the net realizable value of the assets to be purchased or of an impairment loss of those assets, the Company shall recognize its share of those losses.

3.8 Cash and Cash Equivalents

Cash and cash equivalents of the Company include cash on hand, ready usable deposits and investments having short holding term (normally will be due within three months from the day of purchase), with strong liquidity and easy to be exchanged into certain amount of cash that can be measured reliably and have low risks of change.

3.9 Foreign Currency Transactions and Translation of Foreign Currency Financial Statements

3.9.1 Determination of the Exchange Rate for Foreign Currency Transactions

The foreign currency transactions are recorded, on initial recognition in the functional currency, by applying the spot exchange rate on the date of the transaction / an exchange rate that approximates the actual spot exchange rate on the date of transaction. The exchange of foreign currency and transactions related to the foreign exchange are translated at the spot exchange rate.

3.9.2 Translation of Monetary Items Denominated in Foreign Currency on the Balance Sheet Date

At the balance sheet date, foreign currency monetary items are translated using the spot exchange rate at the balance sheet date. All the exchange differences thus resulted are taken to profit or loss, except for ①those relating to foreign currency borrowings specifically for construction and acquisition of qualifying assets, which are capitalized in accordance with the principle of capitalization of borrowing costs, ②hedging accounting, the exchange difference related to hedging instruments for the purpose of net overseas operating investment is recorded in the comprehensive income till the date of disposal and recognized in profit or loss of the period; exchange difference from changes of other account balance of foreign currency monetary items, ③available-for-trade is recorded into profit or loss except for amortized cost.

In the preparation of consolidated financial statements involving overseas operations, if there is a monetary item in foreign currency which essentially constitutes a net investment in overseas operation, the exchange difference arising from exchange rate fluctuation will be included in other comprehensive income. When disposal of overseas operations, it will be transferred to the current profit or loss.

Non-monetary foreign currency items measured at historical cost shall still be translated at the spot exchange rate prevailing on the transaction date, and the amount denominated in the functional currency is not changed. Non-monetary foreign currency items measured at fair value are translated at the spot exchange rate prevailing at the date when the fair values are determined. The exchange difference thus resulted are recognized in profit or loss for the current period or as capital reserve.

3.9.3 Translation of Foreign Currency Financial Statements

When the consolidated financial statements include foreign operation(s), if there is a foreign currency monetary item constituting a net investment in a foreign operation, exchange difference arising from changes in exchange rates are recognized as “exchange differences arising on translation of financial statements denominated in foreign currencies” in owner’s equity, and in profit or loss for the period upon disposal of the foreign operation.

The Group translates the financial statements of its foreign operations into CNY by following rules. Assets and liabilities in the balance sheet are translated at the spot exchange rate prevailing at the balance sheet date; all equity items except for retained earnings are translated at the spot exchange rates at the dates on which such items occur; income and expenses in income statement are translated at the spot exchange rates at the date of transaction; the opening retained earnings is the closing retained earnings of the last period after translation; the closing balance of retained earnings is calculates and presented in the basis of each translated income statements and profit distribution item; the difference arising between the assets and liabilities and shareholders’ equity shall be booked as translation difference of foreign currency statements, and shall be presented as a separate component of equity in the balance sheet. On a loss of control over Group’s oversea

operation due to disposal, the Company transfers the accumulated or proportionate share of the accumulated exchange difference arising on translation of financial statements of this overseas operation attributable to the owners' equity of the Company and presented under shareholders' equity, to profit or loss in the period in which the disposal occurs.

Foreign currency cash flows and cash flow of overseas subsidiaries are translated at the spot exchange rates on the date of cash flows. The effect of exchange rate changes on cash is separately presented as an adjustment item in the cash flow statement.

The opening and actual amount of last year are presented in the financial statement after translation.

At the disposal of all of the Company's ownership interest in a foreign operation, or due to the disposal of part of the equity investment or other reasons, the loss of control over a foreign operation, the project owner's equity in the balance sheet listed under the relevant overseas operations attributable to statements of the parent company's shareholders' equity of foreign currency translation differences, all transferred to the disposal of the income statement.

At the disposal of part of the equity investment or other causes lower hold percentage overseas business interests, but does not lose control over a foreign operation, and disposal of the foreign operation section related to foreign currency translation differences attributable to minority interests, is not transferred to the income statement. At the disposal of a foreign operation as part of the equity joint venture or joint ventures, foreign currency financial statements of the foreign operation and the associated translation difference in proportion to dispose of the foreign operation into the disposal of the income statement.

3.10 Financial Instruments

Effective at 1 January 2019

Financial instrument is any contract which gives rise to both a financial asset of one entity and a financial liability or equity instrument of another entity.

3.10.1 Recognition and Derecognition of Financial Instrument

A financial asset or a financial liability should be recognized in the statement of financial position when, and only when, an entity becomes party to the contractual provisions of the instrument.

A financial asset can only be derecognized when meets one of the following conditions:

- ① The rights to the contractual cash flows from a financial asset expire.
- ② The financial asset has been transferred and meets one of the following derecognition conditions.

Financial liabilities (or part thereof) are derecognized only when the liability is extinguished—i.e., when the obligation specified in the contract is discharged or cancelled or expires. An exchange of the Company (borrower) and lender of debt instruments that carry significantly different terms or a substantial modification of the terms of an existing liability are both accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. If the contract terms of the original financial liability (or part of it) are changed substantially by the Company, the original financial liability shall be derecognized and a new financial liability shall be recognized in accordance with the revised terms.

Purchase or sale of financial assets in a regular-way shall be recognized and derecognized using trade date accounting. A regular-way purchase or sale of financial assets is a transaction under a contract whose terms require delivery of the asset within the time frame established generally by regulations or convention in the market place concerned. Trade date is the date at which the entity commits itself to purchase or sell an asset.

3.10.2 Classification and Measurement of Financial Assets

Based on both the business model for managing the financial asset and the contractual cash flow characteristics of the financial asset, the Company classified its financial assets into: financial assets measured at amortized cost; financial assets measured at fair value through other comprehensive income (FVTOCI); financial assets measured at fair value through profit or loss (FVTPL).

Financial assets shall be measured at initial recognition at fair value. For financial assets measured at FVTPL, transaction

costs are recognized in current profit or loss. For financial assets not measured at FVTPL, transaction costs should be included in the initial measurement. Notes receivable or accounts receivable that arise from sales of goods or rendering of services are initially measured at the transaction price defined in the accounting standard of revenue where the transaction does not include a significant financing component.

Subsequent measurement of financial assets will be based on their categories:

① Financial asset at amortized cost

The financial asset at amortized cost category of classification applies when both the following conditions are met: the financial asset is held within the business model whose objective is to hold financial assets in order to collect contractual cash flows, and the contractual term of the financial asset gives rise on specified dates to cash flows that are solely payment of principal and interest on the principal amount outstanding. These financial assets are subsequently measured at amortized cost by adopting the effective interest rate method. Any gain or loss arising from derecognition according to the amortization under effective interest rate method or impairment are recognized in current profit or loss.

② Financial asset at fair value through other comprehensive income (FVTOCI)

The financial asset at FVTOCI category of classification applies when both the following conditions are met: the financial asset is held within the business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, and the contractual term of the financial asset gives rise on specified dates to cash flows that are solely payment of principle and interest on the principal amount outstanding. All changes in fair value are recognized in other comprehensive income except for gain or loss arising from impairment or exchange differences, which should be recognized in current profit or loss. At derecognition, cumulative gain or loss previously recognized under OCI is reclassified to current profit or loss. However, interest income calculated based on the effective interest rate is included in current profit or loss.

The Company make an irrevocable decision to designate part of non-trading equity instrument investments as measured at FVTOCI. All changes in fair value are recognized in other comprehensive income except for dividend income recognized in current profit or loss. At derecognition, cumulative gain or loss are reclassified to retained earnings.

③ Financial asset at fair value through profit or loss (FVTPL)

Financial asset except for above mentioned financial asset at amortized cost or financial asset at fair value through other comprehensive income (FVTOCI), should be classified as financial asset at fair value through profit or loss (FVTPL). These financial assets should be subsequently measured at fair value. All the changes in fair value are included in current profit or loss.

3.10.3 Classification and Measurement of Financial Liabilities

At initial recognition, financial liabilities are classified as financial liabilities measured at fair value through profit or loss (FVTPL) and other financial liabilities. For financial liabilities measured at FVTPL, related transaction costs are directly included in the current profit and loss, and transaction costs related to other financial liabilities are included in their initial recognition amounts.

Subsequent measurement of financial assets will be based on the classification:

① Financial liabilities at fair value through profit or loss (FVTPL)

Held-for-trading financial liabilities (including derivatives that are financial liabilities) and financial liabilities designated at FVTPL are classified as financial liabilities at FVTP. After initial recognition, any gain or loss (including interest expense) are recognized in current profit or loss except for those hedge accounting is applied. For financial liability that is designated as at FVTPL, changes in the fair value of the financial liability that is attributable to changes in the own credit risk of the issuer shall be presented in other comprehensive income. At derecognition, cumulative gain or loss previously recognized under OCI is reclassified to retained earnings.

② Other financial liabilities

Other financial liabilities are classified as financial liabilities measured at amortized cost and subsequently measured at amortized cost, except for the transfer of financial assets that do not meet the conditions for derecognition or continuing involvement in the transferred financial assets, financial liabilities and financial guarantee contracts. Gains or losses arising from derecognition or amortization are included in the current profit and loss.

3.10.4 Impairment of Financial Instrument

The Company shall recognize a loss allowance for financial assets measured at amortized cost, debt instrument investments measured at FVTOCI and lease receivable, mainly including notes receivable, accounts receivable, other receivables, debt investments, other debt instrument investments, long-term receivables. In addition, provision for impairment and credit losses for contract assets and some financial guarantee contracts are recognized in accordance with the accounting policies described in this section.

① Method for recognition of provision for impairment

On the basis of expected credit losses, the Company accrues provision for impairment for the above items in accordance with its applicable expected credit loss measurement method (general method or simplified method) and recognizes credit impairment losses.

Credit loss is the difference between all contractual cash flows that are due to the Company in accordance with the contract and all the cash flows that the Company expects to receive (ie all cash shortfalls), discounted at the original effective interest rate or credit-adjusted effective interest rate for purchased or originated credit-impaired financial assets. For purchased or originated credit-impaired financial assets, the Company has discounted these assets at the credit-adjusted effective interest rate.

The general approach of measuring expected credit losses is that, at each reporting date, the Company shall assess whether the credit risks for financial assets (including contract assets and other applicable items, the same below) have significantly increased since initial recognition. The Company shall measure the loss allowance at an amount equal to the lifetime expected credit losses if the credit risk on that financial instrument has increased significantly since initial recognition. The company shall measure the loss allowance at an amount equal to 12-month expected credit losses if the credit risk on a financial instrument has not increased significantly since initial recognition. The Company shall consider all reasonable and supportable information, including that which is forward-looking during the assessment of expected credit losses.

For the financial instrument with a credit risk at the reporting date, the Company shall measure the loss allowance at an amount equal to 12-month expected credit loss based on whether the credit risk on that financial instrument has increased significantly since first initial recognition.

② Criteria for judging whether credit risk has increased significantly since initial recognition

If the risk of default of a financial asset occurring over the expected life as at the reporting date has increased significantly comparing with the risk of a default of the financial asset as at the date of initial recognition, the credit risk of that financial asset has increased significantly. The Company shall use changes in the risk of a default occurring over the next 12 months to determine whether credit risk has increased significantly since initial recognition except for specific circumstances.

③ The determination of groups for assessment of expected credit risk on a group basis

The Company shall individually assess credit risk for financial assets with significantly different credit risks, such as: amounts due from related parties; receivables that are in dispute with the other party or involve litigation or arbitration; receivables with obvious indications that the debtor is likely to be unable to fulfill its repayment obligation.

The Company shall divide financial assets into different groups based on common risk characteristics and evaluate the credit risk on a group basis, except for financial assets that are individually assessed for credit risk.

④ Accounting treatment for financial asset impairment

At the reporting date, the Company shall calculate the expected credit losses for each financial asset. If the expected credit loss is greater than the carrying amount of current impairment reserve, the difference shall be recognized as an impairment loss; if it is less than the carrying amount of current impairment reserve, the difference shall be recognized as an impairment gain.

⑤ Method for determining credit losses of each financial assets

a. Notes receivable

The Company shall measure the credit loss for notes receivable at an amount equal to the lifetime expected credit losses. Based on the credit risk characteristics of notes receivable, it is divided into different groups:

Item	Characteristics of the group
Banker's acceptable bill	Acceptor who is a bank with less credit risk

b. Accounts receivable and contract assets

For accounts receivable and contract assets without the existence of a significant financing component, the Company shall measure the loss allowance at the amount equal to the lifetime expected credit losses.

For accounts receivable, contract assets and lease receivable with the existence of a significant financing component, the Company chooses to always measure its losses allowance at the amount equal to the lifetime expected credit losses.

Except for accounts receivable and contract assets which are individually assessed for credit risk, accounts receivable and contract assets shall be divided into different groups based on its credit risk characteristics:

Item	Characteristics of the group
Amounts due from the clearing center	The receivables are due from the clearing center.
Amounts due from the aviation association	The receivables are due from the aviation association.
Amounts due from related parties	The receivables are business operating receivables due from related parties.
Other receivables	The receivables are business operating receivables which are not included in the above categories.

c. Other receivables

Based on whether the credit risk of other receivables has increased significantly since initial recognition, the Company measure the loss allowance at the amount equal to the next 12 month or the lifetime expected loss. Except for other receivables which are individually assessed for credit risk, other receivables shall be divided into different groups based on its credit risk characteristics:

Item	Characteristics of the group
Deposits receivable	The receivables are deposits receivable in daily activities.
Amounts due from related parties	The receivables are receivables due from related parties in daily activities.
Other receivables	The receivables are other receivables in daily activities.

d. Debt investment

Debt investment mainly accounts for bond investments measured at amortized cost. Based on whether its credit risk has increased significantly since initial recognition, the Company uses the amount equivalent to expected credit losses within

the next 12 months or the entire duration to measure impairment losses of debt investment.

e. Other debt investment

Other debt investments mainly include bond investments in bonds measured at fair value through other comprehensive income (FVTOCI). Based on whether its credit risk has increased significantly since initial recognition, the Company uses the amount equivalent to expected credit losses within the next 12 months or the entire duration to measure impairment losses of other debt investment.

f. Long-term receivables (Except for accounts receivable and lease receivables that contain significant financing components)

Based on whether its credit risk has increased significantly since initial recognition, the Company uses the amount equivalent to expected credit losses within the next 12 months or the entire duration to measure impairment losses of long-term receivables.

3.10.5 Transfer of Financial Assets

The Group derecognizes a financial asset when one of the following conditions is met:

- 1) the rights to receive cash flows from the asset have expired;
- 2) the enterprise has transferred its rights to receive cash flows from the asset to a third party under a pass-through arrangement; or
- 3) the enterprise has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

If the enterprise has neither retained all the risks and rewards from the financial asset nor control over the asset, the asset is recognized according to the extent it exists as financial asset, and correspondent liability is recognized. The extent of existence refers the level of risk by the financial asset changes the enterprise is facing.

For a transfer of a financial asset in its entirety that satisfies the derecognition criteria, (a) the carrying amount of the financial asset transferred; and (b) the sum of the consideration received from the transfer and any cumulative gain or loss that had been recognized in other comprehensive income, is recognized in profit or loss.

For a transfer of a financial asset in its entirety that satisfies the derecognition criteria, (a) the carrying amount of the financial asset transferred; and (b) the sum of the consideration received from the transfer and any cumulative gain or loss that had been recognized in other comprehensive income, is recognized in profit or loss.

If a part of the transferred financial asset qualifies for derecognition, the carrying amount of the transferred financial asset is allocated between the part that continues to be recognized and the part that is derecognized, based on the relative fair value of those parts. The difference between (a) the carrying amount allocated to the part derecognized; and (b) the sum of the consideration received for the part derecognized and any cumulative gain or loss allocated to the part derecognized which has been previously recognized in other comprehensive income, is recognized in profit or loss.

3.10.6 Offsetting Financial Assets and Financial Liabilities

Financial assets and financial liabilities are generally presented separately in the balance sheet, and are not offset. However, a financial asset and a financial liability are offset and the net amount is presented in the balance sheet when both of the following conditions are satisfied:

- The Company currently has a legally enforceable right to set off the recognized amounts.
- The Company intends either to settle on a net basis, or to realise the financial asset and settle the financial liability simultaneously.

3.10.7 Determination of the Fair Value of Financial Assets and Financial Liabilities

For the method of determining the fair value of financial assets and financial liabilities, please refer to Note 3.11

3.11 Fair Value Measurement

Fair value refers to 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.

The Company determines fair value of the related assets and liabilities based on market value in the principal market, or in the absence of a principal market, in the most advantageous market price for the related asset or liability. The Company uses the assumptions that market participants would use when pricing the asset or liability to measure fair value of an asset or a liability, assuming that market participants act in their economic best interest.

The principal market is the market in which transactions for an asset or liability take place with the greatest volume and frequency. The most advantageous market is the market which maximizes the value that could be received from selling the asset and minimizes the value which is needed to be paid in order to transfer a liability, considering the effect of transport costs and transaction costs both.

If the active market of the financial asset or financial liability exists, the Company shall measure the fair value using the quoted price in the active market. If the active market of the financial instrument is not available, the Company shall measure the fair value using valuation techniques.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

① Valuation techniques

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available. The valuation techniques used mainly refer to the prices used in recent market transactions between participants who are familiar with the situation and willing to trade, and refer to the current fair values of other financial instruments, discounted cash flow method, and option pricing models that are substantially the same. The Company shall use valuation techniques consistent with one or more of those approaches to measure fair value. If multiple valuation techniques are used to measure fair value, the results shall be evaluated considering the reasonableness of the range of values indicated by those results. A fair value measurement is the point within that range that is most representative of fair value in the circumstances.

When using the valuation technique, the Company shall give the priority to relevant observable inputs. The unobservable inputs can only be used when relevant observable inputs is not available or practically would not be obtained. Observable inputs refer to the information which is available from market and reflects the assumptions that market participants would use when pricing the asset or liability. Unobservable Inputs refer to the information which is not available from market and it has to be developed using the best information available in the circumstances from the assumptions that market participants would use when pricing the asset or liability.

② Fair value hierarchy

To Company establishes a fair value hierarchy that categorises into three levels the inputs to valuation techniques used to measure fair value. The fair value hierarchy gives the highest priority to Level 1 inputs and second to the Level 2 inputs and the lowest priority to Level 3 inputs. 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. Level 3 inputs are unobservable inputs for the asset or liability.

3.12 Inventory

3.12.1 Classification of Inventory

The Company's inventories mainly includes air materials and low-value consumables.

3.12.2 Measurement Method of Cost of Inventories Sold or Used

Inventories are initially carried at the actual cost. The actual cost of inventories transferred out is assigned by using weighted average method.

3.12.3 Inventory System

The perpetual inventory system is adopted. The inventories should be counted at least once a year, and surplus or losses of inventory stocktaking shall be included in current profit and loss.

3.12.4 Provision for Impairment of Inventory

Inventories are stated at the lower of cost and net realizable value. The excess of cost over net realizable value of the inventories is recognized as provision for impairment of inventory, and recognized in current profit or loss.

Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion, the estimated costs necessary to make the sale and relevant taxes. Net realizable value is determined on the basis of clear evidence obtained and takes into consideration the purpose of holding inventories and effect of post balance sheet events.

At the balance sheet date, inventories are measured at the lower of the cost and net realizable value. If the net realizable value is below the cost of inventories, a provision for decline in value of inventories is made. The provision for inventories declines in value is determined normally by the difference of the cost of individual item less its realizable value. For large quantity and low value items of inventories, provision for decline in value is made based on categories of inventories. For items of inventories relating to a product line that are produced and marketed in the same geographical area, have the same or similar end users or purposes, and cannot be practicably evaluated separately from other items in that product line provision for decline in value is determined on an aggregate basis.

After the provision for decline in value of inventories is made, if the circumstances that previously caused inventories to be written down below cost no longer exist so that the net realizable value of inventories is higher than their cost, the original provision for decline in value is reversed and the reversal is included in profit or loss for the period.

3.12.5 Amortization Method for Low-Value Consumables

Low cost and short-lived consumable items are amortized using immediate write-off method; packaging materials are amortized using immediate write-off method.

3.13 Assets and Disposal Groups Held for Sale

The Company classify an asset or disposal group as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. Specific standards are as follows, which should be satisfied at the same time: the asset is immediately sellable at its current condition according to the practice; the Company has completed official decision to dispose the asset and has acquired firm purchasing commitments; and the sales will be completed within one year. The disposal group refers to a group of assets that are sold as a whole or disposed of in a transaction as a whole, and the liabilities directly related to those assets transferred in the transaction at the same time. If the assets group or asset group combination of the disposal group share the goodwill obtained in the business combination according to CAS 8 - Asset Impairment, and the disposal group shall include the goodwill allocated to the disposal group.

Non-current assets held for sale and disposal group, which the Company's initial measurement or remeasurement on the date of the balance sheet divided into, if the book value is higher than the fair value deducting the sale cost, it's book value will be written down to the fair value deducting the sale cost, in addition the reduced amount is recognized as impairment loss included in the current profits and losses, while accruing the provision for impairment of assets held for sale. For the disposal group, confirmed asset impairment losses, will reduce the book value of the goodwill of a disposal group first, then reduce the book value of the non-current assets proportionally applying to CAS 42 - Non-Current Assets Held For Sale, the Disposal group and Discontinued Operations (hereinafter referred to as the "held for sale rule"). With the fair value deducting the sale cost of the disposal assets held for sale increasing on the date of the balance sheet, the deducted amount should be recovered accordingly Within the relevant scope. The recovering amount is included in the profits and losses of the current period, and the book value is increased proportionally according to the proportion of the book value of the non-current assets stipulated in the rules for sale in addition to the goodwill in the disposal group. The deductible book value of goodwill and the asset impairment losses that are applied to the standards of assets for sale shall not be recovered before they are classified as holding assets for sale.

Depreciation or amortization of non-current assets held for sale or disposal group are not raised. The interest of liabilities and other expenses in the disposal group held for sale will continue to be confirmed.

When the non-current assets or disposal groups no longer meet the conditions of assets held for sale categories, the Company will no longer divide that into assets held for sale categories or will remove that from the disposal of non-current assets held for sale, and measured by the lower amount: (1) the book value before being classified as held for sale category, and adjusted of the depreciation, amortization or impairment according to the assumption not being classified as held for sale. (2) recoverable amount.

3.14 Long-Term Equity Investments

Long-term equity investments refer to equity investments where an investor has control of, or significant influence over, an investee, as well as equity investments in joint ventures. Associates of the Company are those entities over which the Company has significant influence.

3.14.1 Determination Basis of Joint Control or Significant Influence Over the Investee

Joint control is the relevant agreed sharing of control over an arrangement, and the arranged relevant activity must be decided under unanimous consent of the parties sharing control. In assessing whether the Company has joint control of an arrangement, the Company shall assess first whether all the parties, or a group of the parties, control the arrangement. When all the parties, or a group of the parties, considered collectively, are able to direct the activities of the arrangement, the parties control the arrangement collectively. Then the Company shall assess whether decisions about the relevant activities require the unanimous consent of the parties that collectively control the arrangement. If two or more groups of the parties could control the arrangement collectively, it shall not be assessed as have joint control of the arrangement. When assessing the joint control, the protective rights are not considered.

Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control of those policies. In determination of significant influence over an investee, the Company should consider not only the existing voting rights directly or indirectly held but also the effect of potential voting rights held by the Company and other entities that could be currently exercised or converted, including the effect of share warrants, share options and convertible corporate bonds that issued by the investee and could be converted in current period.

If the Company holds, directly or indirectly 20% or more but less than 50% of the voting power of the investee, it is presumed that the Company has significant influence of the investee, unless it can be clearly demonstrated that in such circumstance, the Company cannot participate in the decision-making in the production and operating of the investee.

3.14.2 Determination of Initial Investment Cost

(i) For long-term equity investments generated in business combination, the initial investment cost is determined in accordance with the following requirements:

A. For a business combination involving enterprises under common control, if the Company makes payment in cash, transfers non-cash assets or bears liabilities as the consideration for the business combination, the share of carrying amount of the owners' equity of the acquiree in the consolidated financial statements of the ultimate controlling party is recognized as the initial cost of the long-term equity investment on the combination date. The difference between the initial investment cost and the carrying amount of cash paid, non-cash assets transferred and liabilities assumed shall be adjusted against the capital reserve; if capital reserve is not enough to be offset, undistributed profit shall be offset in turn.

B. For a business combination involving enterprises under common control, if the Company issues equity securities as the consideration for the business combination, the share of carrying amount of the owners' equity of the acquiree in the consolidated financial statements of the ultimate controlling party is recognized as the initial cost of the long-term equity investment on the combination date. The total par value of the shares issued is recognized as the share capital. The difference between the initial investment cost and the carrying amount of the total par value of the shares issued shall be adjusted against the capital reserve; if capital reserve is not enough to be offset, undistributed profit shall be offset in turn.

C. For business combination not under common control, the assets paid, liabilities incurred or assumed and the fair value of equity securities issued to obtain the control of the acquiree at the acquisition date shall be determined as the cost of the business combination and recognized as the initial cost of the long-term equity investment. The audit, legal, valuation and advisory fees, other intermediary fees, and other relevant general administrative costs incurred for the business

combination, shall be recognized in profit or loss as incurred.

(ii) For long-term equity investments acquired not through the business combination, the investment cost shall be determined based on the following requirements:

A. For long-term equity investments acquired by payments in cash, the initial cost is the actually paid purchase cost, including the expenses, taxes and other necessary expenditures directly related to the acquisition of long-term equity investments.

B. For long-term equity investments acquired through issuance of equity securities, the initial cost is the fair value of the issued equity securities.

C. For the long-term equity investments obtained through exchange of non-monetary assets, if the exchange has commercial substance, and the fair values of assets traded out and traded in can be measured reliably, the initial cost of long-term equity investment traded in with non-monetary assets are determined based on the fair values of the assets traded out together with relevant taxes. Difference between fair value and book value of the assets traded out is recorded in current profit or loss. If the exchange of non-monetary assets does not meet the above criterion, the book value of the assets traded out and relevant taxes are recognized as the initial investment cost.

D. For long-term equity investment acquired through debt restructuring, the initial cost is determined based on the fair value of the equity obtained and the difference between initial investment cost and carrying amount of debts shall be recorded in current profit or loss.

3.14.3 Subsequent Measurement

To be invested joint control (except constitute common operator) or long-term equity investments significant influence are accounted for using the equity method. In addition, the Company's financial statements using the cost method of accounting for long-term equity can exercise control over the investee.

1) Cost method

Under the cost method, a long-term equity investment is measured at initial investment cost. Except for cash dividends or profits declared but not yet paid that are included in the price or consideration actually paid upon acquisition of the long-term equity investment, investment income is recognized in the period in accordance with the attributable share of cash dividends or profit distributions declared by the investee.

2) Equity method

Where the initial investment cost of a long-term equity investment exceeds the investing enterprise's interest in the fair values of the investee's identifiable net assets at the time of acquisition, no adjustment shall be made to the initial investment cost.

The carrying amount of a long-term equity investment measured using the equity method is adjusted by the Company's share of the investee's net profit and other comprehensive income, which is recognized as investment income and other comprehensive income respectively. The carrying amount of a long-term equity investment measured using the equity method is reduced by profit distribution or cash dividends announced by the investee. The carrying amount of a long-term equity investment measured using the equity method is also adjusted by the investee's equity movement other than net profit, other comprehensive income and profit distribution, which is adjusted to capital reserves. The net profit of the investee is adjusted by the fair value of the investee's identifiable assets as at acquisition. The financial statements and hence the net profit and other comprehensive income of an investee which does not adopt accounting policies or accounting period uniform with the Company is adjusted by the Company's accounting policies and accounting period. The Company's share of unrealized profit or loss arising from related party transactions between the Company and an associate or joint venture is deducted from investment income. Unrealized loss arising from related party transactions between the Company and an associate or joint venture which is associated with asset impairment is not adjusted. Where assets transferred to an associate or joint venture which form part of the Company's investment in the investee but which does not enable the Company obtain control over the investee, the cost of the additional investment acquired is measured at the fair value of assets transferred and the difference between the cost of the additional investment and the book value of the assets

transferred is recognized in profit or loss. Where assets transferred to an associate or joint venture form an operation, the difference between the consideration received and the book value of the assets transferred is recognized in profit or loss. Where assets transferred from an associate or joint venture form an operation, the transaction is accounted for in accordance with CAS 20 - Business Combination, any gain or loss is recognized in profit or loss.

The Company's share of an investee's net loss is limited by the sum of the book value of the long-term equity investment and other net long-term investments in the investees. Where the Company has obligation to share additional net loss of the investee, the estimated share of loss recognized as accrued liabilities and investment loss. Where the Company has unrecognized share of loss of the investee when the investee generates net profit, the Company's unrecognized share of loss is reduced by the Company's share of net profit and when the Company's unrecognized share or loss is eliminated in full, the Company's share of net profit, if any, is recognized as investment income.

3.14.4 Acquisition of Minority Interest

The difference between newly increased equity investment due to acquisition of minority interests and portion of net asset cumulatively calculated from the acquisition date is adjusted as capital reserve. If the capital reserve is not sufficient to absorb the difference, the excess are adjusted against returned earnings.

3.14.5 Disposal of Long-Term Equity Investment

Where the parent company disposes long-term investment in a subsidiary without a change in control, the difference in the net asset between the amount of disposed long-term investment and the amount of the consideration paid or received is adjusted to the owner's equity. If the disposal of long-term investment in a subsidiary involves loss of control over the subsidiary, the related accounting policies in Note 3.6.2 applies. For disposal of long-term equity investments in any situation other than the fore-mentioned situation, the difference between the book value of the investment disposed and the consideration received is recognized in profit or loss.

Where a long-term equity investment is measured by the equity method both before and after part disposal of the investment, cumulative other comprehensive income relevant to the investment recognized prior to the acquisition is treated in the same manner that the investee disposes the relevant assets or liabilities proportionate to the disposal. The investee's equity movement other than net profit, other comprehensive income and profit distribution is recognized in profit or loss proportionate to the disposal.

Where a long-term equity investment is measured at cost both before and after part disposal of the investment, cumulative other comprehensive income relevant to the investment recognized, as a result of accounting by equity method or recognition and measurement principles applicable to financial instruments, prior to the Company's acquisition of control over the investee is treated in the same manner that the investee disposes the relevant assets or liabilities and recognized in profit or loss proportionate to the disposal. The investee's equity movement other than net profit, other comprehensive income and profit distribution, as a result of accounting by equity method, is recognized in profit or loss proportionate to the disposal.

Where the Company's control over an investee is lost due to partial disposal of investment in the investee and the Company continues to have significant influence over the investee after the partial disposal, the investment is measured by the equity method in the Company's separate financial statements; where the Company's control over an investee is lost due to partial disposal of investment in the investee and the Company ceases to have significant influence over the investee after the partial disposal, the investment is measured in accordance with the recognition and measurement principles applicable to financial instruments in the Company's separate financial statements and the difference between the fair value and the book value of the remaining investment at the date of loss of control is recognized in profit or loss. Cumulative other comprehensive income relevant to the investment recognized, as a result of accounting by equity method or recognition and measurement principles applicable to financial instruments, prior to the Company's acquisition of control over the investee is treated in the same manner that the investee disposes the relevant assets or liabilities on the date of loss of control. The investee's equity movement other than net profit, other comprehensive income and profit distribution, as a result of accounting by equity method, is recognized in profit or loss when control is lost. Where the remaining investment

is measured by equity method, the fore-mentioned other comprehensive income and other equity movement are recognized in profit or loss proportionate to the disposal; Where the remaining investment is measured in accordance with the recognition and measurement principles applicable to financial instruments, the fore-mentioned other comprehensive income and other equity movement are recognized in profit or loss in full.

Where the Company's joint control or significant influence over an investee is lost due to partial disposal of investment in the investee, the remaining investment in the investee is measured in accordance with the recognition and measurement principles applicable to financial instruments, the difference between the fair value and the book value of the remaining investment at the date of loss of joint control or significant influence is recognized in profit or loss. Cumulative other comprehensive income relevant to the investment recognized, as a result of accounting by equity method, prior to the partial disposal is treated in the same manner that the investee disposes the relevant assets or liabilities on the date of loss of joint control or significant influence. The investee's equity movement other than net profit, other comprehensive income and profit distribution is recognized in profit or loss when joint control or significant influence is lost.

Where the Company's control over an investee is lost through multiple disposals and the multiple disposals shall be viewed as one single transaction, the multiple disposals is accounted for one single transaction which result in the Company's loss of control over the investee. Each difference between the consideration received and the book value of the investment disposed is recognized in other comprehensive income and reclassified in full to profit or loss at the time when control over the investee is lost.

3.15 Fixed Assets

Fixed assets refer to the tangible assets with higher unit price held for the purpose of producing commodities, rendering services, renting or business management with useful lives exceeding one year.

3.15.1 Recognition Criteria

Fixed assets will only be recognized at the actual cost paid when obtaining as all the following criteria are satisfied:

- (i) It is probable that the economic benefits relating to the fixed assets will flow into the Company;
- (ii) The costs of the fixed assets can be measured reliably.

Subsequent expenditure for fixed assets shall be recorded in cost of fixed assets, if recognition criteria of fixed assets are satisfied, otherwise the expenditure shall be recorded in current profit or loss when incurred.

3.15.2 The Method for Depreciation of Each Category of Fixed Assets

Fixed assets are stated at cost and consider the impact of expected costs of abandoning the initial measurement. From the following month of state of intended use, depreciation method of the straight-line method is used for different categories of fixed assets to take depreciation. The recognition of the classification, useful life and estimated residual rate are as follows:

Category	Expected useful life (year)	Residual rate (%)	Annual Depreciation rate (%)
Houses and building	20-33	5.00	2.88-4.75
Key components and power support of aircraft engine	15-20	5.00	4.75-6.33
Replacement parts of engine	3-7	0.00	14.29-33.33
Equipment, electronic devices and furniture	4-10	5.00	9.5-23.75
High value rotables	15-18	0.00	5.56-6.67

Expected net residual value of fixed assets is the balance of the Company currently obtained from the disposal of the asset less the estimated costs of disposal amount, assuming the asset is out of useful life and state the expected service life in the end.

3.15.3 Fixed Assets Under Finance Leases

A finance lease is a lease that transfers in substance all the risks and rewards incident to ownership of an asset. Title may or may not eventually be transferred.

Fixed assets that are held under finance leases shall be depreciated by applying the same policy as that for the fixed assets

owned by the Company. If it can be reasonably determined that the ownership of the leased assets can be obtained at the end of the lease period, the leased assets are depreciated over their useful lives; otherwise, the leased assets are depreciated over the shorter of the lease terms and the useful lives of the leased assets.

3.15.4 Others

A fixed asset is recognized only when the economic benefits associated with the asset will probably flow to the Company and the cost of the asset can be measured reliably. Subsequent expenditure incurred for a fixed asset that meet the recognition criteria shall be included in the cost of the fixed asset, and the carrying amount of the component of the fixed asset that is replaced shall be derecognized. Otherwise, such expenditure shall be recognized in profit or loss in the period in which they are incurred.

The revenue from selling or transferring, or disposing a fixed asset is booked into profit and loss after deduction of carrying value and related tax.

The Company conducts a review of useful life, expected net realizable value and depreciation methods of the fixed asset at least on an annual base. Any change is regarded as change in accounting estimates.

3.16 Construction inProgress

Construction in progress is measured at its actual cost. The actual costs include various construction expenditures during the construction period, borrowing costs capitalized before it is ready for intended use and other relevant costs. Construction in progress is transferred to a fixed asset when it is ready for intended use.

Testing method for provision impairment of construction in progress and accrued method for provision impairment please refer to Note 3.19 “Impairment of long-term assets”.

3.17 Borrowing Costs

3.17.1 Recognition Criteria and Period for Capitalization of Borrowing Costs

The Company shall capitalize the borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets when meet the following conditions:

- (i) Expenditures for the asset are being incurred;
- (ii) Borrowing costs are being incurred, and;
- (iii) Acquisition, construction or production activities that are necessary to prepare the assets for their intended use or sale are in progress.

Other borrowing cost, discounts or premiums on borrowings and exchange differences on foreign currency borrowings shall be recognized into current profit or loss when incurred.

Capitalization of borrowing costs is suspended during periods in which the acquisition, construction or production of a qualifying asset is interrupted abnormally and the interruption is for a continuous period of more than 3 months.

Capitalization of such borrowing costs ceases when the qualifying assets being acquired, constructed or produced become ready for their intended use or sale. The expenditure incurred subsequently shall be recognized as expenses when incurred.

3.17.2 Calculation Method for Capitalization Rate and Measurement of Capitalized Amounts of Borrowing Costs

When funds are borrowed specifically for purchase, construction or manufacturing of assets eligible for capitalization, the Company shall determine the amount of borrowing costs eligible for capitalisation as the actual borrowing costs incurred on that borrowing during the period less any interest income on bank deposit or investment income on the temporary investment of those borrowings.

Where funds allocated for purchase, construction or manufacturing of assets eligible for capitalization are part of a general borrowing, the eligible amounts are determined by the weighted-average of the cumulative capital expenditures in excess of the specific borrowing multiplied by the general borrowing capitalization rate. The capitalization rate will be the weighted average of the borrowing costs applicable to the general borrowing.

During the capitalization period, the exchange differences of foreign currency funds specifically borrowed are fully capitalized; the exchange differences of foreign currency general borrowings are included in the current profit and loss.

3.18 Intangible Assets

3.18.1 Intangible Assets

The term “intangible asset” refers to the identifiable non-monetary assets without physical shape, possessed or controlled by enterprises.

The intangible assets are initially measured by its cost. Expenses related to intangible assets, if the economic benefits related to intangible assets are likely to flow into the enterprise and the cost of intangible assets can be measured reliably, shall be recorded as cost of intangible assets. The expenses other than this shall be booked in the profit or loss when they occur.

Land use rights that are purchased by the Company are accounted for as intangible assets. Buildings, such as plants that are developed and constructed by the Company, and relevant land use rights and buildings, are accounted for as intangible assets and fixed assets, respectively. Payments for the land and buildings purchased are allocated between the land use rights and the buildings; if they cannot be reasonably allocated, all of the land use rights and buildings are accounted for as fixed assets.

When an intangible asset with a definite useful life is available for use, its original cost less net residual value and any accumulate impairment losses is amortized over its estimated useful life using the straight-line method. An intangible asset with an indefinite useful life is not amortized.

For an intangible asset with a definite useful life, the Company reviews the useful life and amortization method at the end of the period and makes adjustment when necessary. An additional review is also carried out for useful life of the intangible assets with indefinite useful life. If there is evidence showing the foreseeable limit period of economic benefits generated to the enterprise by the intangible assets, then estimate its useful life and amortize according to the policy of intangible assets with definite useful life.

3.18.2 The Expenditure of Research and Development

The expenditures for its internal research and development projects of the Company shall be classified into research and development expenditures.

The research expenditures shall be recorded into the profits and losses of the current period when they are incurred.

Development expenditures in internal research and development projects shall be recognized as intangible assets where they satisfy all of the following conditions:

- ① Technical feasibility of completing the intangible asset so that it will be available for use or sale;
- ② Intention to complete the intangible asset and use or sell it;
- ③ How the intangible asset will generate economic benefits, including the ability to demonstrate the existence of a market for the output of the intangible asset or the intangible asset itself or, if it is to be used internally, the usefulness of the intangible asset;
- ④ Availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset;
- ⑤ Ability to measure reliably the expenditure that is attributable to the intangible asset during its development.

The expenses which cannot be distinguished between research and development stage, shall be recorded into the profit or loss for the current period.

3.18.3 Impairment Testing Methods and Recognition of Provision for Impairment of Intangible Assets

Impairment and provisions of intangible assets are disclosed on Note 3.19 “Impairment of long-term assets”.

3.19 Impairment of Long-Term Assets

Non-financial assets with non-current nature include fixed assets, construction in progress, intangible assets with definite useful lives, investment properties measured by cost method and long-term equity investment on subsidiaries, joint operations. The Company assesses whether there are any indicators of impairment for all non-financial assets at the balance sheet date, and impairment test is carried out and recoverable value is estimated if such an indicator exists. Goodwill and intangible assets with indefinite useful lives, as well as intangible assets not ready for use, are tested for

impairment annually regardless of indicators of impairment.

Impairment of loss is calculated, and provisions taken by the difference if the recoverable value of the assets is lower than the book value. The recoverable value is the higher of estimated present value of the future expected cash flows from the asset and net fair value of the asset less disposed cost. The fair value of asset is determined by the sales agreement price within an arm's length transaction. In case there is no sales agreement, but there is active market of assets, the fair value can be determined by the selling price. If there is neither sales agreement nor active market, the fair value of the asset can be estimated based on the best information obtained.

Disposal expenses include expenses related to the legislation, taxes, transportations and the direct expense for the asset to be ready for sale. When calculating the present value of expected future cash flows from an asset or asset group, the management shall estimate the expected future cash flows from the asset or asset group and choose a suitable discount rate in order to calculate the present value of those cash flows.

Provision for asset impairment is calculated and determined on the individual basis. If the recoverable of individual asset is hard to estimate, the recoverable amount can be determined by the asset group where subject asset belongs. Asset group is the smallest set of assets that can have cash flow in independently.

The Company determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the present value of the future expected cash flows from the asset groups or sets of asset groups to which the goodwill is allocated. Estimating the present value requires the Company to make an estimate of the expected future cash flows from the asset groups or sets of asset groups and also choose a suitable discount rate in order to calculate the present value of those cash flows.

Once the loss from asset impairment is recognized, the recoverable part cannot be reserved in the subsequent periods.

3.20 Deferred Charges

Deferred charges represent expenses incurred that should be borne and amortized over the current and subsequent period (together of more than one year). Deferred charges are amortized by using straight line method. Such as expenses for pilots' initial trainings, those expenses are amortized at 10 years according to their benefit period respectively.

3.21 Employee Benefits

The employee benefits of the company include short-term employee benefits, post-employment benefits, termination benefits and other long-term employee benefits:

Short-term employee benefits include wages, bonuses, allowances and subsidies, welfare, health insurance, maternity insurance, work injury insurance, housing funds, labor union funds, employee education funds, non-monetary benefits etc. Short-term employee benefits are recognized as liabilities and profit or loss account or the costs associated with the asset during the accounting period when employees actually provide services. The non-monetary benefits are measured at fair value.

Post-employment benefits include defined contribution plans and defined benefit plans. Defined contribution plan which includes the basic pension, unemployment insurance and annuities shall be recognized as cost of related assets or profit or loss. Projected unit credit cost method ("PUC") was used by independent actuaries engaged by the Company to determine the present value of the defined benefit obligations with unbiased and consistent actuarial assumptions regarding population variables and financial variables. Defined benefit obligation was presented with the present value and the related current service cost was accounted into current profit or loss.

When the Company terminates the labor relationship with employees prior to the employment contracts, or encourages employees to accept voluntary redundancy compensation proposals in this company, a provision shall be recognized for the compensation arising from the termination of employment relationship with employees at the time when the Company cannot unilaterally withdraw layoff proposal termination benefits provided due to termination of employment, or the company ensures the costs related to the payment for termination benefits related to the restructuring, which one is early to confirm employee benefits liabilities, and recorded as profit or loss. However, if termination benefits cannot be fully paid after twelve months of the reporting date, the liability shall be processed in accordance with other long-term employee

benefits.

Retirement plan adopts the same principles as the termination benefits. The salaries and insurance to be paid from the date when employees stop providing services to the date of normal retirement shall be recognized in profit or loss (termination benefits) when satisfying the requirements of a provision.

Other long-term employee benefits provided by the Company to employees that is in line with defined contribution plans shall adopt the accounting treatment in accordance with defined contribution plans, otherwise the accounting treatment of defined benefit plans.

3.22. Revenue

3.22.1 Revenue from Rendering of Service

① The Company recognize revenue from rendering of air service for carriage of passengers when the service is rendered or when an unused ticket expires. The sale of a ticket does not constitute revenue. An unused ticket expires on the annual anniversary of its sale. Tickets sold but of which the service is not yet rendered are recognized in current liabilities as Advance from customers. If service is rendered through code sharing, revenue arising from the service provision is apportioned amongst parties to the code sharing agreement. The revenue arising from code sharing is also recognized when the service is rendered.

② The Company recognize air cargo revenue from rendering of air service for carriage of cargo when the service is rendered

③ Revenue arising from other air service rendering is recognized when the service rendering is completed.

3.22.2 Royalty Revenue

The revenue is recognized on an accrual basis according to the contract or agreement.

3.22.3 Interest Income

The amount of interest revenue should be measured and confirmed in accordance with the length of time for which the enterprise's cash is used by others and the actual interest rate.

3.23 Government Grants

Government grants are transfer of monetary assets and non-monetary assets from the government to the Company at no consideration, excluding the capital invested by the government as equity owner. Government grant can be classified as grant related to the assets and grants related to the income. Government grants obtained by the Company which are relevant to construction or acquisition of long-term assets are classified as asset-related government grants; all other government grants are classified as revenue-related government grants. For government grants without specified beneficiary, the Company performs classification in accordance with the following criteria.

① Where a grant is obtained for a specified project, the grant is spitted into asset-related and revenue related portions proportionate to the project's investment to expense ratio; the classification is reviewed on each balance sheet date and revised if necessary.

② Where a grant is obtained for general purpose, the grant as a whole is classified as a revenue-related government grant.

If a government grant is in the form of a transfer of a monetary asset, it is measured at the amount received or receivable. If a government grant is in the form of a non-monetary asset, it is measured at fair value. If the fair value cannot be reliably determined, it is measured at a nominal amount. A government grant measured at a nominal amount is recognized immediately in profit or loss for the period.

