



山東航空股份有限公司
SHANDONG AIRLINES CO.,LTD

Semi-Annual Report 2020

August 2020

Content

Section I. Important Notice and Interpretation	1
Section II. Company Profile and Main Financial Indexes	3
Section III Summary of Company Business	6
Section IV. Discussion and Analysis of the Operation	8
Section V. Important Events.....	22
Section VI. Changes in Shares and Particulars about Shareholders	31
Section VII. Preferred Stock	35
Section VIII. Convertible Bonds.....	36
Section IX. Directors, Supervisors and Senior Executives	37
Section X. Corporate Bonds	38
Section XI. Financial Report.....	39
Section XII. Documents available for Reference.....	174



Section I. Important Notice and Interpretation

Board of Directors, Supervisory Committee, all directors, supervisors and senior executives of Shandong Airlines Co., Ltd. (hereinafter referred to as the Company) hereby confirm that there are no any fictitious statements, misleading statements, or important omissions carried in this report, and shall take all responsibilities, individual and/or joint, for the reality, accuracy and completion of the whole contents.

Sun Xiujiang, Principal of the Company, Xu Guojian, person in charge of accounting works and Zhou Shoubin, person in charge of accounting organ (accounting principal) hereby confirm that the Financial Report of Semi-annual of 2020 Report is authentic, accurate and complete.

All directors have attended the Board Meeting for Report Deliberation.

Concerning the forward-looking statements with development strategy and business plans involved in the Report, they do not constitute a substantial commitment for the investors. Investors are advised to exercise caution of investment risks.

This report has been prepared in Chinese and English version respectively. In the event of difference in interpretation between the two versions, Chinese report shall prevail.

The Company has no plans of cash dividend distributed, no bonus shares and has no share converted from capital reserve either



Interpretation

Items	Refers to	Contents
The Company, Company	Refers to	Shandong Airlines Co., Ltd.
Shandong Aviation	Refers to	Shandong Aviation Group, the first largest shareholder and controlling shareholder of the Company
Air China	Refers to	Air China Limited, the second largest shareholder of the Company
ATK (Available Tonne-Kilometre)	Refers to	Sum of products of payload and route distance for each segment
ASK	Refers to	Sum of products of maximum numbers of seats and route distance for each segment
AFTK	Refers to	Sum of products of maximum cargo carrying tonnage and route distance for each segment
RTK	Refers to	Sum of products of tonnage of transport and route distance for each segment actually
RPK (Revenue Passenger Kilometers)	Refers to	Sum of products of passenger traffic volume and route distance for each segment actually
RFTK	Refers to	Sum of products of freight carrying tonnage and route distance for each segment actually
Integrated carrier rate	Refers to	RTK/ATK
PLF (Passenger Load Factor)	Refers to	RPK/ASK
Freight Rate	Refers to	RFTK/ AFTK



Section II. Company Profile and Main Financial Indexes

I. Company profile

Short form of the stock	SHANHANG B	Stock code	200152
Listing stock exchange	Shenzhen Stock Exchange		
Legal Chinese name of the Company	山东航空股份有限公司		
Abbr. of legal Chinese name of the Company (if applicable)	山东航空		
Legal English Name of the Company (if applicable)	SHANDONG AIRLINES CO.,LTD.		
Abbr. of legal English name of the Company (if applicable)	SDA		
Legal Representative	Sun Xiujiang		

II. Way/person to contact

	Secretary of the Board	Rep. of security affairs
Name	Dong Qiantang	Fan Peng
Contact adds.	1/F Office Building, SDA, Yaoqiang International Airport Licheng District Jinan	3/F Office Building, SDA, Yaoqiang International Airport Licheng District Jinan
Tel.	0531-82085939	0531-82085586
Fax.	0531-85698034	0531-85698034
E-mail	dongqt@sda.cn	fanp@sda.cn

III. Others

1. Way to contact the Company

Register address, office address and code, Company website as well as the email of the Company have no changed in reporting period, more details please found in the Annual Report of 2019.

2. Information disclosure and preparation place

Newspaper appointed for information disclosure, website for annual report publish appointed by CSRC and preparation place for semi-annual report have no change in reporting period, more details please found in the Annual Report of 2019.