The Company's government subsidies are usually confirmed and measured by the actual amount when they are received. However, for the end of the period, if there are conclusive evidence that the relevant conditions can be meet of the financial support policy and financial support funds are expected to receive, it should be measured according to the amount receivable. The following conditions should be meet at the same time if the subsidies are measured by the amount receivable: (1) The amount of subsidy receivable has been confirmed by the document issued by the government departments, or could be reasonably estimated in accordance with the relevant provisions of its own official release of

financial resources management approach, and the expected amount of a material uncertainty which does not exist; (2) It is based on the financial support project and financial management measures which is released officially by the local finance department with active publicity according to the provisions of the "Regulations on open government information". And the management measures should be inclusive (any enterprises complying with the conditions may apply for that), rather than specifically for specific enterprises; (3) The relevant subsidy has a clear commitment to the allocation period, and guaranteed by corresponding financial budget, which can be received within the prescribed time limit with reasonable guarantee; (4) Other relevant conditions (if any) should be met in accordance with the specific circumstances of the company and the grant.

A government grant related to an asset is recognized as deferred income, and evenly amortized to profit or loss over the useful life of the related asset according to a systematic and reasonable method. For a government grant related to income, if the grant is a compensation for related expenses or losses to be incurred in subsequent period, the grant is recognized as deferred income, and recognized in profit or loss over the periods in which the related costs are recognized. If the grant is a compensation for related expenses or losses already incurred, the grant is recognized immediately in profit or loss for the period.

Government subsidies including both assets-related parts and income-related parts should be treated separately. If it is difficult to separate, the government subsidies as a whole will be classified as income-related government grants.

The government subsidies related to daily activities of the Company are included in other income and gain and expenses in accordance with the essence of economic business; if it is not related to daily activities, it will be included in non-operating income and expense.

For repayment of a government grant already recognized, if there is a related deferred income, the repayment is offset against the carrying amount of the deferred income, and any excess is recognized in profit or loss for the period. If there are other situations, the repayment is recognized immediately in profit or loss for the period.

3.24 Deferred Tax Assets and Deferred Tax Liabilities

3.24.1 Income Tax for the Current Period

At the balance sheet date, current income tax liabilities or assets for the current and prior periods, are measured at the amount expected to be paid (or recovered) according to the requirements of tax laws. The calculation for income tax expenses in the current period is based on the taxable income according to the related tax laws after adjustment to the accounting profit of the reporting period.

3.24.2 Deferred Income Tax Assets and Liabilities

For temporary differences between the carrying amount of certain assets or liabilities and their tax base, or between the nil carrying amount of those items that are not recognized as assets or liabilities and their tax base that can be determined according to tax laws, deferred tax assets and liabilities are recognized using the balance sheet liability method.

For temporary differences associated with the initial recognition of goodwill and the initial recognition of an asset or liability arising from a transaction (not a business combination) that affects neither the accounting profit nor taxable profits (or deductible losses) at the time of transaction, no deferred tax asset or liability is recognized.

For taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, no deferred income tax liability related is recognized except where the Company is able to control the timing of reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

All deferred income tax liabilities arising from taxable temporary differences except the ones mentioned above are recognized.

For temporary deductible differences associated with the initial recognition of an asset or liability arising from a transaction (not a business combination) that affects neither the accounting profit nor taxable profits (or deductible losses) at the time of transaction, no deferred tax asset is recognized.

For taxable temporary deductible differences associated with investments in subsidiaries and associates, and interests in joint ventures, no deferred income tax asset related is recognized if it is impossible to reversal the temporary difference in

the foreseeable future, or it is not probable to obtain taxable income which can be used for the deduction of the temporary difference in the future.

Except mentioned above, the Company recognizes other deferred income tax assets that can deduct temporary differences to the extent that it is probable that taxable profits will be available against which the deductible temporary differences can be utilized.

For the deductible losses and tax credit that can be carried forward, deferred tax assets for deductible temporary differences are recognized to the extent that it is probable that taxable profits will be available against which the deductible temporary differences can be utilized.

At the balance sheet date, deferred tax assets and liabilities are measured at the tax rates according to tax laws, that are expected to apply in the period in which the asset is realized or the liability is settled.

At the balance sheet date, the Company reviews the carrying amount of deferred tax assets. If it is no longer probable that sufficient taxable profit will be available in future periods to allow the benefits of the deferred tax assets to be used, the Company reduces the carrying amount of deferred tax assets. The amount of such reduction is reversed when it becomes probable that sufficient taxable profit will be available

3.24.3 Income Tax Expenses

Income tax expenses consist of current income tax and deferred income tax.

The expenses from income tax and deferred income tax, as well as the revenue, shall be recorded into profit or loss in current accounting period, except expense for income tax of the current period and deferred income tax that booked in other income and gain or equity and adjusted carrying value of deferred income tax goodwill arose from business combination.

3.24.4 Income Tax Offset

When we have the legal right, and have intended to, to make settlement with net amount, or through the asset acquisition and liability fulfillment simultaneously, the Company shall present the net value from the offset between current income tax asset and current income tax liability in the financial statement.

When the Company has the legal right to make a settlement with the current income tax asset and current income tax liability, and the deferred income tax asset and deferred income tax liability are related to the same taxable subject under the same tax payer, or related to different taxable subject, but the intension of net value settlement in regard of the current income tax asset and current income tax liability, the Company shall present net value after the offset of deferred income tax asset and deferred income tax liability.

3.25 Operating Leases and Finance Leases

A finance lease is a lease that transfers in substance all the risks and rewards incident to ownership of an asset. Title may or may not eventually be transferred. An operating lease is a lease other than a finance lease.

3.25.1 The Company as Lessee Under Operating Lease

Lease payments under an operating lease are recognized by a lessee on a straight-line basis over the lease term, and either included in the cost of the related asset or charged to profit or loss for the current period. The contingent rents shall be recorded in the profit or loss of the period in which they actually arise.

3.25.1 The Company as Lessor Under Operating Lease

Lease income from operating leases shall be recognized by the lessor in profit or loss on a straight-line basis over the lease term. Initial direct cost of significance in amount shall be capitalized when incurred. If another basis is more systematic and rational, that basis may be used. Contingent rents are credited to profit or loss in the period in which they actually arise.

3.25.3 The Company as Lessee Under Finance Lease

For an asset that is held under a finance lease, at the lease commencement, the leased asset is recorded at the lower of its fair value at the lease commencement and the present value of the minimum lease payments, and the minimum lease payment is recorded as the carrying amount of the long-term payables; the difference between the recorded amount of the leased asset and the recorded amount of the payable is accounted for as unrecognized finance charge, Initial direct costs incurred by the lessee during the process of negotiating and securing the lease agreement shall be added to the amount recognized for the leased asset.

The net amount of minimum lease payment deducted by the unrecognized finance shall be separated into long-term liabilities and long-term liability within one year for presentation.

Unrecognized finance charge shall be computed by the effective interest method during the lease term. Contingent rent shall be booked into profit or loss when actually incurred.

3.25.4 In the Case of the Lessor of a Finance Lease

For an asset that is leased out under a finance lease, the aggregate of the minimum lease receipts at the inception of the lease and the initial direct costs is recorded as a finance lease receivable, and unguaranteed residual value is recorded at the same time; the difference between the aggregate of the minimum lease receipt, initial direct costs, and unguaranteed residual value, and the aggregate of their present values, is recognized as unearned finance income, which is amortized using the effective interest rate method over each period during the lease term.

Finance lease receivable less unearned finance income shall be separated into long-term liabilities and long-term liability within one year for presentation.

Unearned finance income shall be computed by the effective interest method during the lease term. Contingent rent shall be credited into profit or loss in which actually incurred.

3.26 Regular Repair and Substantial Repair

Regular repair expenditure of own aircrafts and aircrafts acquired under a financial lease is accounted for through profit or loss for the period in which it is incurred. Substantial repair expenditure eligible for capitalization is capitalized when incurred and recognized as replacement cost of non-current assets and depreciated over a reasonable length of time. Substantial repair expenditure of aircrafts under an operating lease incurred before the lease expiry date is amortized on the basis of air hours over the lease period.

3.27 Changes in Major Accounting Policies and Accounting Estimates

3.27.1 Changes in Accounting Policies

① Implementation of the “Notice of Revising and Issuing the Format of Financial Statements of General Enterprises for 2019” (Caikuai [2019] No.6)

On 30 April 2019, Ministry of Finance announced the “Notice of Revising and Issuing the Format of Financial Statements of General Enterprises for 2019” (Caikuai [2019] No.6). On 19 September 2019, the Ministry of Finance issued “Notice of Revising and Issuing the Format of Consolidated Financial Statements for 2019” (Caikuai [2019] No. 16), as a complement of the announcement Caikuai [2019] No. 6, and it made corresponding adjustments to the corporate financial statement format. The Company has prepared comparative financial statements in accordance with the requirement of Caikuai [2019]No. 6 and andCaikuai [2019] No. 16, and changed the presentation by retrospective adjustment method.

The consolidated and separate balance sheet items affected as of 31 December 2018 are as follows:

Influence on Consolidated Financial Statements	31 December 2018	1 January 2019	Adjustment
Notes receivable and accounts receivable	413,726,456.71		-413,726,456.71
Accounts receivable		413,726,456.71	413,726,456.71
Notes payable and accounts payable	2,273,836,607.26		-2,273,836,607.26
Accounts payable		2,273,836,607.26	2,273,836,607.26
Influence on Financial Statements of Parent Company	31 December 2018	1 January 2019	Adjustment
Notes receivable and accounts receivable	412,570,738.01		-412,570,738.01
Accounts receivable		412,570,738.01	412,570,738.01
Notes payable and accounts payable	2,292,392,127.26		-2,292,392,127.26
Accounts payable		2,292,392,127.26	2,292,392,127.26

② Change due to the first-year adoption of new financial instruments standards.

On March 3, 2017, the Ministry of Finance issued the “Chinese Accounting Standards for Business Enterprises No.22 - Determination and measurement of financial instruments (Revised in 2017)” (Accounting [2017] No. 7), "Accounting Standards for Business Enterprises No. 23" Transfer of Financial Assets (Revised in 2017) (Accounting [2017] No. 8), "Accounting Standards for Business Enterprises No. 24 - Hedge Accounting (Revised in 2017)" (Accounting [2017] No. 9). On May 2 2017, the Ministry of Finance issued “Accounting Standards for Business Enterprises No. 37 – Financial Instruments Presentation (Revised in 2017)” (Accounting [2017] No. 14) (the above-mentioned guidelines are collectively referred to as the “New Financial Instruments Guidelines”), and domestic listed companies are required to implement it from 1 January 2019.

After the resolution of the 4th meeting of the 6th Board of Directors of the Company on 21 March 2019, the Company will implement the above new financial instrument guidelines from 1 January 2019.

All recognized financial assets under the new financial instrument criteria are subsequently measured at amortized cost or fair value.

On the implementation date of the new financial instrument standard, the Company shall assess the facts and circumstances about the business model for managing the financial asset on the implementation date and the facts and circumstances about the contractual cash flow characteristics of the financial asset on the date of initial recognition, and classify its financial assets into three categories: financial assets measured at amortized cost, financial assets measured at fair value through other comprehensive income (FVTOCI), and financial assets measured at fair value through profit or loss (FVTPL). In case of an equity instrument investment measured at fair value through other comprehensive income, when the financial asset is derecognized, the accumulated gain or loss previously recognized in other comprehensive income is transferred to retained earnings, rather than profit and loss.

Under the new financial instrument standard, the Company accrues provision for impairment and recognizes credit losses for financial assets measured at amortized cost, debt instrument investments measured at FVTOCI, lease receivables, contract assets and the financial guarantee contract based on expected credit losses.

The Company retrospective applies the new financial instrument guidelines, but in terms of classification and measurement (including impairment) involving inconsistency between the previous comparative financial statement data and the new financial instrument guidelines, the Company chooses not to restate. Therefore, for the cumulative impact on the first implementation of the guideline, the Company adjusts retained earnings or other comprehensive income of the opening of 2019 and other relevant items in the financial statement. The financial statements for 2018 were not restated.

The main changes and effects of the Company's implementation of the new financial instrument guidelines are as follows: On or after 1 January 2019, the Company designated part of non-trading equity investment as financial assets measured at fair value through other comprehensive income, which disclosed as other equity instruments investment.

The Company will reclassify financial assets measured at fair value through profit or loss into financial assets held for trading.

3.27.2 Changes of Accounting Estimates

There is no significant change of accounting estimates for the Company during the reporting period.

3.27.3 Adjustments of the Financial Statements at the Beginning of the Reporting Period for the First-Year Adoption of New Financial Instruments Standards

Consolidated financial statements

Unit: Yuan, Currency: CNY

Items	31 December 2018	1 January 2019	Adjustment
Current assets:			
Monetary funds	840,960,104.09	840,960,104.09	
Deposit reservation for balance			
Lending to banks and other financial institutions			
Held-for-trading financial assets	N/A	90,488.17	90,488.17
Financial assets at fair value through profit or loss	90,488.17	N/A	-90,488.17
Derivative financial assets			
Notes receivable			
Accounts receivable	413,726,456.71	413,726,456.71	
Accounts receivable financing	N/A		
Prepayments	265,931,342.94	265,931,342.94	
Premium receivable			
Reinsurance accounts receivable			
Reinsurance contract reserves receivable			
Other receivables	225,281,412.22	225,281,412.22	
Including: Interests receivable			
Dividend receivable			
Financial assets purchased under agreements to resell			
Inventories	105,625,519.42	105,625,519.42	
Held-for-sale assets			
Non-current assets maturing within one year			
Other current assets	236,596,457.60	236,596,457.60	
Total current assets	2,088,211,781.15	2,088,211,781.15	

Items	31 December 2018	1 January 2019	Adjustment
Non-current assets:			
Loans and advances			
Debt investments	N/A		
Financial assets available for sale	310,842,965.35	N/A	-310,842,965.35
Other debt investments	N/A		
Held-to-maturity investments		N/A	
Long-term receivables			
Long-term equity investments			
Other equity instrument investment	N/A	790,158,061.10	790,158,061.10
Other non-current financial assets	N/A		
Investment property			
Fixed assets	7,770,750,794.37	7,770,750,794.37	
Construction in progress	4,790,300,972.13	4,790,300,972.13	
Biological assets held for production			
Oil and gas assets			
Intangible assets	115,541,881.39	115,541,881.39	
Development expenditure			
Goodwill	454,020.13	454,020.13	
Deferred charges	573,645,342.64	573,645,342.64	
Deferred tax assets	914,231,343.25	914,231,343.25	
Other non-current assets			
Total non-current assets	14,475,767,319.26	14,955,082,415.01	479,315,095.75
Total assets	16,563,979,100.41	17,043,294,196.16	479,315,095.75
Current liabilities			
Short-term borrowings	580,000,000.00	580,000,000.00	
Borrowing from the central bank			
Deposits from customers and interbank			
Borrowings from banks and other financial institutions			
Held-for-trading financial liabilities			
Financial liabilities at fair value through profit or loss			
Derivative financial liabilities			
Notes payable			
Accounts payable	2,273,836,607.26	2,273,836,607.26	

Items	31 December 2018	1 January 2019	Adjustment
Advance from customers	787,371,671.33	787,371,671.33	
Selling of repurchased financial assets			
Fees and commissions payable			
Employee benefits payable	543,294,439.81	543,294,439.81	
Taxes and fees payable	252,717,258.87	252,717,258.87	
Other payables	635,499,470.13	635,499,470.13	
Including: Interests payables	10,428,894.80	10,428,894.80	
Dividend payables	602,306.96	602,306.96	
Reinsurance payables			
Reinsurance payables			
Funds received as agent of stock exchange			
Funds received as stock underwrite			
Held-for-sale liabilities			
Non-current liabilities due within one year	455,840,675.34	455,840,675.34	
Other current liabilities			
Total current liabilities	5,528,560,122.74	5,528,560,122.74	
Non-current liabilities:			
Long-term borrowings	1,885,556,557.83	1,885,556,557.83	
Bonds payable			
Including: Preference share			
Perpetual capital securities			
Long-term payables	4,368,213,445.33	4,368,213,445.33	
Long-term employee benefits payable	135,224,119.11	135,224,119.11	
Accrued liabilities			
Deferred income	118,279,868.16	118,279,868.16	
Deferred tax liabilities	56,819,008.96	176,647,782.90	119,828,773.94
Other non-current liabilities			
Total non-current liabilities	6,564,092,999.39	6,683,921,773.33	119,828,773.94
Total liabilities	12,092,653,122.13	12,212,481,896.07	119,828,773.94
Shareholders' equity			
Share capital	400,000,000.00	400,000,000.00	
Other equity instruments			
Including: Preference shares			
Perpetual capital securities			
Capital reserves	75,410,363.70	75,410,363.70	

Items	31 December 2018	1 January 2019	Adjustment
Less: Treasury stock			
Other comprehensive income	149,300,488.94	508,786,810.75	359,486,321.81
Specific reserves			
Surplus reserves	503,999,977.58	503,999,977.58	
General risk reserves			
Retained earnings	3,342,615,148.06	3,342,615,148.06	
Equity attributable to shareholders of the parent	4,471,325,978.28	4,830,812,300.09	359,486,321.81
Minority interests			
Total owners' equity	4,471,325,978.28	4,830,812,300.09	359,486,321.81
Total liabilities and owners' equity	16,563,979,100.41	17,043,294,196.16	479,315,095.75

Financial Statements of Parent Company

Unit: Yuan Currency: CNY

Items	31 December 2018	1 January 2019	Adjustment
Current assets:			
Monetary funds	804,583,812.57	804,583,812.57	
Held-for-trading financial assets	N/A.	90,488.17	90,488.17
Financial assets at fair value through profit or loss	90,488.17	N/A	-90,488.17
Derivative financial assets			
Notes receivable			
Accounts receivable	412,570,738.01	412,570,738.01	
Accounts receivable financing	N/A		
Prepayments	263,658,892.86	263,658,892.86	
Other receivables	239,078,612.04	239,078,612.04	
Including: Interests receivable			
Dividend receivable			
Inventories	104,444,823.98	104,444,823.98	
Held-for-sale assets			
Non-current assets maturing within one year			
Other current assets	236,057,827.36	236,057,827.36	
Total current assets	2,060,485,194.99	2,060,485,194.99	
Non-current assets:			
Debt investments	N/A		
Financial assets available for sale	310,842,965.35	N/A	-310,842,965.35

Items	31 December 2018	1 January 2019	Adjustment
Other debt investments	N/A		
Held-to-maturity investments		N/A	
Long-term receivables			
Long-term equity investments	144,101,285.43	144,101,285.43	
Other equity instrument investment	N/A	790,158,061.10	790,158,061.10
Other non-current financial assets	N/A		
Investment property			
Fixed assets	7,667,474,888.84	7,667,474,888.84	
Construction in progress	4,790,300,972.13	4,790,300,972.13	
Biological assets held for production			
Oil and gas assets			
Intangible assets	102,375,769.20	102,375,769.20	
Development expenditure			
Goodwill			
Deferred charges	572,919,885.06	572,919,885.06	
Deferred tax assets	913,510,618.39	913,510,618.39	
Other non-current assets			
Total non-current assets	14,501,526,384.40	14,980,841,480.15	479,315,095.75
Total assets	16,562,011,579.39	17,041,326,675.14	479,315,095.75
Current liabilities:			
Short-term borrowings	580,000,000.00	580,000,000.00	
Held-for-trading financial liabilities			
Financial liabilities at fair value through profit or loss			
Derivative financial liabilities			
Notes payable			
Accounts payable	2,292,392,127.26	2,292,392,127.26	
Advance from customers	785,082,130.23	785,082,130.23	
Employee benefits payable	532,617,252.72	532,617,252.72	
Taxes and fees payable	248,981,430.52	248,981,430.52	
Other payables	680,079,759.56	680,079,759.56	
Including: Interests payables	10,428,894.80	10,428,894.80	
Dividend payables	11,940.00	11,940.00	
Held-for-sale liabilities			
Non-current liabilities due within one year	455,840,675.34	455,840,675.34	

Items	31 December 2018	1 January 2019	Adjustment
Other current liabilities			
Total current liabilities	5,574,993,375.63	5,574,993,375.63	
Non-current liabilities:			
Long-term borrowings	1,885,556,557.83	1,885,556,557.83	
Bonds payable			
Including: Preference share			
Perpetual capital securities			
Long-term payables	4,368,213,445.33	4,368,213,445.33	
Long-term employee benefits payable	135,224,119.11	135,224,119.11	
Accrued liabilities			
Deferred income	118,279,868.16	118,279,868.16	
Deferred tax liabilities	55,645,338.38	175,474,112.32	119,828,773.94
Other non-current liabilities			
Total non-current liabilities	6,562,919,328.81	6,682,748,102.75	119,828,773.94
Total liabilities	12,137,912,704.44	12,257,741,478.38	119,828,773.94
Shareholders' equity			
Share capital	400,000,000.00	400,000,000.00	
Other equity instruments			
Including: Preference shares			
Perpetual capital securities			
Capital reserves	86,911,168.71	86,911,168.71	
Less: Treasury stock			
Other comprehensive income	149,300,488.94	508,786,810.75	359,486,321.81
Specific reserves			
Surplus reserves	503,339,273.05	503,339,273.05	
Retained earnings	3,284,547,944.25	3,284,547,944.25	
Total owners' equity	4,424,098,874.95	4,783,585,196.76	359,486,321.81
Total liabilities and owners' equity	16,562,011,579.39	17,041,326,675.14	479,315,095.75

3.27.4 Retrospective Restatement of Previous Comparative Data for the First Adoption of New Financial Instruments Standards

① Comparative table of classification and measurement for financial assets before and after the adoption of new financial instruments standards at 1 January 2019

A. Consolidated Financial Statements

31 December 2018 (before changes)			1 January 2019 (after changes)		
Items	Measurement category	Carrying amount	Items	Measurement category	Carrying amount
Financial	Measured at fair	90,488.17	Held-for-tradi	Measured at fair	90,488.17

31 December 2018 (before changes)			1 January 2019 (after changes)		
Items	Measurement category	Carrying amount	Items	Measurement category	Carrying amount
assets measured at fair value through profit or loss	value through profit or loss		ng financial assets	value through profit or loss	
Financial assets available for sale	Measured at fair value through other comprehensive income	229,180,865.35	Other equity instrument investment	Measured at fair value through other comprehensive income	790,158,061.10
	Measured at cost	81,662,100.00			

B. Financial Statements of Parent Company

31 December 2018 (before changes)			1 January 2019 (after changes)		
Items	Measurement category	Carrying amount	Items	Measurement category	Carrying amount
Financial assets measured at fair value through profit or loss	Measured at fair value through profit or loss	90,488.17	Held-for-trading financial assets	Measured at fair value through profit or loss	90,488.17
Financial assets available for sale	Measured at fair value through other comprehensive income	229,180,865.35	Other equity instrument investment	Measured at fair value through other comprehensive income	790,158,061.10
	Measured at cost	81,662,100.00			

② Adjustment table showing the net carrying amount of the original financial assets is adjusted to the net carrying amount of the new financial assets in accordance with the new financial instrument guidelines at 1 January 2019

A. Consolidated Financial statements

Category	31 December 2018 (before changes)	Reclassification	Remeasurement	1 January 2019 (after changes)
Amortized cost:				
Accounts receivable	413,726,456.71			
Add: adjustment of implementing the new income guidelines				
Less: transfer to accounts receivable financing				
Remeasurement: impairment of				