IV. Main accounting data and financial indexes

Whether it has retroactive adjustment or re-statement on previous accounting data or not

Yes No

	Current Period	Same period of last year	Increase/decrease over same period of last year
Operating revenue (RMB)	4,190,649,796.09	8,989,068,400.72	-53.38%
Net profit attributable to shareholders of the listed Company (RMB)	-1,296,010,573.90	-27,364,005.41	-4,636.19%
Net profit attributable to shareholders of the listed Company after deducting non-recurring gains and losses (RMB)	-1,336,518,968.35	-66,030,703.80	-1,924.09%
Net cash flow arising from operating activities (RMB)	-1,897,748,778.43	544,076,655.68	-448.80%
Basic earnings per share (RMB/Share)	-3.24	-0.07	-4,636.19%
Diluted earnings per share (RMB/Share)	-3.24	-0.07	-4,636.19%
Weighted average ROE	-29.45%	-0.61%	28.84 percentage points decrease
	End of current Period	End of period of last year	Increase/decrease over same period-end of last year
Total assets (RMB)	18,263,760,588.49	17,392,935,986.48	5.01%
Net assets attributable to shareholder of listed Company (RMB)	3,601,561,727.06	5,173,519,005.57	-30.38%

V. Difference of the accounting data under accounting rules in and out of China

1. Difference of the net profit and net assets disclosed in financial report, under both IAS (International Accounting Standards) and Chinese GAAP (Generally Accepted Accounting Principles)

The Company has no condition of difference of the net profit and net assets disclosed in financial report, under both IAS (International Accounting Standards) and Chinese GAAP (Generally Accepted Accounting Principles) in the reporting period.

2. Difference of the net profit and net assets disclosed in financial report, under both foreign accounting rules and Chinese GAAP (Generally Accepted Accounting Principles)

The Company has no condition of difference of the net profit and net assets disclosed in financial report, under both foreign accounting rules and Chinese GAAP (Generally Accepted Accounting Principles) in the reporting period.

VI. Items and amounts of extraordinary profit (gains)/loss

In RMB



Item	Amount	Note
Gains/losses from the disposal of non-current asset (including the write-off that accrued for impairment of assets)	-219,909.94	
Governmental subsidy reckoned into current gains/losses (not including the subsidy enjoyed in quota or ration according to national standards, which are closely relevant to enterprise's business)	38,080,616.43	
Losses/gains from changes of fair values occurred in holding trading financial assets, derivative financial assets, trading financial liabilities and derivative financial liabilities, and investment income obtaining from the disposal of trading financial assets, derivative financial assets, trading financial liability, derivative financial liability and other debt investment, excluded effective hedging business relevant with normal operations of the Company	-1,114,800.45	
Other non-operating income and expenditure except for the aforementioned items	14,647,361.61	
Other items of profits/losses that qualified the definition of non-recurring profit/loss	2,628,620.78	
Less: impact on income tax	13,513,493.98	
Total	40,508,394.45	--

In reporting period, the Company has no particular about items defined as recurring profit (gain)/loss according to the lists of non-recurring profit (gain)/loss in *Q&A Announcement No.1 on Information Disclosure for Companies Offering Their Securities to the Public --- Non-recurring Profit/loss*



Section III Summary of Company Business

I. Main businesses of the company in the reporting period

The Company is mainly engaged in international and domestic air passenger and cargo transportation business; hotel catering; aircraft maintenance; civil aviation personnel training; insurance agency; airline agency business; ground services related to main business; sales of aviation materials, general merchandise, food, health foods, handicrafts, souvenirs, etc., and retail sales of tobacco; leasing of aviation materials; leasing of premises, rental of houses; business services; hotel accommodation agents and ticket agents; conference services; transport agency services, air cargo storage; and labor services. Among them, international and domestic air passenger and cargo transportation business is the Company's main business.

For more than 20 years, the Company has always been giving first priority to “ensure safety, pay close attention to efficiency, and strive to punctuality and quality service”. As of 30 June 2020, the Company has 125 airplanes of Boeing B737 series, and striding into the ranks of large airlines. At present, the Company takes Jinan as its headquarters, and has branch offices and flight bases in Qingdao, Yantai, Xiamen, Chongqing, Beijing, Urumqi, Guiyang and other places. It has formed a route network layout of “east-west connection, north-south connection” with Shandong, Xiamen and Chongqing as the fulcrums. The Company operates more than 230 domestic, international and regional air routes, every week more than 4,300 flights fly to more than 80 large and medium-sized cities across the country, as well as the routes to neighboring countries such as South Korea, Japan, Thailand, India and Cambodia and the regions such as Taiwan China and Hong Kong China.