Category	31 December 2018 (before changes)	Reclassification	Remeasurement	1 January 2019 (after changes)
expected credit loss				
Closing balance disclosed by the new financial instrument guidelines				413,726,456.71
Other receivables	225,281,412.22			
Remeasurement: impairment of expected credit loss				
Closing balance disclosed by the new financial instrument guidelines				225,281,412.22
Measured at fair value through profit or loss:				
Financial assets measured at fair value through profit or loss (the original guidelines)	90,488.17			
Less: transfer to financial assets held for trading		90,488.17		
Closing balance disclosed by the new financial instrument guidelines				
Financial assets held for trading				
Add: transfer from financial assets measured at fair value through profit or loss (the original guidelines)		90,488.17		
Closing balance disclosed by the new financial instrument guidelines				90,488.17
Measured at fair value through other comprehensive income:				
Financial assets available for sale (the original guidelines)	310,842,965.35			
Less: transfer to other investments in equity instruments		310,842,965.35		
Closing balance disclosed by the new financial instrument guidelines				
Other equity instruments investment				
Add: transfer from financial assets available for sale (the original guidelines)		310,842,965.35		
Remeasurement: measured at fair value			479,315,095.75	
Closing balance disclosed by the new financial instrument guidelines				790,158,061.10

B. Financial statements of Parent company

Category	31 December 2018 (before changes)	Reclassification	Remeasurement	1 January 2019 (after changes)
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Category	31 December 2018 (before changes)	Reclassification	Remeasurement	1 January 2019 (after changes)
Amortized cost:				
Accounts receivable	412,570,738.01			
Add: adjustment of implementing the new income guidelines				
Less: transfer to accounts receivable financing				
Remeasurement: impairment of expected credit loss				
Closing balance disclosed by the new financial instrument guidelines				412,570,738.01
Other receivables	239,078,612.04			
Remeasurement: impairment of expected credit loss				
Closing balance disclosed by the new financial instrument guidelines				239,078,612.04
Measured at fair value through profit or loss:				
Financial assets measured at fair value through profit or loss (the original guidelines)	90,488.17			
Less: transfer to financial assets held for trading		90,488.17		
Closing balance disclosed by the new financial instrument guidelines				
Financial assets held for trading				
Add: transfer from financial assets measured at fair value through profit or loss (the original guidelines)		90,488.17		
Closing balance disclosed by the new financial instrument guidelines				90,488.17
Measured at fair value through other comprehensive income:				
Financial assets available for sale (the original guidelines)	310,842,965.35			
Less: transfer to other investments in equity instruments		310,842,965.35		
Closing balance disclosed by the new financial instrument guidelines				

Category	31 December 2018 (before changes)	Reclassification	Remeasurement	1 January 2019 (after changes)
Other investments in equity instruments				
Add: transfer from financial assets available for sale (the original guidelines)		310,842,965.35		
Remeasurement: measured at fair value			479,315,095.75	
Closing balance disclosed by the new financial instrument guidelines				790,158,061.10

③ Adjustment table for provision for impairment of original financial assets according to new financial instruments standards at 1 January 2019

A. Consolidated Financial Statements

Category	31 December 2018 (before changes)	Reclassification	Remeasurement	1 January 2019 (after changes)
Amortized cost				
Provisions for impairment of accounts receivable	23,742,916.71			23,742,916.71
Provisions for impairment of other receivables	108,981,379.40			108,981,379.40

B. Financial statements of Parent company

Category	31 December 2018 (before changes)	Reclassification	Remeasurement	1 January 2019 (after changes)
Amortized cost				
Provisions for impairment of accounts receivable	20,867,525.52			20,867,525.52
Provisions for impairment of other receivables	108,973,871.13			108,973,871.13

④ The effects on retained earnings and other comprehensive income of 1 January 2019

Category	Consolidated retained earnings	Consolidated surplus reserves	Consolidated other comprehensive income
31 December 2018	3,342,615,148.06	503,999,977.58	149,300,488.94
1. Reclassify financial assets available for sale into other investments in equity instruments and			359,486,321.81

Category	Consolidated retained earnings	Consolidated surplus reserves	Consolidated other comprehensive income
remeasure			
2. Remeasurement of impairment of accounts receivable			
1 January 2019	3,342,615,148.06	503,999,977.58	508,786,810.75

3.28 Correction of Prior Period Errors

There is no significant correction of prior period errors for the Company during the reporting period.

3.29 Significant Account Judgement and Estimates

The Company is required to make judgments, estimates and assumptions about the carrying amounts of items in the financial statements that cannot be measured accurately, due to the internal uncertainties of operation activities. These judgments, estimates and assumptions are based on historical experiences of the Company's management as well as other factors that are considered to be relevant. These judgements, estimates and assumptions may affect value of the financial statements in revenue, expenses, assets and liabilities and the disclosure of contingency at the balance sheet date. However, the actual result derived from those uncertainties in estimates may be different from the management estimates, which may lead significant adjustments to the carrying amounts of the assets or liabilities affected in the future.

The Company has reviewed the judgments, estimates and assumptions regularly on the basis of going concern. Where the changes in accounting estimates only affect the period when changes occurred, and they are recognized within the same period. Where the changes in accounting estimates affect both current period and future period, the changes are recognized within the period of change and future period.

At the balance sheet date, the followings are the significant areas where the Company needs to make judgement, estimates and assumptions over the value of items in the financial statements:

3.29.1 Classification of Lease

The Company classifies leases as operating lease and finance lease according to the rule stipulated in the Accounting Standard for Business Enterprises No. 21--Leasing. The management shall make analysis and judgment on whether the risks and rewards related to the title of leased assets has been transferred to the leaser, or whether the Company has substantially held the risks and rewards related to the ownership of leased assets.

3.29.2 Impairment of Financial Assets

The Company uses the expected credit loss model to assess the impairment of financial instruments. The application of the expected credit loss model requires significant judgment and estimation, and all reasonable and evidenced information, including forward-looking information, needs to be considered. In making such judgments and estimates, the Company infers the expected changes in the debtor's credit risk based on historical data combined with economic policies, macroeconomic indicators, industry risks, external market environment, technological environment, and changes in customer circumstances.

3.29.3 Impairment of Inventories

The Company measures inventories by the lower of cost and realizable net value according to the accounting policies in regard of inventories and provisions for decline in value of inventories is made if the cost is higher than their net realizable value, and obsolete and slow-movement inventories. Inventories decline in value to net realizable value is the estimated selling price in the ordinary course of business. Net realizable value is determined on the basis of clear evidence obtained and takes into consideration the purposes of holding inventories and effect of post balance sheet events. The difference between the actual result and the original estimates shall have impact on reverse of the carrying amount of the inventories and their decline in value or provisions during the period of change.

3.29.4 The Fair Value of Financial Instruments

For a financial instrument which has no active market, the Company establishes fair value by using various valuation methods, including of discounted cash flow analysis model. The Company needs to estimate future cash flow, credit risk, volatility and relationship during the valuation and choose appropriate discount rate. Such assumptions have uncertainties and their changes shall have impact on the fair value of financial instruments. If an equity instrument investment or contract has a public offer, the Company does not use cost as the best estimate of its fair value.

3.29.5 Impairment of Non-Financial, Non-Current Assets

The Company assesses whether there are any indicators of impairment for all non-current assets other than financial assets at the balance sheet date. For an intangible asset that has indefinite useful life, impairment test is made in addition to the annual impairment test if there is any indication of impairment. For non-current assets other than financial assets, impairment test is made when there is any indication that its account balance cannot be recovered.

Impairment exists when the recoverable amount of an asset is the higher of its fair value less cost of disposal and present value of the future cash flows expected to be derived from the asset.

Net value between the difference of fair value and disposal cost is determined by reference of the price of similar product in a sale agreement in an arm's length transaction or an observable market price less the additional cost directly attributable to the disposal of the asset.

When estimating the present value of future cash flow, significant judgments are made over the asset's production, selling price and relevant operating expenses, and discount rate used to calculate present value. All available materials that are considered to be relevant shall be used in the estimation of recoverable value. These materials include estimations of production, selling price and operating expenses based on reasonable and supportable assumptions.

The Company makes an impairment test for goodwill at least at each year end. This requires an estimation of present value of future cash flow of the assets or assets group where goodwill has been allocated. The Company shall makes estimation on the future cash flow derived from assets or assets group and determine an appropriate discount rate for the present value of future cash flow when the estimation of present value of future cash flow is made.

3.29.6 Depreciation and Amortization

Investment property, fixed assets and intangible assets are depreciated and amortized using the straight-line method over their useful lives after taking into account residual value. The useful lives are regularly reviewed to determine the depreciation and amortization costs charged in each reporting period. The useful lives are determined based on historical experience of similar assets and the estimated technical changes. If there is an indication that there has been a change in the factor used to determine the depreciation or amortization, the rate of depreciation or amortization is revised.

3.29.7 Deferred Tax Assets

The Company shall recognize all unused tax losses as deferred tax assets to the extent that it is probable that future taxable profit will be available against which the unused tax losses and unused tax credits can be utilized. This requires the management of the Company make a lot of judgments over the estimation of time period, value and tax planning strategies when future taxable profit incurs so that the value of deferred tax assets can be determined.

3.29.8 Income Tax

There are some transactions where ultimate tax treatments and calculations have uncertainties in the Company's everyday operation. Whether it is possible for some items to make expenditure before tax needs approval from competent tax authorities. If there is any difference between finalized determination value and their initial estimations value, the difference shall have the impact on the income tax and deferred income tax of the current period during the final determination.

3.29.9 Aircraft Operating Lease and Engine Overhaul Expenses

Aircraft operating lease and engine overhaul expenses are accrued and charged to profit or loss in accordance with the expected maintenance cycle, based on flight hours, flight cycles overhaul period and the amount of the cost of repairs

which may occur. These estimates are largely based on past historical data about the same or similar types of aircraft and engines repairance. The withholding amount and overhaul costs may be affected by different judgments and estimates and affect current profit or loss.

3.29.10 Defined Benefit Plan

The defined benefit plan implemented and maintained by the Company includes post-employment benefits plan. The provided welfare costs under the above defined benefit plan was calculated by expected cumulative unit credit method according to various actuarial assumptions and were recognized during the employee service providing period. Actuarial Assumptions include but not limited to discount rate, mortality rate, and etc. The discount rate is on the basis of management's review of national debt, and mortality rate depends on the mortality rate adopted by the China life insurance industry. Supplemental information of defined benefit plan refers to Note 5.28.

Note 4 TAXATION

4.1 Major Taxes and Tax Rate

Tax	Tax rate (%)
Enterprise income tax	Business tax is calculated according to the taxable income(note1)
Value added tax	The VAT is calculated as the difference between output tax and deductible input tax for the period, and the tax rates are 6%, 9%, 10%, 13% or 16% (Note 2). The output tax is calculated using the sales of goods and taxable services income (including transportation and ground services revenue).
Property tax	Property tax is calculated by the nature of house property and is collected by ad valorem or specific duties according to the tax rules.
Urban maintenance and construction tax	Urban maintenance and construction tax are calculated at 7% of turnover tax.
Education surcharge	Education surcharge is calculated at 3% of turnover tax.
Local education surcharge	Local education surcharge is calculated at 2% of turnover tax.
Civil aviation development Fund	Civil aviation development fund shall be calculated using the collection standard of the relevant category of flight routes, maximum departure weight and flight distance adopted by the civil aviation industry. According to "Interim measures for the administration of the administration of civil aviation development fund" 《民航发展基金征收使用管理暂行办法》.

Note 1: According to the provision of National Development and Reform Commission ([2014]15) and Announcement of the State Administration of Taxation on the enterprise income tax on the in-depth implementation of the development strategy of the western region of China"(《国家税务总局关于深入实施西部大开发战略有关企业所得税问题的公告》) (State Administration of Taxation [2012]12), the Chongqing branch of the Company can get a reduced rate of 15% to pay corporate income tax, when its international and domestic air passenger and cargo transport projects are in line with the "Catalogue of Encouraged Industries in Western Region"(《西部地区鼓励类产业目录》). All companies in mainland China are subject to a corporate income tax rate of 25%.

Note 2: The applicable tax rate for VAT-taxable sales or imported goods of the Company during the period from January to March 2019 is 16%/10%. According to the "Announcement of the Ministry of Finance, the State Administration of Taxation and the General Administration of Customs on Deepening the Policies Related to Value-Added Tax Reform" (Ministry of Finance, State Administration of Taxation, General Administration of Customs [2019] No. 39) regulations, the

applicable tax rate is adjusted from 1 April 2019 to 13%/9%. At the same time, the Company as a taxpayer of production and living service industry, from 1 April 2019 to 31 December 2021, can deduct the taxable amount according to the current deductible input tax plus 10%.

4.2 Tax Incentives

4.2.1. Zero VAT rate applies to entities and individuals within the Chinese territory that provide international transportation services, research and development services and designing services provided to foreign entities, round trip transportation services between Hongkong, Marcau, and Taiwan, as well as transportation services provided in Hongkong, Marcau, and Taiwan per the Notice of Pilot Conversion of Sales-tax-to-VAT for the Transportation Sector and Certain Contemporary Service Sectors by the Ministry of Finance and State Administration of Taxation (Caishui [2013] No.37)(财税[2013]37号《财政部、国家税务总局关于在全国开展交通运输业和部分现代服务业营业税改征增值税试点税收政策的通知》).

4.2.2. According to the Announcement of the State Administration of Taxation on the enterprise income tax on the in-depth implementation of the development strategy of the western region of China"(《国家税务总局关于深入实施西部大开发战略有关企业所得税问题的公告》) (State Administration of Taxation [2012]12), Chongqing Branch of the Company meets the conditions for reduction and exemption in the development of the western region, could enjoy the preferential policy of reducing enterprise income tax by 15% in 2019.

Note 5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5.1 Monetary funds

Item	31 December 2019	31 December 2018
Cash at hand:	285,508.32	291,347.27
Bank deposit:	598,575,557.37	840,568,756.82
Other monetary funds	100,000.00	100,000.00
Total	598,961,065.69	840,960,104.09
Including: the total amount of deposit abroad	8,525,480.55	2,047,660.50

Note: Among other monetary funds, CNY 100,000.00, is the deposit deposited by a subsidiary for issuing a bank guarantee. In addition, there were no other funds in the period-end monetary funds that had restrictions on use due to mortgages, pledges, or freezes and had potential recovery risks.

5.2 Financial assets at fair value through profit or loss

Item	31 December 2019	31 December 2018
Held-for-trading financial assets	—	90,488.17
Including: Interest rate swaps	—	90,488.17

Item	31 December 2019	31 December 2018
Total	—	90,488.17

5.3 Accounts receivable

5.3.1 Disclosure by Age

Age	31 December 2019	31 December 2018
Within 1 year	437,769,605.78	426,216,349.00
1 to 2 years	35,123,064.16	9,376.87
2 to 3 years		
3 to 4 years		
4 to 5 years		8,057,209.85
Over 5 years	11,243,647.55	3,186,437.70
Subtotal	484,136,317.49	437,469,373.42
Less: provision for bad debt	27,378,026.89	23,742,916.71
Total	456,758,290.60	413,726,456.71

5.3.2 Disclosure by Category

① 31 December 2019 (Provision using simple model)

Category	31 December 2019				Carrying amount
	Book balance		Provision for bad debt		
	Amount	Proportion (%)	Amount	Provision ratio (%)	
Accounts receivable subject to individual impairment assessment	10,823,117.90	2.24	10,823,117.90	100.00	
Accounts receivable subject to group impairment assessment	473,313,199.59	97.76	16,554,908.99	3.50	456,758,290.60
Total	484,136,317.49	100.00	27,378,026.89	5.66	456,758,290.60

② 31 December 2018 (Provision using incurred loss model)

Category	31 December 2018				Carrying amount
	Book balance		Provision for bad debt		
	Amount	Proportion (%)	Amount	Provision ratio (%)	
Accounts receivable with individually significant balance and provision for bad debt recognized individually	105,366,572.73	24.08			105,366,572.73
Accounts receivable with bad debt provision recognized collectively	258,395,976.09	59.07	12,919,798.81	5.00	245,476,177.28

Category	31 December 2018				Carrying amount
	Book balance		Provision for bad debt		
	Amount	Proportion (%)	Amount	Provision ratio (%)	
Accounts receivable with individually significant balance and provision for bad debt recognized individually by similar credit risk characteristics	105,366,572.73	24.08			105,366,572.73
Accounts receivable with individually insignificant balance but provision for bad debt recognized individually	73,706,824.60	16.85	10,823,117.90	14.68	62,883,706.70
Total	437,469,373.42	100.00	23,742,916.71	5.43	413,726,456.71

Detailed explanation of provision for bad debt:

① Accounts receivable with individually significant balance and provision for bad debt recognized individually as of 31 December 2019

Entity name	31 December 2019			
	Book balance	Provision for bad debt	Provision ratio (%)	Reason
Debtor #1	8,057,209.85	8,057,209.85	100.00	Impairment upon individual assessment
Kun Peng Airlines Co., Ltd	1,849,400.00	1,849,400.00	100.00	Impairment upon individual assessment
CRAirways	916,508.05	916,508.05	100.00	Impairment upon individual assessment
Total	10,823,117.90	10,823,117.90	100.00	

② Accounts receivable subject to impairment assessment by credit risk characteristics of a group as of 31 December 2019

Name	31 December 2019		
	Book balance	Provision for bad debt	Provision ratio (%)
Amounts due from the clearing center	42,716,664.57		
Amounts due from the aviation association	93,939,923.14		
Amounts due from related parties	5,558,432.20		
Other receivables	331,098,179.68	16,554,908.99	5.00
Total	473,313,199.59	16,554,908.99	3.50

The Company calculate provision of bad debt according to the combination of credit risk characteristics and the expected loss amount.

③ Accounts receivable with individually significant balance and provision for bad debt recognized individually as of 31 December 2018,

Entity name	31 December 2018			
	Book balance	Provision for bad debt	Provision ratio (%)	Reason
BSP-CHINA	56,778,788.70			No indication of impairment upon individual assessment
Accounting Center of China Aviation	48,587,784.03			No indication of impairment upon individual assessment
Total	105,366,572.73			

④ Accounts receivable with individually insignificant balance but provision for bad debt recognized individually as of 31 December 2018

Entity name	31 December 2018			
	Book balance	Provision for bad debt	Provision ratio (%)	Reason
BSP-Other areas(notes)	47,835,858.63			No indication of impairment upon individual assessment
Air China	8,564,966.57			No indication of impairment upon individual assessment
Debtor #1	8,057,209.85	8,057,209.85	100.00	Impairment upon individual assessment
UATP	5,479,498.61			No indication of impairment upon individual assessment
Kun Peng Airlines Co., Ltd	1,849,400.00	1,849,400.00	100.00	Impairment upon individual assessment
CR Airways	916,508.05	916,508.05	100.00	Impairment upon individual assessment
Air China Cargo	907,509.39			No indication of impairment upon individual assessment
Dalian Airlines	87,473.50			No indication of impairment upon individual assessment
Taikoo (Shandong) Aircraft Engineering Company Limited	8,400.00			No indication of impairment upon individual assessment
Total	73,706,824.60	10,823,117.90	14.68	

Notes: BSP-Other areas (notes) includes Tai Wan, Korea, Japan, Hong Kong, Australia, Russia, Canada, Thailand, Germany, Cambodia, Vietnam, Singapore, Indonesia, Philippines, France etc.

⑤ Accounts receivable with bad debt provisions recognized based on the balance percentage method as of 31 December 2018

Name	31 December 2018		
	Book balance	Provision for bad debt	Provision ratio (%)
Group by nature	258,395,976.09	12,919,798.81	5.00
Total	258,395,976.09	12,919,798.81	5.00

For details of recognition criteria and explanation for provision for bad debt by group, please refer to Notes 3.10.

5.3.3 Changes of Provision for Bad Debt During the Reporting Period

Category	31 December 2018	Changes of accounting policy	1 January 2019	Changes during the reporting period			31 December 2019
				Provision	Recovery or reversal	Write-off	
Accounts receivable subject to individual impairment assessment	10,823,117.90		10,823,117.90				10,823,117.90
Accounts receivable subject to impairment assessment by group	12,919,798.81		12,919,798.81	3,719,780.18		84,670.00	16,554,908.99
Total	23,742,916.71		23,742,916.71	3,719,780.18		84,670.00	27,378,026.89

5.3.4 There were no written off to accounts receivable during the reporting period.

5.3.5 The total amount of top five accounts receivable summarized by debtors as at the end of current year is CNY 211,645,117.22, accounting for 43.72% of the total accounts receivable as at the end of current year, the total corresponding provision for bad debt is CNY5,899,189.67.

5.3.6 There are no derecognition of accounts receivable due to the transfer of financial assets.

5.3.7 The Company has no assets or liabilities arising from continuing involvement in transferred accounts receivable.

5.4 Prepayments

5.4.1 Disclosure by Age

Age	31 December 2019		31 December 2018	
	Amount	%	Amount	%
Within 1 year	231,299,824.20	99.67	265,432,349.34	99.81
1 to 2 years	269,211.97	0.12		
2 to 3 years				
Over 3 years	492,443.61	0.21	498,993.60	0.19
Total	232,061,479.78	100.00	265,931,342.94	100.00

The Company has no prepayments with an age of over 1 year and significant amounts

5.4.2 The total amount of top five prepayments as at the end of reporting period is CNY74,817,777.84, accounting for 32.24% of prepayments.

5.5 Other receivables

5.5.1 Other Receivables by Category

Items	31 December 2019	31 December 2018
Interest receivable		
Dividend receivable		
Other receivables	232,147,324.23	225,281,412.22
Total	232,147,324.23	225,281,412.22

5.5.2 Other Receivables

①Other receivables by age

Age	31 December 2019	31 December 2018
Within one year	205,811,193.91	210,635,683.08
1-2 years	13,480,887.91	6,798,874.26
2-3 years	5,048,559.92	1,181,295.09
3-4 years	870,414.71	4,431,621.36
4-5 years	4,254,714.36	1,996,469.92
Over 5 years	110,881,143.58	109,218,847.91
Subtotal	340,346,914.39	334,262,791.62
Less: provision for bad debt	108,199,590.16	108,981,379.40
Total	232,147,324.23	225,281,412.22

②Other receivables by nature

Nature	31 December 2019	31 December 2018
Deposits receivable	87,059,915.18	65,174,607.89

Nature	31 December 2019	31 December 2018
Amounts due from related parties	120,329,549.24	120,494,948.78
Other receivables	132,957,449.97	148,593,234.95
Subtotal	340,346,914.39	334,262,791.62
Less: provision for bad debt	108,199,590.16	108,981,379.40
Total	232,147,324.23	225,281,412.22

③Other receivables by bad debt provision method

A. Provision for bad debts recognized based on three stages model as of 31 December 2019 is as follows:

Provision for bad debt in the first stage as of 31 December 2019:

Category	Book balance	Lifetime expected credit losses rate (%)	Provision for bad debt	Carrying amount	Reason
Provision for bad debt recognized individually					
Provision for bad debt recognized collectively	238,795,196.74	2.78	6,647,872.51	232,147,324.23	
Including: Deposits receivable	87,059,915.18			87,059,915.18	No significant increase on credit risk
Amounts due from related parties	18,777,831.59			18,777,831.59	No significant increase on credit risk
Other receivables	132,957,449.97	5.00	6,647,872.51	126,309,577.46	No significant increase on credit risk
Total	238,795,196.74	2.78	6,647,872.51	232,147,324.23	

As of 31 December 2019, the Company have no interest receivable, dividends receivable and other receivables recognized in the second Stage.

Provision for bad debt in the third stage as of 31 December 2019:

Category	Book balance	Lifetime expected credit losses rate (%)	Provision for bad debt	Carrying amount	Reason
Provision for bad debt recognized individually	101,551,717.65	100.00	101,551,717.65		
1. Shandong Rainbow Commercial Jet Co., Ltd	101,551,717.65	100.00	101,551,717.65		Credit impairment has occurred
Total	101,551,717.65	100.00	101,551,717.65		

B. Provision for bad debt using incurred loss model as of 31 December 2018:

Category	31 December 2018				
	Book balance		Provision for bad debt		Carrying amount
	Amount	Proportion (%)	Amount	Provision ratio (%)	
Other receivables with individually significant balance and provision for bad debt recognized individually	249,586,501.51	74.67	106,200,587.24	42.55	143,385,914.27

Category	31 December 2018				
	Book balance		Provision for bad debt		Carrying amount
	Amount	Proportion (%)	Amount	Provision ratio (%)	
Other receivables with bad debt provision recognized collectively by similar credit risk characteristics	55,615,843.32	16.64	2,780,792.16	5.00	52,835,051.16
Other receivables with individually insignificant balance but recognized provision for bad debt individually	29,060,446.79	8.69			29,060,446.79
Total	334,262,791.62	100.00	108,981,379.40	32.60	225,281,412.22

B1. Other receivables with individually significant balance and provision for bad debt recognized individually as of 31 December 2018

Entity name	31 December 2018			
	Other receivables	Provision for bad debt	Provision ratio (%)	Reason
Shandong Rainbow Commercial Jet Co., Ltd.	101,551,717.65	101,551,717.65	100.00	Impairment upon individual assessment
Debtor #1	55,057,392.23			No indication of impairment upon individual assessment
Debtor #2	33,202,261.73	1,660,113.09	5.00	Impairment assessment by group
Debtor #3	59,775,129.90	2,988,756.50	5.00	Impairment assessment by group
Total	249,586,501.51	106,200,587.24	42.55	

B2. Other receivables with bad debt provisions recognized based on the balance percentage method as of 31 December 2018

Age	31 December 2018		
	Other receivables	Provision for bad debt	Provision ratio (%)
Group by nature	55,615,843.32	2,780,792.16	5.00
Total	55,615,843.32	2,780,792.16	5.00

④Changes of provision for bad debt during the reporting period

Category	31 December 2018	Changes during the reporting period			31 December 2019
		Provision	Recovery or reversal	Write-off	
Other receivables of individual significance and subject to individual impairment assessment	101,551,717.65				101,551,717.65

Category	31 December 2018	Changes during the reporting period			31 December 2019
		Provision	Recovery or reversal	Write-off	
Other receivables subject to impairment assessment by credit risk characteristics of a group	7,429,661.75		781,789.24		6,647,872.51
Total	108,981,379.40		781,789.24		108,199,590.16

⑤ There are no written off to other receivables during the reporting period.

⑥ Top five closing balances by entity

Entity name	Nature	Balance at 31 December 2019	Age	Proportion of the balance to the total other receivables (%)	Provision for bad debt
Shandong Rainbow Commercial Jet Co., Ltd.	Others	101,551,717.65	Over 5 years	29.84	101,551,717.65
Debtor #1	Deposits	56,331,234.29	Within 1 year	16.55	
Debtor #2	Others	50,854,558.62	Within 1 year	14.94	2,542,727.93
Debtor #3	Others	22,857,234.53	Within 1 year	6.72	1,142,861.73
Shandong Air New Media Co., Ltd.	Others	10,095,530.78	Within 1 year	2.97	
Total		241,690,275.87		71.02	105,237,307.31

⑦ The Company has no other receivables relating to government grants.

⑧ The Company has no other receivables relating to derecognition of other receivables for transfer of financial assets.

⑨ The Company has no assets or liabilities arising from continuing involvement in transferred other receivables.

5.6 Inventories

5.6.1 Inventories by Category

Items	31 December 2019			31 December 2018		
	Book balance	Provision for impairment	Carrying amount	Book balance	Provision for impairment	Carrying amount
Consumable air equipment	107,636,197.57	4,227,205.99	103,408,991.58	99,169,118.33		99,169,118.33
Low-value consumables	3,144,185.37		3,144,185.37	3,870,289.81		3,870,289.81
Materials	2,882,079.74		2,882,079.74	2,586,111.28		2,586,111.28
Total	113,662,462.68	4,227,205.99	109,435,256.69	105,625,519.42		105,625,519.42

5.6.2 Provision for Impairment

Items	31 December 2018	Increase during the reporting period		Decrease during the reporting period		31 December 2019
		Provision	Others	Reversal or written-down	Others	
Consumable air equipment		4,227,205.99				4,227,205.99
Total		4,227,205.99				4,227,205.99

5.7 Other current assets

Items	31 December 2019	31 December 2018

Items	31 December 2019	31 December 2018
VAT deductible	170,020,416.07	236,596,457.60
Total	170,020,416.07	236,596,457.60

5.8 Financial assets available for sale

5.8.1 General Information of Financial Assets Available for Sale

Items	31 December 2019			31 December 2018		
	Book balance	Provision for impairment	Carrying amount	Book balance	Provision for impairment	Carrying amount
Available-for-sale equity instruments	—	—	—	310,842,965.35		310,842,965.35
Including: Measured at fair value	—	—	—	229,180,865.35		229,180,865.35
Measured at cost	—	—	—	81,662,100.00		81,662,100.00
Total	—	—	—	310,842,965.35		310,842,965.35

5.8.2 Financial Assets Available for Sale Measured at Fair Value

Items	31 December 2018	
	Equity instruments	Total
Cost of equity instruments	6,690,000.00	6,690,000.00
Fair value	229,180,865.35	229,180,865.35
Cumulative gains /(losses) on changes in fair value recognized in other comprehensive income	222,490,865.35	222,490,865.35
Provision for impairment		

5.8.3 Financial Assets Available for Sale Measured at Cost

Investees	Book balance			
	31 December 2017	Increase during the reporting period	Decrease during the reporting period	31 December 2018
Sichuan Airlines	35,000,000.00			35,000,000.00
Jinan International Airport	46,662,100.00			46,662,100.00
Total	81,662,100.00			81,662,100.00

(Continued)

Investees	Provision for impairment				Share of interest in investee (%)	Cash dividends for the year ended 31 December 2018
	31 December 2017	Increase during the reporting period	Decrease during the reporting period	31 December 2018		
Sichuan Airlines					10.00	13,907,646.29
Jinan International					1.94	726,062.28

Investees	Provision for impairment				Share of interest in investee (%)	Cash dividends for the year ended 31 December 2018
	31 December 2017	Increase during the reporting period	Decrease during the reporting period	31 December 2018		
Airport						
Total						14,633,708.57

5.9 Long-term equity investments

Investees	31 December 2018	Provisionb/f	Changes in the current period (+, -)				
			Additional investment	Investment reduction	Investment gains and losses recognized under the equity method	Other comprehensive income adjustment	Other changes in equity
Associates							
Shandong Rainbow Commercial Jet Co., Ltd.	22,500,000.00	22,500,000.00					
Total	22,500,000.00	22,500,000.00					

(Continued)

Category	Changes in the current period (+, -)			31 December 2019	Provisions as at 31 December 2019
	Declared cash dividends or profits	Provision recognized	Others		
Associates					
Shandong Rainbow Commercial Jet Co., Ltd.				22,500,000.00	22,500,000.00
Total				22,500,000.00	22,500,000.00

5.10 Other equity instrument investment

5.10.1 General Information of Other Equity Instrument Investment

Items	31 December 2019	31 December 2018
Non-trading equity instrument investment	874,728,633.32	—
Total	874,728,633.32	—

5.10.2 General Information of Non-Trading Equity Instrument Investment

Item	Dividend income in current period	Cumulative gain	Cumulative loss	Other comprehensive income transferred into retained earnings	Reasons for being measured at fair value and its changes are included in other comprehensive income	Reasons for other comprehensive income transferred into retained earnings
TravelSky Technology Limited	3,509,239.50	215,575,779.77			Non-trading financial assets	

Item	Dividend income in current period	Cumulative gain	Cumulative loss	Other comprehensive income transferred into retained earnings	Reasons for being measured at fair value and its changes are included in other comprehensive income	Reasons for other comprehensive income transferred into retained earnings
Sichuan Airlines	2,352,722.11	544,155,393.47			Non-trading financial assets	
Jinan International Airport	422,395.60	26,645,360.08			Non-trading financial assets	
Total	6,284,357.21	786,376,533.32				

5.11 Fixed assets

5.11.1 Fixed Assets by Category

Items	31 December 2019	31 December 2018
Fixed assets	7,362,687,431.80	7,770,750,794.37
Disposal of fixed assets		
Total	7,362,687,431.80	7,770,750,794.37

5.11.2 Fixed Assets

① General information of fixed assets

Category	Houses and buildings	Aircrafts and engines	High-value rotables	Transportation vehicles	Others	Total
1. Cost:						
1.1 Balance as at 31 December 2018	571,843,775.78	11,991,421,728.96	718,099,224.08	80,330,794.46	227,422,996.75	13,589,118,520.03
1.2 Increased in current period	4,624.51	466,790,593.38	34,230,155.50	1,635,320.73	20,732,634.04	523,393,328.16
(1) Purchase	4,624.51	318,960,923.90	34,230,155.50	1,635,320.73	20,732,634.04	375,563,658.68
(2) Transferred from construction-in-progress		147,829,669.48				147,829,669.48
(3) Transferred from merger and acquisitions						
(4) Others						
1.3 Decreased in current period		202,242,130.40	22,792,702.64	3,314,250.51	9,379,277.10	237,728,360.65
(1) Disposal or scrap		202,242,130.40	22,792,702.64	3,314,250.51	9,379,277.10	237,728,360.65
(2) Others						
1.4 Balance as at 31 December 2019	571,848,400.29	12,255,970,191.94	729,536,676.94	78,651,864.68	238,776,353.69	13,874,783,487.54
2. Accumulated Depreciation						
2.1 Balance as at 31 December 2018	113,760,776.16	5,284,241,593.74	241,303,561.80	48,642,854.82	128,424,317.82	5,816,373,104.34
2.2 Increased in current period	18,296,133.30	824,532,829.48	41,208,377.50	5,814,245.75	19,930,639.97	909,782,226.00

Category	Houses and buildings	Aircrafts and engines	High-value rotables	Transportation vehicles	Others	Total
(1) Accrual	18,296,133.30	824,532,829.48	41,208,377.50	5,814,245.75	19,930,639.97	909,782,226.00
(2) Transferred from merger and acquisitions						
2.3 Decreased in current period		202,242,130.40	3,282,892.81	2,867,465.66	7,864,608.66	216,257,097.53
(1) Disposal or scrap		202,242,130.40	3,282,892.81	2,867,465.66	7,864,608.66	216,257,097.53
(2) Others						
2.4. Balance as at 31 December 2019	132,056,909.46	5,906,532,292.82	279,229,046.49	51,589,634.91	140,490,349.13	6,509,898,232.81
3. Impairment provision						
3.1 Balance as at 31 December 2018			1,994,621.32			1,994,621.32
3.2 Increased in current period			242,017.85			242,017.85
(1) Accrual			242,017.85			242,017.85
(2) Transferred from merger and acquisitions						
3.3 Decreased in current period			38,816.24			38,816.24
(1) Disposal or scrap			38,816.24			38,816.24
(2) Others			-			
3.4 Balance as at 31 December 2019			2,197,822.93			2,197,822.93
4 Carrying amount of fixed assets						
4.2 Carrying amount as at 31 December 2019	439,791,490.83	6,349,437,899.12	448,109,807.52	27,062,229.77	98,286,004.56	7,362,687,431.80
4.1 Carrying amount as at 31 December 2018	458,082,999.62	6,707,180,135.22	474,801,040.96	31,687,939.64	98,998,678.93	7,770,750,794.37

②The Company has no idle fixed assets.

③Fixed assets acquired under finance leases

Item	Initial cost	Accumulated depreciation	Provision for impairment	Carrying amount
Aircrafts and engines	3,664,651,610.94	1,503,728,271.61		2,160,923,339.33
Total	3,664,651,610.94	1,503,728,271.61		2,160,923,339.33

④The Company has no fixed assets leasing out under operating leases.

⑤Fixed assets without certificate of title

Items	Carrying amount	Reason
Jinan cargo arrival and departure warehouses	11,463,354.79	Land rented from Jinan Air Control, not eligible for ownership registration
Buildings of Jinping Food Co., Ltd.	12,083,127.94	Land use rights belonging to Shandong SDA Group, not eligible for ownership registration

5.12 Construction in progress

5.12.1 Construction in Progress by Category

Items	31 December 2019	31 December 2018
Construction in progress	5,479,071,703.01	4,790,300,972.13
Construction material		
Total	5,479,071,703.01	4,790,300,972.13

5.12.2 Construction in Progress

① General Information of Construction in Progress

Items	31 December 2019			31 December 2018		
	Book balance	Provision for impairment	Carrying amount	Book balance	Provision for impairment	Carrying amount
Factory building project	643,681,520.42		643,681,520.42	337,399,330.36		337,399,330.36
Prepayment for aircrafts introduction project	4,828,576,000.04		4,828,576,000.04	4,444,647,787.88		4,444,647,787.88
Construction of information system	2,892,214.67		2,892,214.67	1,874,609.59		1,874,609.59
Simulator	3,921,967.88		3,921,967.88	6,379,244.30		6,379,244.30
Total	5,479,071,703.01		5,479,071,703.01	4,790,300,972.13		4,790,300,972.13

② Changes in significant projects of construction in progress

Projects	Budget	31 December 2018	Increase during the reporting period	Transfer to fixed asset	Decrease during the reporting period	31 December 2019
Dining area of Jiaodong airport	84,478,748.00	32,219,746.74	36,173,217.42			68,392,964.16
Freight area of Jiaodong airport	144,614,600.00	40,525,078.89	35,754,160.35			76,279,239.24
Maintenance area of Jiaodong airport	361,793,762.00	126,091,135.85	85,961,285.17			212,052,421.02
Auxiliary production office area	333,439,610.00	138,563,368.88	144,802,977.55			283,366,346.43
Aircraft asset introduction project	9,937,456,340.04	4,444,647,787.88	878,860,482.38		494,932,270.22	4,828,576,000.04

Projects	Budget	31 December 2018	Increase during the reporting period	Transfer to fixed asset	Decrease during the reporting period	31 December 2019
Total	10,861,783,060.04	4,782,047,118.24	1,181,552,122.87		494,932,270.22	5,468,666,970.89

(Continued)

Items	Weight of cost to date in budgeted cost	Stage of completion	Cumulative interests capitalized	Including: Transferred into leaseback assets during the current year	Including: Transferred into fixed assets during the current year	Including: interests capitalized during the current year	Capitalisation rate applicable to the current year	Source of finance
Dining area of Jiaodong airport	80.96	Not yet completed						Working capital
Freight area of Jiaodong airport	52.75	Not yet completed						Working capital
Maintenance area of Jiaodong airport	58.61	Not yet completed						Working capital
Auxiliary production office area	84.98	Not yet completed						Working capital
Aircraft asset introduction project	48.59	Not applicable	134,876,677.39	11,830,219.22		47,721,444.22	3.2763-4.2750	Loans from financial institution
Total			134,876,677.39	11,830,219.22		47,721,444.22		

5.12.3 The ending balance of construction in progress increased by CNY 688,770,730.88 from the beginning of the period, mainly due to the increase in the construction of Jiaozhou Airport in the current period.

5.13 Intangible assets

5.13.1 General Information of Intangible Assets

Items	Land rights	Software	Total
1. Cost:			
1.1 Balance as at 31 December 2018	108,347,341.13	45,805,422.86	154,152,763.99
1.2 Increased in current year		7,486,815.84	7,486,815.84
(1) Purchase			
(2) Diversion of construction		7,486,815.84	7,486,815.84
(3) Increased from business combination			
1.3 Decreased in current year			
(1) Disposal			
1.4 Balance as at 31 December 2019	108,347,341.13	53,292,238.70	161,639,579.83
2. Accumulated amortization			
2.1 Balance as at 31 December 2018	18,391,975.29	20,218,907.31	38,610,882.60
2.2 Increased in current year	2,403,582.86	7,165,984.75	9,569,567.61
(1) Accrual	2,403,582.86	7,165,984.75	9,569,567.61

Items	Land rights	Software	Total
2.3 Decreased in current year			
(1) Disposal			
2.4 Balance as at 31 December 2019	20,795,558.15	27,384,892.06	48,180,450.21
3. Impairment provision			
3.1 Balance as at 31 December 2018			
3.2 Increased in current year			
(1) Accrual			
3.3 Decreased in current year			
(1) Disposal			
3.4 Balance as at 31 December 2019			
4. Carrying amount			
4.1 Carrying amount as at 31 December 2019	87,551,782.98	25,907,346.64	113,459,129.62
4.2 Carrying amount as at 31 December 2018	89,955,365.84	25,586,515.55	115,541,881.39

5.13.2 The Company has no intangible assets arising from internal research and development project as at the end of reporting period.

5.13.3 The Company has no land use rights without certificate of title as at the end of reporting period.

5.14 Goodwill

5.14.1 Initial Recognition of Goodwill

Investees or matters that goodwill arising from	31 December 2018	Increase during the reporting period		Decrease during the reporting period		31 December 2019
		Business combination		Disposal		
Qingdao Feisheng	10,220,816.22					10,220,816.22
Shandong Jinping Food Co., Ltd.	454,020.13					454,020.13
Total	10,674,836.35					10,674,836.35

5.14.2 Provision for Impairment

Investees or matters that goodwill arising from	31 December 2018	Increase during the reporting period		Decrease during the reporting period		31 December 2019
		Provision		Disposal		
Qingdao Feisheng	10,220,816.22					10,220,816.22
Total	10,220,816.22					10,220,816.22

5.15 Deferred charges

Items	31 December 2018	Increase during the reporting period	Decrease during the reporting period		31 December 2019
			Amortization	Other decrease	

Items	31 December 2018	Increase during the reporting period	Decrease during the reporting period		31 December 2019
			Amortization	Other decrease	
Pilot training	560,825,591.19	166,957,990.17	98,987,349.80		628,796,231.56
Decoration expenditure	5,998,919.63	363,316.12	3,078,734.01		3,283,501.74
Modification costs for aircraft leasing	6,820,831.82	20,084,405.68	1,212,386.99		25,692,850.51
Total	573,645,342.64	187,405,711.97	103,278,470.80		657,772,583.81

5.16 Deferred tax assets and deferred tax liabilities

5.16.1 Deferred Tax Assets Before Offsetting

Items	31 December 2019		31 December 2018	
	Deductible temporary differences	Deferred tax assets	Deductible temporary differences	Deferred tax assets
Provision for bad debt	135,577,617.05	33,894,404.26	132,724,296.11	33,181,074.03
Impairment provision for inventories	4,227,205.99	1,056,801.50		
Impairment provision for fixed assets	2,197,822.93	549,455.73	1,994,621.32	498,655.33
Fair value movement of financial liabilities held for trading	126,264.75	31,566.19		
Provisions	4,234,796,893.54	1,058,699,223.39	3,480,184,220.23	870,046,055.05
Employment benefits payable	22,851,931.68	5,712,982.92	17,131,763.99	4,282,941.00
Deferred income	21,736,870.97	5,434,217.74	24,890,471.35	6,222,617.84
Total	4,421,514,606.91	1,105,378,651.73	3,656,925,373.00	914,231,343.25

5.16.2 Deferred Tax Liabilities Before Offsetting

Items	31 December 2019		31 December 2018	
	Deductible temporary differences	Deferred tax liabilities	Deductible temporary differences	Deferred tax liabilities
Asset evaluation increment from Enterprise merger under the different control	4,173,050.93	1,043,262.73	4,694,682.30	1,173,670.58

Items	31 December 2019		31 December 2018	
	Deductible temporary differences	Deferred tax liabilities	Deductible temporary differences	Deferred tax liabilities
Changes in fair value of financial assets held for trading			90,488.17	22,622.04
Changes in fair value of financial assets available for sale			222,490,865.36	55,622,716.34
Changes in fair value of other equity instruments investment	786,376,533.32	196,594,133.33		
Others (Note)	140,608,392.76	35,152,098.19		
Total	931,157,977.01	232,789,494.25	227,276,035.83	56,819,008.96

Note: According to Caishui [2018] No. 54, the equipment and equipment newly purchased by the Company from January 1 2018 to December 31 2020, with a unit value of less than 5 million yuan, are allowed to be included in the current profit and loss. The cost is deducted when calculating the taxable income.

5.17 Short-term borrowings

5.17.1 Disclosure of Short-Term Borrowings by Category

Items	31 December 2019	31 December 2018
Credit loan	300,329,083.33	580,000,000.00
Total	300,329,083.33	580,000,000.00

5.17.2 The Company has no overdue short-term borrowings.

5.18 Held-for-trading financial liabilities

Items	31 December 2018	Increase during the reporting period	Decrease during the reporting period	31 December 2019
Financial liabilities designated at fair value through profit or loss	—	126,264.75		126,264.75
Including: Interest rate swaps	—	126,264.75		126,264.75
Total	—	126,264.75		126,264.75

5.19 Notes payable

Category	31 December 2019	31 December 2018
Bank acceptance bills	8,500,000.00	
Commercial acceptance bills	394,496,891.30	
Total	402,996,891.30	

The Company has no notes payable matured but not yet paid as at the reporting date.