II. Major changes in main assets

1. Major changes in main assets

Major assets	Note of major changes
Equity assets	No major changes in the period
Fixed assets	No major changes in the period
Intangible assets	No major changes in the period
Construction in progress	No major changes in the period
Monetary fund	Balance at period-end increased 149.77% over that of period-beginning, mainly because considering the future business status and external fund market situation, reserve funds for subsequent payment.
Account receivable	Balance at period-end decreased 31.92% over that of period-beginning, mainly because affected by the epidemic, sales of passenger tickets declined in the Period.
Other current assets	Balance at period-end increased 35.24% over that of period-beginning, mainly because the retention of VAT increased in the Period.
Other equity instrument investment	Balance at period-end decreased 46.13% over that of period-beginning, mainly due to the fair value changes from other equity instrument investment.



Deferred income tax assets	Balance at period-end increased 39.20% over that of period-beginning, mainly because the deductible losses correspond to the recognized deferred income tax assets increased in the Period.
----------------------------	---

2. Main overseas assets

Applicable Not applicable

III. Core Competitiveness Analysis

1. Industry-leading safety management capabilities

The Company has the industry-leading safety management model and safety management level. Excellent safety and operation management capabilities enable the Company to provide passengers with a safe and reliable journey, effectively reduce the Company's operational risk, and shape the Company's brand image of safety and punctuality. At the same time, under the supervision of "safety first" and "total volume controlled, structure adjustment" in the civil aviation industry, the good safety records have also brought opportunities for the Company to take the lead in applying new technologies in the industry and play a leading role in promoting the safety control level in the industry. The leading flight normality standard helps the Company to obtain high-quality time and flights resources.

2. Excellent resource allocation and organization & executive capacity

The Company has outstanding organization and execution capability, and the daily utilization rate of aircraft maintains number one among the medium-sized and above airlines in the industry, the man-machine ratio is far below the industry average. Superior resource allocation and organizational execution capabilities maintain the Company's industry-leading level in cost control. Besides, the Company has formed a Company-specific management mode through continuous innovation and accumulation and by focusing on safety, efficiency, service and operation. In 2017, the Company won the 17th National Quality Award and became the first and only award-winning aviation Company in the civil aviation industry, which proved the Company's management level and execution efficiency.

3. Incentive and competitive corporate culture brand

By many years of practice, the Company has formed the corporate values of "harmony, safety, innovation, and kindness" and the brand culture of "Honest SDA". Qilu's Confucianism and Shandong people's character of "promise keeping and honor credibility" have been integrated into the Company and widely recognized by the Company's employees, which has also formed a resonance with the social mainstream's recognition to honesty and kindness. Through the promotion of "honest and kind" culture and brand, the Company can better convey the service value to the passengers, gain the trust of customers, constantly enhance the passengers' sense of identity to the Company, and create greater value for the passengers.

The core competitiveness of the Company has no change in the reporting period.



Section IV. Discussion and Analysis of the Operation

I. Introduction

(1) Summary of the operation data:

Item	Jan.- Jun.2020	Jan.- Jun.2019	Changes (+,-)
Transport capacity			
Available tonnage kilometer (ATK) (10 thousand TK)	145129.16	235623.55	-38.41%
Including: Domestic flight	139263.18	215886.98	-35.49%
International flight	5291.90	15881.02	-66.68%
Regional routes	574.08	3855.54	-85.11%
Available seat km(ASK) (10 thousand PK)	1357790.12	2187214.84	-37.92%
Including: Domestic flight	1310468.63	1997282.6	-34.39%
International flight	41921.34	153835.9	-72.75%
Regional routes	5400.14	36096.3	-85.04%
Available freight ton-kilometers (AFTK) (10 thousand TK)	22928.05	38774.22	-40.87%
Including: Domestic flight	21321.00	36131.5	-40.99%
International flight	1518.98	2035.8	-25.39%
Regional routes	88.07	606.9	-85.49%
Carrying capacity			
Total transportation turnover (RTK)(10 thousand TK)	97723.56	176862.04	-44.75%
Including: Domestic flight	94732.11	162844.6	-41.83%
International flight	2773.14	11531.6	-75.95%
Regional routes	218.31	2485.9	-91.22%
Volume of passenger transportation (RPK)(10 thousand PK)	969756.89	1837340.07	-47.22%
Including: Domestic flight	940150.38	1683540.8	-44.16%
International flight	27273.26	127118.4	-78.55%
Regional routes	2333.25	26680.8	-91.25%
Turnover volume of freight transportation (RFTK)(10 thousand TK)	12040.35	14635.46	-17.73%