5.20 Accounts payable

5.20.1 Accounts Payable by Nature

Items	31 December 2019	31 December 2018
Aircraft maintenance costs	689,822,992.66	560,449,992.31
Fuel cost	253,885,753.63	327,714,163.12

Items	31 December 2019	31 December 2018
Landing fee	465,517,353.92	446,878,244.86
Aircraft service cost	504,230,134.03	570,352,031.53
Flight catering	91,996,252.04	109,165,990.89
Computer booking fee	261,849,848.30	135,371,372.00
Lease rental	7,552,869.30	5,602,184.13
Others	207,393,310.63	118,302,628.42
Total	2,482,248,514.51	2,273,836,607.26

5.20.2 Significant Accounts Payable with Age of Over One Year

Items	31 December 2019	Reason
Computer booking fee	130,084,028.82	No payment due
Total	130,084,028.82	

5.21 Advance from customers

5.21.1 Details of Advance from Customers

Items	31 December 2019	31 December 2018
Ticket clearing	918,437,701.34	761,881,379.16
Advanced payment for tickets	4,180,237.06	4,286,573.58
Others	14,255,729.56	21,203,718.59
Total	936,873,667.96	787,371,671.33

5.21.2 The Company has no significant advance from customers with aging of over one year as at the reporting date.

5.22 Employee benefits payable

5.22.1 Details of Employee Benefits Payable

Items	31 December 2018	Increase during the reporting period	Decrease during the reporting period	31 December 2019
1. Short-term employee benefits	543,294,439.81	2,947,782,249.76	2,942,014,769.60	549,061,919.97
2. Post-employment benefits – defined contribution plans		265,241,914.25	265,241,914.25	
3. Termination benefits		809,314.39	809,314.39	
4. Other long-term employee benefits within one year				
Total	543,294,439.81	3,213,833,478.40	3,208,065,998.24	549,061,919.97

5.22.2 Short-Term Employee Benefits

Items	31 December 2018	Increase during the reporting period	Decrease during the reporting period	31 December 2019
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Items	31 December 2018	Increase during the reporting period	Decrease during the reporting period	31 December 2019
1. Wages, salaries and subsidies	493,926,676.47	2,593,785,156.47	2,596,340,014.90	491,371,818.04
2. Employee welfare		23,664,538.66	23,664,538.66	
3. Social insurance:		109,312,898.53	109,312,898.53	
Including: Medical insurance		96,494,372.26	96,494,372.26	
Employment injury insurance		3,777,634.57	3,777,634.57	
Maternity insurance		9,040,891.70	9,040,891.70	
4. Housing provident fund	2,544.00	107,863,177.86	107,865,721.86	
5. Labour union fee and employee education fee	17,202,010.55	78,487,370.09	72,668,386.86	23,020,993.78
6. Short-term paid absences	32,163,208.79	34,669,108.15	32,163,208.79	34,669,108.15
7. Short-term profit-sharing plan				
Total	543,294,439.81	2,947,782,249.76	2,942,014,769.60	549,061,919.97

5.22.3 Defined Contribution Plans

Items	31 December 2018	Increase during the reporting period	Decrease during the reporting period	31 December 2019
Post-employment benefits:				
1. Basic pension		161,804,451.39	161,804,451.39	
2. Unemployment insurance		6,529,927.22	6,529,927.22	
3. Annuity payment		96,907,535.64	96,907,535.64	
Total		265,241,914.25	265,241,914.25	

5.23 Taxes and fees payable

Items	31 December 2019	31 December 2018
VAT	1,457,921.43	1,550,891.34
Urban construction and maintenance tax	214,935.06	203,034.68
Education surcharge	151,647.82	144,777.29
Enterprise income tax	18,719,845.92	108,855,883.31
Property tax	169,094.44	207,271.63
Land tax	89,655.60	284,502.66
Personal income tax	11,458,059.11	8,016,428.72
Stamp duty	991,505.53	1,754,447.96
Civil aviation development fund	116,161,969.13	131,301,180.63

Others	22,549.67	398,840.65
Total	149,437,183.71	252,717,258.87

At the reporting date, the tax payable decreased by 40.87% compared with the beginning of the period, mainly because the opening balance included the balance of Enterprise income tax payable in the third and fourth quarters.

5.24 Other payables

5.24.1 Other Payables by Category

Items	31 December 2019	31 December 2018
Interests payable		10,428,894.80
Dividends payable	602,306.96	602,306.96
Other payables	585,541,152.70	624,468,268.37
Total	586,143,459.66	635,499,470.13

5.24.2 Interests Payable

Items	31 December 2019	31 December 2018
Interest on long-term borrowings with repayment by installments		6,875,927.06
Accrued interest on short-term borrowings		3,552,967.74
Total		10,428,894.80

The Company has no overdue interests payable as at the reporting date.

The closing balance of interests payable decreased by 100% from the beginning of the period, mainly due to the Company's implementation of the new financial instrument standards where the interest on financial instruments accrued based on the actual interest rate method was reclassified to be included in the corresponding financial instrument's book balance.

5.24.3 Dividends Payable

Items	31 December 2019	31 December 2018
Dividend on common shares	602,306.96	602,306.96
Total	602,306.96	602,306.96

The Company has no significant dividends payable over one year as at the reporting date.

5.24.4 Other Payables

① Other Payables by Nature

Items	31 December 2019	31 December 2018
Payables for construction projects	172,005,523.84	241,249,024.10
Payables for deposits	146,354,708.31	133,300,822.32
Payables associated with aircraft purchase		3,949,505.02
Taxes deducted at source	122,250,153.03	102,180,386.82
Others	144,930,767.52	143,788,530.11

Items	31 December 2019	31 December 2018
Total	585,541,152.70	624,468,268.37

②The Company has no other payables with a significant amount and an age of more than one year as at the reporting date.

5.25 Non-current liabilities due within one year

Items	31 December 2019	31 December 2018
Long-term borrowings due within one year	567,350,817.16	116,076,320.00
Long-term payables due within one year	307,786,130.67	330,554,355.34
Long-term employee benefits payable due within one year	10,163,000.00	9,210,000.00
Total	885,299,947.83	455,840,675.34

5.26 Long-term borrowings

5.26.1 Long-Term Borrowings by Category

Items	31 December 2019	31 December 2018	Range of interest rates
Secured loans	811,423,255.68	982,509,309.37	2.6163%~4.41%
Credit loans	563,928,944.30	1,019,123,568.46	3.2763%~4.275%
Subtotal	1,375,352,199.98	2,001,632,877.83	
Less: Long-term borrowings due within one year (Note 5.25)	567,350,817.16	116,076,320.00	
Total	808,001,382.82	1,885,556,557.83	

The closing balance of long-term borrowings decreased by 57.15% from the beginning of the period, mainly due to the repayment of the principal of USD loans during the reporting period.

5.27 Long-term payables

5.27.1 Long-Term Payables by Category

Items	31 December 2019	31 December 2018
Long-term payables	5,639,672,919.84	5,252,508,914.78
Specific payables		
Subtotal	5,639,672,919.84	5,252,508,914.78
Less: Long-term payables due within one year (Note 5.25)	1,015,733,044.44	884,295,469.45
Total	4,623,939,875.40	4,368,213,445.33

5.27.2 Long-Term Payables by Nature

Items	31 December 2019	31 December 2018
Financial lease rental payables	1,558,752,105.19	1,872,324,694.55
Maintenance payables for aircrafts and engines held under operating lease	4,080,920,814.65	3,380,184,220.23
Subtotal	5,639,672,919.84	5,252,508,914.78

Items	31 December 2019	31 December 2018
Less: Financial lease rental payables due within one year (Note 6.25)	307,786,130.67	330,554,355.34
Less: Maintenance payables for aircrafts and engines held under operating lease due within one year (Note 1)	707,946,913.77	553,741,114.11
Total	4,623,939,875.40	4,368,213,445.33

Note 1: Maintenance payables for aircrafts and engines held under operating lease due within one year had been included in accounts payable.

5.28 Long-term employee benefits payable

5.28.1 General Information of Long-Term Employee Benefits Payable

Items	31 December 2019	31 December 2018
1. Post-employment benefits-net defined benefit liability	162,909,225.21	144,434,119.11
Less: long-term staff remuneration payable due within one year (Note 5.25)	10,163,000.00	9,210,000.00
Total-	152,746,225.21	135,224,119.11

5.28.2 Changes in Defined Benefit Plans

Present value of the defined benefit obligation:

Items	2019	2018
1. Balance at the beginning of the reporting period	144,434,119.11	119,031,000.00
2. Cost recognized in current profit or loss:	26,706,000.00	24,878,000.00
2.1 Current service cost		
2.2 Past service cost	22,161,000.00	20,278,000.00
2.3 Gains /(losses) on settlement (loss presented with "-" prefix)		
2.4 Net interest	4,545,000.00	4,600,000.00
3. Cost recognized in other comprehensive income:	-1,727,000.00	-9,293,000.00
3.1 Actuarial gains /(losses) (loss presented with "-" prefix)	-1,727,000.00	-9,293,000.00
3. Other changes:	9,957,893.90	8,767,880.89
4.1 Consideration paid in settlements		
4.2 Payment of benefits	9,957,893.90	8,767,880.89
5. Balance at the end of the reporting period	162,909,225.21	144,434,119.11

5.28.3 Significant Actuarial Assumptions of Defined Benefit Plans

Items	31 December 2019	31 December 2018
Discount Rate	3.25%	3.25%
Mortality Rate	China Life Insurance Mortality Rate 2010-2013 (Annuity)	

Items	31 December 2019	31 December 2018
Cost of Living Adjustments for Retired Cadres and Retirees	0.00%	
Cost of Living Adjustments for Internal Retirees	0.00%	
Cost of Living Adjustments for Dependents	0.00%	

5.29 Deferred income

5.29.1 General Information of Deferred Income

Items	31 December 2018	Increase during the reporting period	Decrease during the reporting period	31 December 2019	Reason
Unrealized gains and losses of operating lease from aircraft leaseback	93,389,396.81	532,166.61	6,235,364.18	87,686,199.24	The aircraft sale-leaseback disposal profits and losses
Designated subsidy for snow disaster	491,458.34		491,458.34		Asset related subsidies
Designated subsidy for civil aviation energy-saving program	10,876,065.40		976,500.12	9,899,565.28	Asset related subsidies
Designated subsidy for HUD and repackaging project	13,522,947.61		1,685,641.92	11,837,305.69	Asset related subsidies
Total	118,279,868.16	532,166.61	9,388,964.56	109,423,070.21	

5.29.2 Items Related to Government Grants

Items	31 December 2018	Increase during the reporting period	Recognized in non-operating income during the reporting period	Recognized in other income during the reporting period	Other changes	31 December 2019	Related to assets/Related to profit or loss
Designated subsidy for snow disaster	491,458.34			491,458.34			Asset related subsidies
Designated subsidy for civil aviation energy-saving program	10,876,065.40			976,500.12		9,899,565.28	Asset related subsidies

Items	31 December 2018	Increase during the reporting period	Recognized in non-operating income during the reporting period	Recognized in other income during the reporting period	Other changes	31 December 2019	Related to assets/Related to profit or loss
Designated subsidy for HUD and repackaging project	13,522,947.61			1,685,641.92		11,837,305.69	Asset related subsidies
Total	24,890,471.35			3,153,600.38		21,736,870.97	

5.30 Share capital

	31 December 2018	Changes during the reporting period (+, -)					31 December 2019
		New issues	Bonus issues	Capitalisation of reserves	Others	Subtotal	
Number of total shares	400,000,000.00						400,000,000.00

5.31 Capital reserves

Items	31 December 2018	Increase during the reporting period	Decrease during the reporting period	31 December 2019
Share premium	67,618,282.54			67,618,282.54
Other capital reserves	7,792,081.16			7,792,081.16
Total	75,410,363.70			75,410,363.70

5.32 Other comprehensive income

Items	31 December 2018	Changes of accounting policy	1 January 2019	Changes during the reporting period					31 December 2019
				Amount before tax	Less: Items previously recognized in other comprehensive income being reclassified to current profit or loss	Less: Income tax expenses	Attributable to owners of the Company	Attributable to minority interests	
1.Other comprehensive income that cannot be reclassified into profit or loss	-17,567,660.07	526,354,470.82	508,786,810.75	82,843,572.22		21,142,643.05	61,700,929.17		570,487,739.92
Including: remeasurement of net assets or net liabilities of defined benefit plans	-17,567,660.07		-17,567,660.07	-1,727,000.00			-1,727,000.00		-19,294,660.07
Changes in fair value of other equity instruments investment	—	526,354,470.82	526,354,470.82	84,570,572.22		21,142,643.05	63,427,929.17		589,782,399.99
2.Other	166,868,149.01	-166,868,149.01							

Items	31 December 2018	Changes of accounting policy	1 January 2019	Changes during the reporting period					31 December 2019
				Amount before tax	Less: Items previously recognized in other comprehensive income being reclassified to current profit or loss	Less: Income tax expenses	Attributable to owners of the Company	Attributable to minority interests	
comprehensive income reclassifiable to profit or loss in subsequent periods									
Gains and losses from changes in fair value of financial assets available for sale	166,868,149.01	-166,868,149.01		—	—	—	—	—	—
Total of other comprehensive income	149,300,488.94	359,486,321.81	508,786,810.75	82,843,572.22		21,142,643.05	61,700,929.17		570,487,739.92

5.33 Surplus reserves

Items	31 December 2018	Changes of accounting policy	1 January 2019	Increase during the reporting period	Decrease during the reporting period	31 December 2019
Statutory surplus reserve	503,999,977.58		503,999,977.58	34,773,467.39		538,773,444.97
Total	503,999,977.58		503,999,977.58	34,773,467.39		538,773,444.97

The Company may make allocations to the discretionary surplus reserve from the after-tax profits after making allocations to the statutory surplus reserve from the after-tax profits. Approved surplus reserves can be released to recover losses or for conversion into share capital.

5.34 Retained earnings

Items	2019	2018
Pre-adjustment balance brought forward	3,342,615,148.06	3,127,778,550.76
Total adjustment to retained earnings b/f (+, -)		
Retained earnings b/f after adjustment	3,342,615,148.06	3,127,778,550.76
Add: Net profit attributable to shareholders of the parent	361,005,776.31	347,379,314.89
Less: Appropriation to statutory surplus reserve	34,773,467.39	32,542,717.59
Appropriation to discretionary surplus reserve		
General reserve		
Ordinary dividends declared	80,000,000.00	100,000,000.00
Bonus issue		
Closing balance as of 31 December 2019	3,588,847,456.98	3,342,615,148.06

5.35 Operating revenues and operating costs

Items	2019		2018	
	Operating revenues	Operating costs	Operating revenues	Operating costs
Principal activities	18,305,340,983.17	17,191,495,691.30	18,119,305,689.58	17,164,835,774.69
Other activities	685,074,041.71	7,031,717.00	646,647,637.16	3,842,297.34
Total	18,990,415,024.88	17,198,527,408.30	18,765,953,326.74	17,168,678,072.03

5.36 Tax and surcharges

Items	2019	2018
Urban maintenance and construction tax	3,732,107.23	3,496,473.78

Items	2019	2018
Education surcharge and others	11,834,077.09	11,387,018.83
Total	15,566,184.32	14,883,492.61

5.37 Sales expenses

Items	2019	2018
Agency fees	230,584,259.38	256,489,732.72
Employment benefits	243,608,478.56	236,615,107.85
Computer booking fees	203,336,534.34	185,743,434.41
Online payment fees	39,163,326.74	40,777,011.46
Lease rental	21,060,731.55	19,057,258.96
Advertisement fees	23,977,435.60	21,112,359.55
Administrative office expenses	3,438,623.62	5,575,312.93
Travel expenses	6,781,596.05	5,361,277.56
System and network fees	31,644,027.06	21,858,013.97
BSP data processing fees	12,391,871.26	12,137,953.63
Depreciation	1,488,505.62	1,439,254.79
Others	34,307,689.05	41,872,463.80
Total	851,783,078.83	848,039,181.63

5.38 General and administrative expenses

Items	2019	2018
Employment benefits	278,063,116.02	244,557,871.24
Lease rental fees	26,558,484.48	21,858,369.20
Business entertainment costs	5,754,251.60	5,197,316.39
Depreciation	21,622,225.50	16,769,280.33
Administrative office expenses	11,811,000.12	9,603,957.33
Technology development costs	1,574,714.11	5,478,799.02
Amortization of intangibles	9,181,377.57	8,563,737.68
Water, electricity charges	11,740,503.56	12,593,866.47
Outsourcing fees	30,210,462.91	23,448,474.46
Others	86,167,923.36	80,691,930.07
Total	482,684,059.23	428,763,602.19

5.39 Research and development expenses

Items	2019	2018
Employment benefits	22,084,483.33	20,336,654.67
Others	358,066.34	310,341.99
Total	22,442,549.67	20,646,996.66

5.40 Financial costs

Items	2019	2018
Interest expenses	124,509,494.05	117,650,618.41
Less: Interest income	10,691,861.94	15,278,180.93
Net interest expenses	113,817,632.11	102,372,437.48
Foreign exchange losses	182,018,862.19	309,348,050.20
Less: Foreign exchange gains	149,848,886.61	290,647,042.20
Net foreign exchange losses	32,169,975.58	18,701,008.00
Bank charges	2,019,982.04	1,775,467.36
Total	148,007,589.73	122,848,912.84

5.41 Other income

Category	2019	2018	Included in current period non-recurring profit and loss
1. Government grant recognized in other income	102,684,463.91	210,862,890.39	102,684,463.91
Including: Government grant related to deferred income (related to assets)	3,153,600.38	3,161,642.04	3,153,600.38
Government grant related to deferred income (related to income)			
Government grant directly recognized in current profit or loss (related to income)	99,530,863.53	207,701,248.35	99,530,863.53
2. Others related to daily operation activities and recognized in other income	4,954,383.18	10,952,470.45	4,954,383.18
Including: Charges of withholding individual income tax	4,844,126.48	10,952,470.45	4,844,126.48
Including: Input tax deduction	110,256.70		110,256.70
Total	107,638,847.09	221,815,360.84	107,638,847.09

Other income in the reporting period decreased by 51.47% compared with the previous period, mainly due to the decrease in airline grants received in this period.

5.42 Investment income

Items	2019	2018
Income from financial assets measured by fair value with changes in fair value recognized in profit or loss	—	91,605.86
Income from holding of financial assets available for sale	—	17,934,220.07
Investment income from held-for-trading financial assets during holding period	9,316.91	—
Dividend income from other equity instrument income during holding period	6,284,357.21	—
Total	6,293,674.12	18,025,825.93

The investment income of the reporting period decreased by 65.09% compared with the previous period, mainly due to the decrease in Sichuan Airlines' 2018 dividends recognized in current period compared with the same period last year.

5.43 Gains/(losses) from changes in fair values

Sources of gains on changes in fair value	2019	2018
Interest rate swaps	-216,752.92	3,697,878.32
Total	-216,752.92	3,697,878.32

The gains from changes in fair value in the reporting period decreased by 105.86% from the previous period, mainly due to changes in fair value of interest rate swaps.

5.44 Impairment loss of credit

Items	2019	2018
Provision for bad debt for accounts receivable	3,719,780.18	—
Provision for bad debt for other receivables	-781,789.24	—
Total	2,937,990.94	—

5.45 Impairment loss of asset

Items	2019	2018
1. Bad debt of receivables	—	5,072,142.56
2. Impairment of inventories	4,227,205.99	—
3. Impairment of fixed assets	242,017.85	—
Total	4,469,223.84	5,072,142.56

5.46 Gains/(losses) from disposal of assets

Category	Current period	Prior period	Included in current period non-recurring profit and loss
Gains/(losses) from disposal of fixed assets,	116,645.48	26,528,980.99	116,645.48

Category	Current period	Prior period	Included in current period non-recurring profit and loss
construction in progress, productive biological assets and intangible assets not classified as held for sale			
Including: Fixed assets	116,645.48	26,528,980.99	116,645.48
Total	116,645.48	26,528,980.99	116,645.48

The gain from asset disposal in the reporting period decreased by 99.56% compared with the previous period, mainly due to the disposal of two CRJ700 aircrafts in previous period.

5.47 Non-operating income

5.47.1 Details of Non-operating income

Category	Current period	Prior period	Included in current period non-recurring profit and loss
Transferred income from pilot	59,386,792.51	17,924,528.30	59,386,792.51
Others	47,021,259.09	20,456,118.66	47,021,259.09
Total	106,408,051.60	38,380,646.96	106,408,051.60

5.47.2 The Company has no government grants irrelevant to daily operation activities during the reporting period.

5.47.3 During the reporting period, non-operating income increased by 177.24% compared with the previous period, mainly due to the increase in pilot mobile funds recognized in the reporting period.

5.48 Non-operating expenses

Category	Current period	Prior period	Included in current period non-recurring profit and loss
Loss on non-current asset disposals	2,183,604.73	1,341,230.64	2,181,349.73
Others	1,159,633.43	2,617,851.40	1,161,888.43
Total	3,343,238.16	3,959,082.04	3,343,238.16

5.49 Income tax expenses

5.49.1 Details of Income Tax Expenses

Items	2019	2018
Current tax expenses	276,036,631.10	245,269,061.41
Deferred tax expenses	-156,148,240.18	-131,137,839.08
Total	119,888,390.92	114,131,222.33

5.49.2 Reconciliation of Accounting Profit and Income Tax Expenses

Items	2019	2018
Profit before tax	480,894,167.23	461,510,537.22
Income tax expense at the statutory /applicable tax rate	120,223,541.81	115,377,634.31

Items	2019	2018
Adjustments of impact from prior period income tax	-6,543,317.50	-3,645,902.58
Effect of income that is exempt from taxation	-1,571,089.30	-4,483,555.02
Effect of non-deductible costs, expenses or losses	7,285,612.18	7,235,098.86
Effect of previously unrecognized deductible losses recognized as deferred tax assets	493,643.73	-352,053.24
Income tax expenses	119,888,390.92	114,131,222.33

5.50 Other comprehensive income

For details of the other comprehensive income and related tax effect, transfer to profit or loss and adjustment of other comprehensive income, please refer to Note 5.32 *Other Comprehensive Income*.

5.51 Notes to the Statement of Cash Flow

5.51.1 Other cash received relating to operating activities

Items	2019	2018
Government grants	99,530,863.53	207,701,248.35
Cash received other than government grants which is recognized in other income	4,954,383.18	10,952,470.45
Interest income on bank deposit	10,691,861.94	15,278,180.93
Cash receipts from non-operating income	77,999,771.01	38,380,526.96
Cash receipts from current account	33,683,953.64	179,195,047.05
Total	226,860,833.30	451,507,473.74

5.51.2 Other cash payments relating to operating activities

Items	2019	2018
Bank charges	41,183,308.78	42,552,478.82
Cash payments for non-operating expenses	1,159,532.87	2,617,851.40
Cash payments for current account	32,387,504.48	25,103,983.51
Cash payments for sales and general and administrative expenses	286,592,795.32	266,971,115.50
Total	361,323,141.45	337,245,429.23

5.51.3 Other cash received relating to investing activities

Items	2019	2018
Cash receipts from settlement of interest rate swaps	9,316.91	91,605.86
Total	9,316.91	91,605.86

5.51.4 Other cash receipts relating to financing activities

Items	2019	2018
Cash receipts for aircraft transfer of sale and leaseback deals	495,464,436.83	1,543,271,788.39

Items	2019	2018
Total	495,464,436.83	1,543,271,788.39

5.51.5 Other cash payments relating to financing activities

Items	2019	2018
Cash payments for aircraft financial lease rental	367,299,836.44	273,646,123.68
Total	367,299,836.44	273,646,123.68

5.52 Supplementary information to the Statement of Cash Flows

5.52.1 Supplementary Information to the Statement of Cash Flows

Supplementary information	2019	2018
1. Adjustments of net profit to cash flows from operating activities:		
Net profit	361,005,776.31	347,379,314.89
Add: Provisions for impairment of assets	4,469,223.84	5,072,142.56
Impairment loss of credit	2,937,990.94	—
Depreciation of fixed assets, investment properties, oil and gas assets and biological assets held for production	909,782,226.00	822,743,730.26
Amortization of intangible assets	9,569,567.61	8,563,737.68
Amortization of deferred charges	103,278,470.80	90,876,866.00
Loss on non-current assets disposal (gain presented by "-" prefix)	-116,645.48	-26,528,980.99
Loss on scrap of fixed assets (gain presented by "-" prefix)	2,183,604.73	1,341,230.64
Loss on fair value changes (gain presented by "-" prefix)	216,752.92	-3,697,878.32
Financial costs (gain presented by "-" prefix)	138,281,693.30	142,480,807.24
Investment loss (gain presented by "-" prefix)	-6,293,674.12	-18,025,825.93
Decrease of deferred tax assets (increase presented by "-" prefix)	-191,147,308.48	-131,030,053.28
Increase of deferred tax liabilities (increase presented by "-" prefix)	34,999,068.30	-107,785.80
Decrease of inventories (increase presented by "-" prefix)	-8,036,943.26	-21,701,333.78
Decrease of operating receivables (increase presented by "-" prefix)	-72,129,006.40	226,819,428.04
Increase of operating payables (decrease presented by "-" prefix)	1,328,608,349.26	994,322,001.16
Others	12,203,106.10	11,510,119.11
Net cash flows generated from operating activities	2,629,812,252.38	2,450,017,519.48
2. Significant investing and financing activities involve no cash:		
Debt-to-capital conversion		
Convertible loan due within one year		
Fixed assets acquired under financial lease		

Supplementary information	2019	2018
3. Movement of cash and cash equivalents:		
Cash at the end of the reporting period	598,861,065.69	840,860,104.09
Less: Cash at the beginning of the reporting period	840,860,104.09	543,584,920.30
Add: Cash equivalents at the end of the reporting period		
Less: Cash equivalents at the beginning of the reporting period		
Net increase in cash and cash equivalents	-241,999,038.40	297,275,183.79

5.52.2 Net Cash Payments for Acquisition of Subsidiaries

Item	Amount
Cash or cash equivalents paid for business combination occurred during the reporting period	
Less: Cash or cash equivalents held by the subsidiaries on the acquisition date	
Add: Cash or cash equivalents paid in the reporting period for business combination occurred in the prior periods	110,832.50
Net cash payments for acquisition of subsidiaries	110,832.50

5.52.3 Net Cash Received from Disposals of Subsidiaries

Item	31 December 2019	31 December 2018
①Cash	598,861,065.69	840,860,104.09
Including: Cash at hand	285,508.32	291,347.27
Demand bank deposit	598,575,557.37	840,568,756.82
Demand other monetary funds		
Demand deposit in the Central Bank		
Deposit in peer firms		
Loan to peer firms		
②Cash equivalents		
Including: Debt instrument matured within three months		
③Cash and cash equivalents at the end of the reporting period	598,861,065.69	840,860,104.09
Including: restricted cash and cash equivalents in parent company or subsidiary		

5.53 Assets with Imposed Restriction on Ownership

Category	Closing balance as of 31 December 2019	Reason of restriction
Assets pledged as security	1,356,738,353.65	
Aircrafts and engines	1,356,638,353.65	Pledge as security for borrowings

Category	Closing balance as of 31 December 2019	Reason of restriction
Bank deposit	100,000.00	Guarantee deposit
Other form of restriction:	2,160,923,339.33	
Aircrafts and engines	2,160,923,339.33	Assets acquired under financial lease
Total	3,517,661,692.98	

5.54 Foreign Currency Monetary Items

5.54.1 Foreign Currency Monetary Items

Items	Carrying amount at foreign currency	Exchange rate	Carrying amount at CNY
Monetary funds			
Including: -USD	3,590,695.15	6.9762	25,049,407.51
-CAD	10.00	5.3421	53.42
-WON	124,293,082.00	0.0060	745,758.49
-TWD	25,237,915.00	0.2326	5,870,339.03
-JPY	8,899,362.00	0.0641	570,449.10
-THB	5,807,999.28	0.2328	1,352,102.23
-EUR	5,042.00	7.8155	39,405.75
Other receivables			
Including: -USD	14,369,622.12	6.9762	100,245,357.83
-GBP	3,082.00	9.1501	28,200.61
Accounts payable			
Including: -USD	13,301,877.21	6.9762	92,796,555.79
-GBP	40,298.05	7.8155	314,949.41
-JPY	2,618,255.00	0.0641	167,830.15
Other payables			
Including: -USD	679,896.00	6.9762	4,743,090.48
Non-current liabilities due within one year			
Including: -USD	18,035,624.32	6.9762	125,820,122.38
Long-term borrowings			
Including: -USD	127,194,998.50	6.9762	887,337,748.54

Items	Carrying amount at foreign currency	Exchange rate	Carrying amount at CNY
Long-term payables			
Including: -USD	40,616,821.57	6.9762	283,351,070.64

5.55 Government Grants

5.55.1 Government Grants Related to Assets

Items	Amount	Items presented in the Financial Statements	Recognized in current profit or loss or directly as deduct of related cost		Presented items that recognized in current profit or loss or directly as deduct of related cost
			2019	2018	
Designated subsidy for snow disaster	491,458.34	Deferred income	491,458.34	499,500.00	Other income
Designated subsidy for civil aviation energy-saving program	976,500.12	Deferred income	976,500.12	976,500.12	Other income
Designated subsidy for HUD and repackage project	1,685,641.92	Deferred income	1,685,641.92	1,685,641.92	Other income
Total	3,153,600.38		3,153,600.38	3,161,642.04	

5.55.2 Government grants related to income

Items	Amount	Items presented in the Financial Statements	Recognized in current profit or loss or directly as deduct of related cost		Presented items that recognized in current profit or loss or directly as deduct of related cost
			2019	2018	
Airline grants	86,647,196.97	Other income	86,647,196.97	185,720,387.90	Other income
Other government grants	12,883,666.56	Other income	12,883,666.56	21,980,860.45	Other income
Total	99,530,863.53		99,530,863.53	207,701,248.35	

5.55.3 The Company has no return of government grants during the reporting period.

Note 6 CHANGES IN THE SCOPE OF CONSOLIDATION

The consolidation scope of the financial statements for the current year is consistent with the previous year.

Note 7 INTERESTS IN OTHER ENTITIES

7.1 Interests in Subsidiaries

7.1.1 Composition of Corporate Group

Subsidiaries	Place of operation	Place of registration	Nature of business	Holding proportion %		Acquired method
				Directly	Indirectly	
Shandong aviation Logistics Ltd (hereafter, Qingdao Logistics)	Qingdao, Shandong	Qingdao, Shandong	Logistics and storage	100.00		Acquired through investment
Qingdao Feisheng International Aviation Training Technology Development Co., Ltd (hereafter, Qingdao Feisheng)	Qingdao, Shandong	Qingdao, Shandong	Pilot training	100.00		Acquired through business combination not under common control
Shandong Jinping Air Catering Co., Ltd. (hereinafter referred to as "Jinping food")	Jinan, Shandong	Jinan, Shandong	Aeronautical food processing	100.00		Acquired through business combination not under common control
Shandong Airlines Qingdao Food Co., Ltd. (hereinafter referred to as "Qingdao Food")	Qingdao, Shandong	Qingdao, Shandong	Aeronautical food processing	49.70	50.30	Acquired through business combination not under common control

7.2 The Equity in Joint Ventures and Associates

7.2.1 Significant Joint Ventures and Associates

Name of joint ventures and associates	Place of operation	Place of registration	Nature of business	Holding proportion %		The accounting treatment of investments in joint ventures and associates
				Directly	Indirectly	
Shandong Rainbow Commercial Jet Co., Ltd.	Jinan, Shandong	Jinan, Shandong	Aero transportation	45.00		Equity method

7.2.2 Key Financial Information of Significant Associate - Shandong Rainbow Commercial Jet Co., Ltd.

Item	31 December 2019 /Year 2019	31 December 2019 /Year 2019
Current assets	1,802,740.67	1,803,040.67
Non-current assets	21,752.86	23,120.72
Total assets	1,824,493.53	1,826,161.39
Current liabilities	167,765,813.33	167,765,813.33
Non-current liabilities		
Total liabilities	167,765,813.33	167,765,813.33
Minority interests		

Item	31 December 2019 /Year 2019	31 December 2019 /Year 2019
Equity attributable to shareholders of the parent	-165,933,676.34	-165,939,651.94
Pro rata shares of the net assets calculated		
Adjusting events		
- Goodwill		
-Unrealized profits from internal transaction		
-Others		
Book value of equity investments in associates		
Fair value of publicly quoted equity investments in associates		
Operating income		
Net profit	-7,643.46	-17,619.24
Net profit from discontinued operations		
Other comprehensive income		
Total comprehensive income		
Dividends received from associates during the year		

7.2.8 Excess Loss Occurred by Joint Ventures and Associates

Name of joint ventures and associates	Cumulative unrecognized losses as of 31 December 2018	Unrecognized losses of current year (Share of net profit of current year)	Cumulative unrecognized losses as of 31 December 2019
Shandong Rainbow Commercial Jet Co., Ltd.	-74,672,945.64	-3,439.56	-74,676,385.20

Note 8 RISKS RELATED TO FINANCIAL INSTRUMENTS

The main financial instruments of the Company include equity investments, loans, accounts receivable, and accounts payable etc. Please see Note 5 for details of related items. The risks associated with financial instruments, and risk management policies which the Company use to reduce these risks are described below. The management of the Company manages and supervises the risks to ensure that the risks can be controlled within a limited range.

Sensitivity analysis techniques are adopted by the Company to analyze the impact of reasonable and possible changes of risk variables on the profit and loss or shareholders' equity for the current period. While risk variables seldomly change individually, the correlation among variables has a significant effect on the ultimate impact of the change of one risk variable. Therefore, the following content is based on the assumption that changes in each variable is independent.

8.1 The Targets and Policies of Risks Management

The target of risks management is to obtain the proper balance between the risks and benefits, to reduce the negative impact that

caused by the risk of the Company to the lowest level, and to maximize the benefits of shareholders and other equity investors. Based on the targets of risk management, the basic strategy of the Company's risk management is to identify and analyze the risks which are faced by the Company, to establish suitable risk tolerance baseline and proceed the risk management, and to supervise a variety of risks timely and reliably, and control the risk within a limited range.

8.1.1 Market Risk

(1) Foreign exchange risk

Foreign exchange risk refers to the risk of loss due to exchange rate fluctuations. The Company bears the foreign exchange risk primarily concerned with USD, and uses USD settlement in main financing transactions, operating leases, and financing leasing. On 31 December 2019, except the following assets or liabilities in Note 5.54 are recorded in foreign currency, the others are recorded in CNY. Foreign exchange risk of the assets and liabilities in foreign currencies may have an impact on the Company's performance of operation.

(2) Interest rate risk - the risk of changes in cash flow

The risk of changes in cash flows of a financial instrument due to interest rate is mainly concerned with the floating rate of bank borrowings (see Note 5.18, 5.25, 5.26, 5.27). The Company's policy is to maintain a floating interest rate on the borrowings.

(3) Other price risk

Financial assets available for sale and financial assets held-for-trade held by the Company are measured at fair value on the balance sheet date. Hence, the Company bears the risk of changes in the stock market.

8.1.2 Credit Risk

As of 31 December 2019, the maximum risk that could cause the Company's financial losses mainly comes from default of the other party of the contract, which includes:

The carrying amount of financial assets recognized in the consolidated statement of financial position; for financial instruments measured by fair value, the book value reflects its risk exposure but not the maximum risk exposure, which will vary with changes in the fair value in the future.

In order to reduce credit risk, the Company sets up a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that the necessary measures be taken to recover overdue debts. In addition, the Company reviews the recoverable amount of each individual trade debt at each balance sheet date to ensure fully provision for bad debts recognized for the money that cannot be recovered. Therefore the Company's management believes the Company's credit risk has been greatly reduced.

The Company's working capital was deposited in banks with high credit ratings, so that the credit risk of working capital was low.

8.1.3 Liquidity Risk

When managing liquidity risk, the Company's management believes maintaining adequate cash and cash equivalents, and monitoring that at same time, meets the needs of operation of the Company, and reduces the impact of fluctuations in cash flows. The management of the Company monitors the use of bank borrowings and ensures to abide by loan agreements.

Note 9 FAIR VALUE DISCLOSURES

The inputs used in the fair value measurement in its entirety are to be classified in the level of the hierarchy in which the lowest level input that is significant to the measurement is classified.

Level 1: Inputs consist of unadjusted quoted prices in active markets for identical assets or liabilities

Level 2: Inputs for the assets or liabilities (other than those included in Level 1) that are either directly or indirectly observable.

Level 3: Inputs are unobservable inputs for the assets or liabilities

9.1 Assets and Liabilities Measured at Fair Value as at 31 December 2019

Item	The fair value at 30 December 2019			
	The 1 st level measured by fair value	The 2 nd level measured by fair value	The 3 rd level measured by fair value	Total
1. Continuous measurement by fair value				
1.1 Other equity instrument investments	222,265,779.77		652,462,853.55	874,728,633.32
Total amount of assets continuous measurement by fair value	222,265,779.77		652,462,853.55	874,728,633.32
2. Financial liabilities at fair value through profit or loss		126,264.75		126,264.75
2.1 Interest rate swaps		126,264.75		126,264.75
Total amount of liabilities continuous measurement by fair value		126,264.75		126,264.75

The fair value of financial instruments traded in an active market is based on quoted market prices at the reporting date. The fair value of financial instruments not traded in an active market is determined by using valuation techniques. Specific valuation techniques used to value the above financial instruments include discounted cash flow and market approach to comparable company model. Inputs in the valuation technique include risk-free interest rates, benchmark interest rates, exchange rates, credit spreads, liquidity premiums, discount for lack of liquidity.

9.2 Determined on the Basis of Continuous and Noncontinuous First Level for Fair Value Measurement of the Market of Project

Investment in other equity instruments for continued fair value measurement is an investment in TravelSky Technology Limited, of which fair value was determined based on the closing price for the stock market in Hong Kong Stock Exchange on balance sheet date.

9.3 Continuous and Noncontinuous Second Level for Fair Value Measurement of the Market of Project, the Qualitative and

Quantitative Information of the Valuation Techniques and Important Parameters

Fair value measurement basis of interest rate swaps which was continuously measured by fair value is quotes from counterparty banks on the fair value of interest rate swaps.

9.4 Continuous and Noncontinuous Third Level for Fair Value Measurement of the Market of Project, the Qualitative and Quantitative Information of the Valuation Techniques and Important Parameters

Other equity instrument investments that continue to be measured at fair value are investments in Sichuan Airlines and Jinan International Airport. Unlisted equity instrument investments which using comparable company multiplier models to estimate fair value, their assumptions adopted are not supported by observable market prices or interest rates. The Company needs to make an estimate of the liquidity discount. The Company believes that the fair value and its changes estimated by valuation techniques are reasonable and are also the most appropriate value on the balance sheet date.

Note 10 RELATED PARTIES AND RELATED PARTY TRANSACTIONS

Recognition of related parties: The Company has control or joint control of, or exercise significant influence over another party; or the Company is controlled or jointly controlled, or significant influenced by another party.

10.1 Major Parent Companies

Parent companies	Place of registration	Nature of operation	Registered capital	Shareholding in the Company (%)	Voting right in the Company (%)
SDA Group	Jinan	Investment and management of aero transportation	580,000,000.00	42.00	42.00
Air China	Beijing	Aero transportation	14,524,815,185.00	22.80	22.80

Note: SDA Group and Air China is the first and second largest shareholders of the Company respectively. Air China is the largest shareholder of SDA Group; Air China's shareholding and voting right in SDA Group is 49.406% and 49.406% respectively.

10.2 Subsidiaries

See Note 7 for subsidiaries.

10.3 Joint Ventures and Associates

See Note 7 for joint ventures and associates.

10.4 Other Related Parties

Other related parties	Relationship to the Company
Taikoo (Shandong) Aircraft Engineering Company Limited	Controlled by major investors

Other related parties	Relationship to the Company
Shandong XiangYu Air Technology Co., Ltd.	Controlled by major investors
Shandong Rainbow Commercial Jet Co., Ltd.	Controlled by major investors
Shandong Air New Media Co., Ltd.	Controlled by major investors
Air China Import & Export Co., Ltd.	Controlled by major investors
Zhejiang Aviation Service Co., Ltd.	Controlled by major investors
Air China Shanghai Aviation Service Co., Ltd.	Controlled by major investors
Beijing Golden Phoenix Human Resources Service Co., Ltd.	Controlled by major investors
CATIC Industrial Co., Ltd.	Controlled by major investors
Air Macau Corporation	Controlled by major investors
Air China Offshore Holding Company	Controlled by major investors
Air China Hongkong Development Limited	Controlled by major investors
Beijing Airlines Co., Ltd.	Controlled by major investors
China International Aviation Shantou Industrial Development Corporation	Controlled by major investors
Chengdu Fukai Aircraft Engineering Services Limited	Controlled by major investors
Beijing Aircraft Maintenance and Engineering Corporation	Controlled by major investors
Air China Cargo Co., Ltd.	Controlled by major investors
China Aviation Group Finance Co., Ltd.	Controlled by major investors
Shenzhen Airlines Co., Ltd.	Controlled by major investors
Dalian Airlines Co., Ltd.	Controlled by major investors
China International Airlines Inner Mongolia Co., Ltd.	Controlled by major investors
Kunming Airlines Ltd	Controlled by major investors
Sichuan international aero engine maintenance Co., Ltd.	Jointly operated by major investors
Shanghai Pudong International Airport West Public Cargo Terminal Co., Ltd.	Jointly operated by major investors
Ji'an Beijing Aviation Asset Management Co., Ltd.	Jointly operated by major investors
Shanghai International Airport Ground Service Co., Ltd.	Jointly operated by major investors
Shandong Airlines Rainbow Auto Service Co., Ltd.	Controlled by major investors
Chongqing Golden Phoenix Aviation Service Co., Ltd.	Controlled by major investors

10.5 Related Party Transactions

10.5.1 Purchases or Sales of Goods, Rendering or Receiving of Services

Purchase of goods and services

Related party	Transaction	Current year	Prior year
Beijing Aircraft Maintenance and Engineering Corporation	Repairment	116,116,748.68	55,204,506.94
Beijing Aircraft Maintenance and Engineering Corporation	Purchase / lease of aircraft materials	92,482.10	167,487.51
Beijing Aircraft Maintenance and Engineering Corporation	Rentals		688,109.49
Beijing Aircraft Maintenance and Engineering Corporation	Ground service	18,179,004.78	20,260,962.92
Beijing Golden Phoenix Human Resources Service Co., Ltd.	Ground service	1,799,775.84	1,860,814.69
Chengdu Fukai Aircraft Engineering Services Limited	Repairment	7,008,038.49	10,577,784.85
Shandong Air New Media Co., Ltd.	Aircraft offerings and advertising fees	9,560,365.94	12,537,535.57
Shandong Air New Media Co., Ltd.	Ground service	390,345.13	937,382.08
Taikoo (Shandong) Aircraft Engineering Company Limited	Aircraft maintenance	122,396,133.28	114,539,387.51
Taikoo (Shandong) Aircraft Engineering Company Limited	Aircraft meal offerings	75,548.23	138,965.52
Shandong XiangYu Air Technology Co., Ltd.	Repairment	103,903,114.32	86,068,411.87
Shandong XiangYu Air Technology Co., Ltd.	Purchase / lease of aircraft materials	114,999.43	29,110.10
SDA Group	Office lease rental and catering	39,875,357.20	36,048,450.45
SDA Group	Group fee	8,807,487.39	12,471,675.35
SDA Group	Irregular flight	50,560.00	
Shandong Airlines Rainbow Auto Service Co., Ltd.	Vehicle rental fee and maintenance fee	75,928,882.21	68,974,066.66
Shandong Airlines Rainbow Auto Service Co., Ltd.	Group fee	3,364,092.04	3,303,430.00
Shandong Airlines Rainbow Auto Service Co., Ltd.	Irregular flight	538,690.00	573,383.02
Shandong Airlines Rainbow Auto Service Co., Ltd.	Ground service	14,630.00	
Shenzhen Airlines Co., Ltd.	Ground service	9,904.49	
Shenzhen Airlines Co., Ltd.	Agency service	1,378,901.00	2,766,348.96
Shenzhen Airlines Co., Ltd.	Purchase / lease of aircraft	58,422.10	173,256.79

Related party	Transaction	Current year	Prior year
	materials		
Shenzhen Airlines Co., Ltd.	Catering	1,550,231.72	1,546,308.54
Shenzhen Airlines Co., Ltd.	Irregular flight	271,698.11	192,965.46
Sichuan International Aero Engine Maintenance Co., Ltd.	Repairment		77,076,397.08
Air China	Ground service	15,716,089.93	15,613,836.08
Air China	Purchase / lease of aircraft materials	161,556.60	2,564,417.48
Air China	Agency service	881,070.68	15,679,347.66
Air China	Irregular flight expenditure	18,223,211.35	27,481,100.22
Air China Cargo Co., Ltd.	Ground service	2,369,147.87	4,180,905.82
Kunming Airlines Co., Ltd	Agency service	8,465.66	18,900.68
Dalian Airlines Co., Ltd.	Irregular flight	251,094.34	276,000.00
Shanghai International Airport Ground Service Co., Ltd.	Ground service	204,195.79	207,224.24
Air Macau Corporation	Agency service	39.06	23,342.07
Total		549,300,283.76	572,181,815.61

Sales of goods and rendering of services

Related party	Transaction	Current year	Prior year
<i>Beijing Aircraft Maintenance and Engineering Corporation</i>	Sale /rent of aircraft materials	1,200,284.95	229,271.21
Dalian Airlines Co., Ltd.	Ground service	1,186,801.33	1,332,910.83
Dalian Airlines Co., Ltd.	Non-routine maintenance/machinery service	154,949.57	111,066.10
Kunming Airlines Co., Ltd	Ground service	53,396.23	82,830.19
Kunming Airlines Co., Ltd	Locomotive service income	146,742.19	141,050.10
Kunming Airlines Co., Ltd	Agency service	18,957.39	24,722.49
Shandong Air New Media Co., Ltd.	Media resource fee	9,416,790.90	9,713,675.22
Shandong Air New Media Co., Ltd.	Media freight	471,698.10	
Taikoo (Shandong) Aircraft Engineering Company Limited	Sale of aircraft materials	236,238.67	535,703.95
Taikoo (Shandong) Aircraft Engineering Company Limited	Training fee	76,839.62	81,415.09
Taikoo (Shandong) Aircraft Engineering Company	Maintenance fee	84,391.51	

Related party	Transaction	Current year	Prior year
Limited			
Shandong XiangYu Air Technology Co., Ltd.	Sale of aircraft materials	779,378.54	179,334.35
Shenzhen Airlines Co., Ltd.	Agency service	1,302,625.14	1,219,936.77
Shenzhen Airlines Co., Ltd.	Ground service	29,150.94	201,698.12
Shenzhen Airlines Co., Ltd.	Sale /rent of aircraft materials	271,360.52	102,468.20
Shenzhen Airlines Co., Ltd.	Irregular flight maintenance/locomotive service income	6,210.11	11,586.21
Air China	Ground service	7,811,955.83	7,019,502.31
Air China	Simulator maintenance / House rental income	4,485,428.61	3,956,673.95
Air China	Sale /rent of aircraft materials		106,019.52
Air China	Irregular flight maintenance/locomotive service income	24,741.68	
Air China	Agency service	251,630.49	1,652,870.13
Air China Cargo Co., Ltd.	Warehouse rent income		2,641.51
Beijing Airlines Co., Ltd.	Ground service	51,647.17	
China International Airlines Inner Mongolia Co., Ltd.	Ground service	6,713.20	
Shandong Airlines Rainbow Auto Service Co., Ltd.	Storage income	359,082.82	435,690.56
Shandong Airlines Rainbow Auto Service Co., Ltd.	Property fee income	27,509.43	27,509.43
Shandong Airlines Rainbow Auto Service Co., Ltd.	Rentals	17,142.86	
Total		28,471,667.80	27,168,576.24

10.5.2 Borrowing of funds from related parties

Related Party	Borrowing money	Beginning date	Due date	Description
Borrowing:				
China Aviation Group Finance Co., Ltd.	296,000,000.00	20 June 2016	20 June 2026	Balance as at 31 December 2019 is CNY 192,400,000.00.
SDA Group	150,000,000.00	11 November 2019	19 October 2020	Balance as at 31 December 2019 is CNY 150,000,000.00, and the loan is entrusted by the Industrial and Commercial Bank of China Co., Ltd. Jinan Minghu Branch.