Including: Domestic flight	11609.72	14184.4	-18.15%
International flight	414.48	306.7	35.15%
Regional routes	16.14	144.4	-88.82%
Volume of passenger traffic (10 thousand passengers)	656.63	1239.36	-47.02%
Including: Domestic flight	638.04	1142.6	-44.16%
International flight	17.26	81.2	-78.75%
Regional routes	1.33	15.6	-91.47%
Cargo & mail traffic volume (ton)	69844.69	85825.18	-18.62%
Including: Domestic flight	66941.56	82902.2	-19.25%
International flight	2805.86	2052.5	36.70%
Regional routes	97.27	870.5	-88.83%
Load factor			
Integrated carrier rate (%)	67.34	75.06	-7.73
Including: Domestic flight	68.02	75.43	-7.41
International flight	52.40	72.61	-20.21
Regional routes	38.03	64.47	-26.45
PLF (%)	71.42	84.00	-12.58
Including: Domestic flight	71.74	84.29	-12.55
International flight	65.06	82.63	-17.57
Regional routes	43.21	73.92	-30.71
Freight Rate (%)	52.51	37.75	14.77
Including: Domestic flight	54.45	39.26	15.19
International flight	27.29	15.06	12.22
Regional routes	18.33	23.80	-5.47
Utilization of aircraft on a daily basis (Daily cycle times per aircraft)	6.02	9.93	-3.91

(2) Fleet structure

In the Period, one B737-800 airplanes was introduced by the Company and no airplane out of service. Up to 30 June 2020, the Company has 125 airplanes in operation and the fleet distribution below:

Model	Numbers	Average service age (Year)
737-700	3	6.7 years
737-800	115	
737-8	7	

(3) Operation



In the first half of 2020, in the face of a series of difficulties and challenges brought about by the novel coronavirus pneumonia epidemic, the company responded quickly and proactively, coordinated and make great efforts to the epidemic prevention and control, safe production and operational benefits, and achieved positive results.

1. The epidemic prevention and control situation was stable, reflecting the corporate responsibility. There was no spread of the epidemic caused by the company's flights; nor confirmed or asymptomatic cases of infection by the company's internal personnel. A total of 36 missions for epidemic prevention and control and transportation of charter flights were carried out, 18 flights were used to transport personnel and materials on the regular shift, and 3,578 medical personnel and 144,498 kilograms of prevention and control materials were transported.

2. Safety position is generally stable. In the first half of the year, a total of 128,300 hours and 61,300 sorties were secured, down 39.99% and 38.75% respectively on a y-o-y basis.

3. Maintain a high level of operational quality. The main business of transportation totally organized and ensured the passenger flights of 61026 flights, the flight punctuality rate was 93.93%, and an increase of 9.08% on a year-on-year basis, ranks No. 1 in the major airlines in Civil Aviation.

4. The benefit situation is unprecedentedly severe. Achieved 4.19 billion yuan in operation revenue with 53.38% down on a y-o-y basis; net profit amounted as -1.30 billion yuan with 1.27 billion yuan declined on a y-o-y basis; we completed a RTK of 977 million TK, and passenger traffic volume came to 6566300 person-time, cargo and mail transport volume reached 69800 tons, a decrease of 44.75%, 47.02% and 18.62% on a y-o-y basis respectively; the passenger load factor (PLF) comes to 71.42%, a 12.58 percentage points down a y-o-y basis; freight rate goes to 52.51%, a 14.77 percentage points up on a y-o-y basis.

The Company mainly carried out the following work:

1. Observed the overall situation and established a "wartime" working mechanism

The first was to improve political positions and strengthen mission responsibility. Resolutely implemented the spirit of General Secretary Jinping's important speech and important instructions on epidemic prevention and control, implemented the Party Central Committee and the State Council's deployment of epidemic prevention and control work and the requirements of higher-level units, and did a good job in epidemic prevention and control at all costs to ensure the risk of epidemic transmission get the most stringent control, and the transportation task of epidemic prevention and control was optimally guaranteed. The second was to strengthen organization and leadership to ensure the implementation of responsibilities. Established a "wartime" work pattern under the leadership of the company's leading group for epidemic prevention and control, and six special working groups including safety production operation, marketing, capital guarantee, internal prevention and control, comprehensive emergency response, and public opinion performed their own duties and advanced collaboratively. The third was to make timely judgments and measures, and take the initiative to prevent risks. Actively identified the situation of epidemic prevention and control and the major risks faced by the company's safe operation and operating efficiency, and timely deployed and implemented various response measures. The fourth was to efficiently coordinate and collaborate to stimulate organizational synergy. The company's first-line production and management support, safe operation and passenger and freight marketing, passenger and freight business, and marketing and other departments have more complete coordination and closer linkage, forming that epidemic prevention and control, safe production, and operating efficiency and other work were planned and supported each other positively within the company.