10.5.3 Remuneration to Key Management Personnel

Item	Current year	Prior year
Key management personnel compensation	CNY 12.7084 million	CNY 14.6679 million

10.5.4 Other Related Party Transactions

Related party	Transaction	Current year	Prior year
Air China	Frequent flyer cooperation	72,000,000.00	100,000,000.00
Air China Cargo Co., Ltd.	Code sharing for cargo	1,005,335.71	7,167,959.00
Total		73,005,335.71	107,167,959.00

10.6 Related Party Balances

10.6.1 Receivables

Related party	31 December 2019		31 December 2018	
	Carrying amount	Provision for bad debt	Carrying amount	Provision for bad debt
Accounts receivable				
Air China	5,441,837.40		8,564,966.57	
China International Cargo Airlines Co., Ltd.			907,509.39	
Dalian Airlines Co., Ltd.	16,894.80		87,473.50	
Taikoo (Shandong) Aircraft Engineering Company Limited	24,700.00		8,400.00	
Shandong Air New Media Co., Ltd.	75,000.00			
Total	5,558,432.20		9,568,349.46	
Other receivables				
Air China	5,134,920.42		6,033,885.98	
Shenzhen Airlines Co., Ltd.	75,988.90		50,787.34	
Shandong Rainbow Commercial Jet Co., Ltd.	101,551,717.65	101,551,717.65	101,551,717.65	101,551,717.65
Shandong XiangYu Air Technology Co., Ltd.	1,835,674.33		50,712.31	
Taikoo (Shandong) Aircraft Engineering Company Limited	180,217.72		235,380.70	
Shandong Air New Media Co., Ltd.	10,095,530.78		11,745,680.45	

Related party	31 December 2019		31 December 2018	
	Carrying amount	Provision for bad debt	Carrying amount	Provision for bad debt
<i>Beijing Aircraft Maintenance and Engineering Corporation</i>	1,224,188.64		169,241.85	
Dalian Airlines Co., Ltd.	56,450.80		241,412.00	
Kunming Airlines Co., Ltd.	174,620.00		202,090.00	
Shandong Airlines Rainbow Auto Service Co., Ltd.	240.00		14,040.50	
Total	120,329,549.24	101,551,717.65	120,294,948.78	101,551,717.65

10.6.2 Payables

Related party	31 December 2019	31 December 2018
Accounts payable		
Shandong XiangYu Air Technology Co., Ltd.	24,885,130.73	8,707,204.12
Taikoo (Shandong) Aircraft Engineering Company Limited	60,317,020.35	45,732,196.37
Air China	216,889,212.07	138,532,747.16
Air China Cargo Co., Ltd.	483,782.83	507,357.91
Beijing Golden Phoenix Human Resources Service Co., Ltd.	316,512.86	350,189.85
Shenzhen Airlines Co., Ltd.	352,836.71	686,733.52
Aircraft Maintenance and Engineering Corporation (Ameco)	33,686,285.52	25,913,065.74
Sichuan International Aero Engine Maintenance Co., Ltd.	88,209.29	7,343,500.43
Shandong Air New Media Co., Ltd.	4,691,884.84	5,567,055.00
Shandong Airlines Rainbow Auto Service Co., Ltd.	6,375,000.00	4,602,800.00
Dalian Airlines Co., Ltd.		31,200.00
Chengdu Fukai Aircraft Engineering Service Co., Ltd.	3,494,468.69	3,130,432.94
Shanghai International Airport Ground Service Co., Ltd.	54,398.40	34,557.70
Total	351,634,742.29	241,139,040.74
Other payables		
SDA Group	14,933,120.85	1,648,781.43
Taikoo (Shandong) Aircraft Engineering Company Limited	484,291.74	484,291.74
Shandong Air New Media Co., Ltd.	6,368,095.92	7,094,412.89
Shandong Rainbow Commercial Jet Co., Ltd.	7,798.95	
Total	21,793,307.46	9,227,486.06

Note 11 COMMITMENTS AND CONTINGENCIES

11.1 Significant Commitments

The nature and amount of significant commitments existing at the balance sheet date:

11.1.1 Capital Commitment

Capital commitments signed but not yet recognized in the financial statements	31 December 2019	31 December 2018
Commitment for purchase long-term assets	7,036,492,465.21	8,514,239,377.41
Large contract		
Commitment for external investment		

11.1.2 Operating Lease Commitment

Minimum lease payments under non-cancellable operating leases	31 December 2019	31 December 2018
Within 1 year	3,014,893,635.26	2,940,809,183.76
1-2 years	2,842,138,245.44	2,868,211,237.17
2-3 years	2,672,068,066.30	2,616,077,071.91
After 3 years	9,875,497,392.11	11,464,973,122.44
Total	18,404,597,339.11	19,890,070,615.28

11.1.3 Other Commitment

The Company has no other significant commitment needed to be disclosed as of 31 December 2019.

11.2 Contingencies

The Company has no other significant contingencies needed to be disclosed as of 31 December 2019.

Note 12 EVENTS AFTER THE REPORTING PERIOD

12.1 Impact Assessment on Epidemic Situation of New Coronavirus Pneumonia

Since the outbreak of pneumonia caused by the new coronavirus in the country in January 2020, the prevention and control of the pneumonia epidemic is continuing nationwide. The Company will earnestly implement the requirements of the "Notice on Further Improving the Prevention and Control of Pneumonia Epidemic Situation of New Coronavirus Infection" (《关于进一步做好新型冠状病毒感染的肺炎疫情防控工作的通知》) issued by the Civil Aviation Administration of China, and support the epidemic prevention and control work.

Affected by the pneumonia epidemic, the domestic passenger traffic volume since January 2020 has decreased compared to the same period, which has affected the Company's air transportation service revenue to a certain extent. The degree of impact will depend on the situation, duration of the epidemic prevention and control, and the implementation of various regulatory policies.

Meanwhile the Civil Aviation Administration of China has successively released the "Notice on Supporting Policies for Actively Coping with New Coronary Pneumonia Epidemic" (《关于积极应对新冠肺炎疫情有关支持政策的通知》) and "Notice on Funding Support Policies for Civil Aviation Transport Enterprises during the New Coronary Pneumonia Epidemic Prevention and Control

Period" (《关于民航运输企业新冠肺炎疫情防控期间资金支持政策的通知》) and other documents. These documents provide positive measures including exemption of civil aviation development funds for the civil aviation transportation industry, lowering airport take-off and landing fees, optimizing the management of airline and flight permits, and providing flight subsidies.

On the premise of ensuring the protection of the epidemic demand, the Company flexibly adjusts its flight plan according to market demand to ensure that its operational impact on the Company is minimized. The Company will continue to pay close attention to the development of the pneumonia epidemic situation, evaluate and actively respond to its impact on the Company's financial position and operating results.

12.2 Other Events After the Reporting Date

As of March 26, 2020, the Company does not have any other events after the reporting date that should be disclosed.

Note 13 OTHER SIGNIFICANT MATTERS

13.1 Pension Plan

No significant change of the annuity program occurred for current year, see Note 5.22, 5.28.

Note 14 NOTES TO ELEMENTS OF THE SEPARATE FINANCIAL STATEMENTS

14.1 Accounts receivable

14.1.1 Disclosure by Age

Age	31 December 2019	31 December 2018
Within 1 year	437,495,880.93	424,951,409.97
1 to 2 years	35,122,001.00	9,114.06
2 to 3 years		
3 to 4 years		
4 to 5 years		8,057,209.85
Over 5 years	8,477,739.50	420,529.65
Subtotal	481,095,621.43	433,438,263.53
Less: provision for bad debt	24,493,161.92	20,867,525.52
Total	456,602,459.51	412,570,738.01

14.1.2 Disclosure by Category

Category	31 December 2019		
	Book balance	Provision for bad debt	Carrying

	Amount	Proportion (%)	Amount	Provision ratio (%)	amount
Accounts receivable subject to individual impairment assessment	8,057,209.85	1.67	8,057,209.85	100.00	
Accounts receivable subject to group impairment assessment	473,038,411.58	98.33	16,435,952.07	3.47	456,602,459.51
Total	481,095,621.43	100.00	24,493,161.92	5.09	456,602,459.51

(Continued)

Category	31 December 2018				
	Book balance		Provision for bad debt		Carrying amount
	Amount	Proportion (%)	Amount	Provision ratio (%)	
Accounts receivable with individually significant balance and provision for bad debt recognized individually	105,366,572.73	24.31			105,366,572.73
Accounts receivable with bad debt provision recognized collectively by similar credit risk characteristics	256,206,313.25	59.11	12,810,315.67	5.00	243,395,997.58
Accounts receivable with individually insignificant balance but provision for bad debt recognized individual	71,865,377.55	16.58	8,057,209.85	11.21	63,808,167.70
Total	433,438,263.53	100.00	20,867,525.52	4.81	412,570,738.01

Accounts receivable with individually significant balance and provision for bad debt recognized individually as of 31 December 2018

Entity name	31 December 2018			
	Accounts receivable	Provision for bad debt	Provision ratio (%)	Reason
BSP-CHINA	56,778,788.70			No indication of impairment upon individual assessment

Entity name	31 December 2018			
	Accounts receivable	Provision for bad debt	Provision ratio (%)	Reason
Accounting Center of China Aviation	48,587,784.03			No indication of impairment upon individual assessment
Total	105,366,572.73			

Accounts receivable with bad debt provisions recognized based on the balance percentage method as of 31 December 2018

Entity name	31 December 2018			
	Accounts receivable	Provision for bad debt	Provision ratio (%)	Reason
BSP-Other areas (notes)	47,835,858.63			No indication of impairment upon individual assessment
Air China	7,813,395.57			No indication of impairment upon individual assessment
Debtor #1	8,057,209.85	8,057,209.85	100.00	Impairment upon individual assessment
UATP	5,479,498.61			No indication of impairment upon individual assessment
Air China Cargo	907,509.39			No indication of impairment upon individual assessment
CR Airways	1,763,505.50			No indication of impairment upon individual assessment
Taikoo (Shandong) Aircraft Engineering Company Limited	8,400.00			No indication of impairment upon individual assessment
Total	71,865,377.55	8,057,209.85	11.21	

Notes: BSP-Other areas (notes) includes Tai Wan, Korea, Japan, Hong Kong, Australia, Russia, Canada, Thailand, Germany, Cambodia, Vietnam, Singapore, Indonesia, Philippines, France etc.

Accounts receivable subject to impairment assessment by group as of 31 December 2018

Age	31 December 2018		
	Accounts receivable	Provision for bad debt	Provision ratio (%)
Group by nature	256,206,313.25	12,810,315.67	5.00
Total	256,206,313.25	12,810,315.67	5.00

Accounts receivable with individually significant balance and provision for bad debt recognized individually as of 31 December 2019

Entity name	31 December 2019			
	Accounts receivable	Provision for bad debt	Provision ratio (%)	Reason
Debtor #1	8,057,209.85	8,057,209.85	100.00	Impairment upon individual assessment
Total	8,057,209.85	8,057,209.85	100.00	

Accounts receivable subject to impairment assessment by credit risk characteristics of a group as of 31 December 2019

Age	31 December 2019		
	Accounts receivable	Provision for bad debt	Provision ratio (%)
Amounts due from the clearing center	42,716,664.57		
Amounts due from the aviation association	93,939,923.14		
Amounts due from related parties	7,662,782.50		
Other receivables	328,719,041.37	16,435,952.07	5.00
Total	473,038,411.58	16,435,952.07	3.47

The Company calculate provision of bad debt according to the combination of credit risk characteristics and the expected loss amount.

14.1.3 Changes of Provision for Bad Debt During the Reporting Period

Category	31 December 2018	Changes of accounting policy	1 January 2019	Changes during the reporting period			31 December 2019
				Provision	Recovery or reversal	Write-off	
Accounts receivable subject to individual impairment assessment	8,057,209.85		8,057,209.85				8,057,209.85

Category	31 December 2018	Changes of accounting policy	1 January 2019	Changes during the reporting period			31 December 2019
				Provision	Recovery or reversal	Write-off	
Accounts receivable subject to impairment assessment by group	12,810,315.67		12,810,315.67	3,710,306.40		84,670.00	16,435,952.07
Total	20,867,525.52		20,867,525.52	3,710,306.40		84,670.00	24,493,161.92

14.1.4 There are no written off to accounts receivable during the reporting period.

14.1.5 Top five closing balances by entity as at 31 December 2019

The total amount of top five accounts receivable summarized by debtors as at the end of current year is CNY 211,645,117.22, accounting for 43.99% of the total accounts receivable as at the end of current year, the total corresponding provision for bad debt is CNY5,899,189.67.

14.1.6 The Company has no derecognition of accounts receivable due to the transfer of financial assets.

14.1.7 The Company has no assets or liabilities arising from continuing involvement in transferred accounts receivable.

14.2 Other receivables

14.2.1 Other receivables by category

Items	31 December 2019	31 December 2018
Interests receivable		
Dividends receivable		
Other receivables	237,966,773.59	239,078,612.04
Total	237,966,773.59	239,078,612.04

14.2.2 Other Receivables

①Other receivables by age

Age	31 December 2019	31 December 2018
Within one year	206,592,316.53	224,226,432.51
1-2 years	18,721,168.79	7,144,621.12
2-3 years	4,917,213.36	1,141,630.35
3-4 years	830,749.97	4,340,781.36

Age	31 December 2019	31 December 2018
4-5 years	4,163,874.36	1,986,169.92
Over 5 years	110,876,843.58	109,212,847.91
Subtotal	346,102,166.59	348,052,483.17
Less: provision for bad debt	108,135,393.00	108,973,871.13
Total	237,966,773.59	239,078,612.04

②Other receivables by nature

Nature	31 December 2019	31 December 2018
Deposits receivable	87,059,915.18	65,174,607.89
Amounts due from related parties	127,368,744.43	134,434,805.80
Other receivables	131,673,506.98	148,443,069.48
Subtotal	346,102,166.59	348,052,483.17
Less: provision for bad debt	108,135,393.00	108,973,871.13
Total	237,966,773.59	239,078,612.04

③Other receivables by bad debt provision method

A. Provision for bad debts recognized based on three stages model as of 31 December 2019 is as follows:

Provision for bad debt in the first stage as of 31 December 2019:

Category	Book balance	Lifetime expected credit losses rate (%)	Provision for bad debt	Carrying amount	Reason
Provision for bad debt recognized individually					
Provision for bad debt recognized collectively	244,550,448.94	2.69	6,583,675.35	237,966,773.59	
Including: Deposits receivable	87,059,915.18			87,059,915.18	No significant increase on credit risk
Amounts due from related parties	25,817,026.78			25,817,026.78	No significant increase on credit risk
Otherreceivables	131,673,506.98	5.00	6,583,675.35	125,089,831.63	No significant increase on

Category	Book balance	Lifetime expected credit losses rate (%)	Provision for bad debt	Carrying amount	Reason
					credit risk
Total	244,550,448.94	2.69	6,583,675.35	237,966,773.59	

As of 31 December 2019, the Company has no interest receivable, dividends receivable or other receivables recognized in the second stage.

Provision for bad debt in the third stage as of 31 December 2019:

Category	Book balance	Lifetime expected credit losses rate (%)	Provision for bad debt	Carrying amount	Reason
Provision for bad debt recognized individually	101,551,717.65	100.00	101,551,717.65		Credit impairment has occurred
1. Shandong Rainbow Commercial Jet Co., Ltd	101,551,717.65	100.00	101,551,717.65		Credit impairment has occurred
Total	101,551,717.65	100.00	101,551,717.65		

B. Provision for bad debts based on incurred loss model as of 31 December 2018 is as follows:

Category	31 December 2018				
	Book balance		Provision for bad debt		Carrying amount
	Amount	Proportion (%)	Amount	Provision ratio (%)	
Other receivables with individually significant balance and provision for bad debt recognized individually	249,586,501.51	71.71	106,200,587.24	42.55	143,385,914.27
Other receivables with bad debt provision recognized collectively by similar credit risk characteristics	55,465,677.85	15.94	2,773,283.89	5.00	52,692,393.96
Other receivables with individually insignificant	43,000,303.81	12.35			43,000,303.81

Category	31 December 2018				Carrying amount
	Book balance		Provision for bad debt		
	Amount	Proportion (%)	Amount	Provision ratio (%)	
balance but recognized provision for bad debt individually					
Total	348,052,483.17	100.00	108,973,871.13	31.31	239,078,612.04

B1. Other receivables with individually significant balance and provision for bad debt recognized individually as of 31 December 2018

Entity name	31 December 2018			
	Other receivables	Provision for bad debt	Provision ratio (%)	Reason
Shandong Rainbow Commercial Jet Co., Ltd.	101,551,717.65	101,551,717.65	100.00	Impairment upon individual assessment
Debtor #1	55,057,392.23			No indication of impairment upon individual assessment
Debtor #2	33,202,261.73	1,660,113.09	5.00	Impairment assessment by group
Debtor #3	59,775,129.90	2,988,756.50	5.00	Impairment assessment by group
Total	249,586,501.51	106,200,587.24	42.55	

B2. Other receivables with bad debt provisions recognized based on the balance percentage method as of 31 December 2018

Group name	31 December 2018		
	Accounts receivable	Provision for bad debt	Provision ratio (%)
Group by nature	55,465,677.85	2,773,283.89	5.00
Total	55,465,677.85	2,773,283.89	5.00

④ Changes of provision for bad debt during the reporting period

Category	31 December 2018	Changes during the reporting period			31 December 2019
		Provision	Recovery or reversal	Write-off	
Other receivables of individual significance and subject to individual impairment assessment	101,551,717.65				101,551,717.65
Other receivables subject to impairment assessment by credit risk characteristics of a group	7,422,153.48		838,478.13		6,583,675.35

Category	31 December 2018	Changes during the reporting period			31 December 2019
		Provision	Recovery or reversal	Write-off	
Total	108,973,871.13		838,478.13		108,135,393.00

⑤ There are no written off to other receivables during the reporting period.

⑥ Top five closing balances by entity

Entity name	Nature	Balance as at 31 December 2019	Age	Proportion of the balance to the total other receivables (%)	Provision for bad debt
Shandong Rainbow Commercial Jet Co., Ltd.	Others	101,551,717.65	Over 5 years	29.34	101,551,717.65
Debtor #1	Deposits	56,331,234.29	Within 1 year	16.28	
Debtor #2	Others	50,854,558.62	Within 1 year	14.69	2,542,727.93
Debtor #3	Others	22,857,234.53	Within 1 year	6.6	1,142,861.73
Shandong Air New Media Co., Ltd.	Others	10,095,530.78	Within 1 year	2.92	
Total		241,690,275.87		69.83	105,237,307.31

⑦ The Company has no other receivables relating to government grants.

⑧ The Company has no other receivables relating to derecognition of other receivables for transfer of financial assets.

⑨ The Company has no assets or liabilities arising from continuing involvement in transferred other receivables.

14.3 Long-term equity investments

14.3.1 Investments in Subsidiaries

Investee	31 December 2018	Current year increase	Current year decrease	31 December 2019	Provision recognized	Year-end provision
Shandong aviation Logistics Ltd	48,323,205.97			48,323,205.97		
Qingdao Feisheng International Aviation Training Technology Development Co., Ltd	57,677,479.46			57,677,479.46		
Shandong Jinping aviation food Co., Ltd.	30,310,200.00			30,310,200.00		
Shandong Airlines Qingdao Food Co., Ltd.	7,790,400.00			7,790,400.00		
Total	144,101,285.43			144,101,285.43		

14.3.2 Investments in Joint Ventures and Associates

Investee	31 December 2018	Impairment provision	Changes in the current period (+, -)				
			Additional investment	Investment reduction	Investment gains and losses recognized under the equity method	Other comprehensive income adjustment	Other changes in equity
Associates							
Shandong Rainbow Commercial Jet Co., Ltd.	22,500,000.00	22,500,000.00					
Total	22,500,000.00	22,500,000.00					

(Continued)

Investee	Changes in the current period (+, -)			31 December 2019	Year-end provision
	Declared cash dividends or profits	Provision recognized	Others		
Associates					
Shandong Rainbow Commercial Jet Co., Ltd.				22,500,000.00	22,500,000.00
Total				22,500,000.00	22,500,000.00

14.4 Operating revenues and operating costs

Items	2019		2018	
	Operating revenues	Operating costs	Operating revenues	Operating costs
Principal activities	18,277,680,628.43	17,204,720,972.91	18,089,027,687.91	17,186,382,224.35
Other activities	685,084,701.46	6,736,014.89	646,489,679.61	3,547,659.75
Total	18,962,765,329.89	17,211,456,987.80	18,735,517,367.52	17,189,929,884.10

14.5 Investment Income

Items	2019	2018
Income from financial assets measured by fair value with changes in fair value recognized in profit or loss	—	91,605.86
Income from holding of financial assets available for sale	—	17,934,220.07
Investment income from held-for-trading financial assets during holding period	9,316.91	—
Dividend income from other equity instrument income during holding period	6,284,357.21	—
Total	6,293,674.12	18,025,825.93

Note 15S SUPPLEMENTARY INFORMATION

15.1 Current non-recurring statement of profit and loss

Items	2019	2018	Description
Gains /(losses) on disposal of non-current assets	-2,066,959.25	25,187,750.35	
Government grants recognized in current profit or loss (except government grants that is closely related to operations and determined based on a fixed scale according to the national unified standard)	102,684,463.91	210,862,890.39	
Gains /(losses) arising from changes in fair value of held-for-trading financial assets, derivative financial assets, held-for-trading financial liabilities and derivative financial liabilities during the holding period and investment income arising from disposal of held-for-trading financial assets, derivative financial assets, held-for-trading financial liabilities, derivative financial liabilities and other debt investment except effective hedging transactions related to the Company's principal activities	-207,436.01		
Fair value changes of tradable financial assets and tradable financial liabilities held and gains or losses arising from disposals of tradable financial assets, tradable financial liabilities and financial assets available for sale, excluding hedging contracts relevant to the Company's daily operating activities	—	3,789,484.18	
Other non-operating income/expenses except for items mentioned above	105,248,418.17	35,762,795.56	
Other gains or losses satisfying the definition of extraordinary gains or losses	4,954,383.18	10,952,470.45	
Total extraordinary gains/(losses)	210,612,870.00	286,555,390.93	
Less: tax effect	52,714,956.95	71,725,366.00	
Net extraordinary gains/(losses)	157,897,913.05	214,830,024.93	
Less: net extraordinary gains/(losses) attributable to minority interests			
Net extraordinary gains/(losses) attributable to ordinary shareholders	157,897,913.05	214,830,024.93	

15.2 Return on Net Assets and Earnings Per Share ('EPS')

15.2.1 2019

Profit for the reporting period	Weighted average return on net assets (%)	EPS	
		Basic	Diluted
Net profit attributable to ordinary shareholders	7.22	0.9	0.9
Net profit attributable to ordinary shareholders after extraordinary gains and losses	4.06	0.51	0.51

15.2.2 2018

Profit for the reporting period	Weighted average return on net assets (%)	EPS	
		Basic	Diluted
Net profit attributable to ordinary shareholders	7.94	0.87	0.87
Net profit attributable to ordinary shareholders after extraordinary gains and losses	3.03	0.33	0.33