2. Highlighted key points, strictly implemented, and steadily carried out epidemic prevention and control work

Firstly, continued to improve the standardized procedures for epidemic prevention and control. Strictly implemented the higher-level epidemic prevention and control policy requirements, and formulated prevention and control measures and operating specifications. Secondly, effectively strengthened passenger safety protection and service guarantee. All service departments adhered to the "kind" service concept and strived to reduce the impact of the epidemic on passenger experience. Thirdly, did a solid job of internal prevention and control. Continued to increase the implementation of the epidemic prevention and control regulations for the front-line production and service teams, made every effort to purchase epidemic prevention and control materials, and gave priority to ensuring the supply of prevention and control materials.

3. Strictly observed the bottom line of the safety red line and improved the efficiency of operation guarantee



The first was to strengthen deployment planning around the new features of epidemic prevention and control. In response to the various safety risks brought by the epidemic, we have strengthened management and control efforts, identified and responded to flight operation risks, focused on problems and rectified quickly, and strived to maintain normality and efficiency. The second was to steadily promote safety rectification work. Focusing on the deployment requirements of superiors and outstanding issues in the company's security field, a number of security rectification and rectification work have been carried out. The third was to continue to promote the construction of a safe operation management system.

4. Deployed early, took the initiative, and made every effort to defend the operational efficiency

Firstly, fully optimized the efficiency work mechanism. Prejudged the unprecedentedly severe business situation in advance, clarified control requirements and red lines bottom lines around key points such as production input, marketing, cost management, capital management, and investment management, and formulated and implemented benefit control plans. Secondly, made every effort to grab revenue. Adhered to the principle of maximizing the total marginal contribution, promoted the in-depth coordination of production operation, marketing, and cost links, and strived to achieve dynamic matching of investment reduction and increase measures with the market situation. Thirdly, ensured the safety of funds. Strengthened the management of capital payment plans, and increased capital inflows through various financing measures, the financing costs of medium-term notes and ultra-short-term financing bills were the lowest in the industry during the same period. Fourthly, forcefully reduced costs. The main transportation businesses sorted out various budget reduction and cost reduction measures to reduce costs. The fifth was to persist in looking for opportunities in crisis and focus on accumulating momentum. Insisted on combining current and long-term planning, and steadily promoted the introduction of second-hand aircraft. Took advantage of the epidemic window period to actively obtain strategic resource reserves, and increased the time resources of the top ten airports and the Jiqing main base.

II. Main business analysis

Summary

Item of balance sheet	2020.6.30	2019.12.31	Changes +,-	Reasons
Monetary fund	1,496,006,171.45	598,961,065.69	149.77%	Mainly because considering the future business status and external fund market situation, reserve funds for subsequent payment.
Account receivable	310,976,659.33	456,758,290.60	-31.92%	Mainly because affected by the epidemic, sales of passenger tickets declined in the Period.
Other current assets	229,931,553.60	170,020,416.07	35.24%	Mainly because the retention of VAT increased in the Period.
Other equity instrument investment	471,209,301.20	874,728,633.32	-46.13%	Mainly due to the fair value changes from other equity instrument investment.
Deferred income tax assets	1,538,656,395.88	1,105,378,651.73	39.20%	Mainly because the deductible losses correspond to the recognized deferred income tax assets increased in the Period.
Short-term loans	1,524,339,583.33	300,329,083.33	407.56%	New RMB short-term loans in the Period.
Transaction	993,965.20	126,264.75	687.21%	Mainly due to the change of fair value from



financial liability				interest rate swap contracts held by the Company in the Period.
Accounts received in advance	-	936,873,667.96	-100.00%	Mainly due to the impact from implementing the new revenue standard in the Period.
Contractual liability	180,276,219.03	-	-	Impact from implementing the new revenue standard in the Period and affected by epidemic, pre-sale passenger tickets declined in the Period
Wages payable	165,253,733.47	549,061,919.97	-69.90%	Bonus for last year have paid in the Period
Taxes payable	84,292,465.84	149,437,183.71	-43.59%	The civil aviation development fund payable in the Period declined
Non-current liability due within one year	419,477,970.53	885,299,947.83	-52.62%	The long-term loans due within one year and long-term payable are decreased over that of period-beginning
Other current liabilities	1,011,801,855.68	-	-	Issuing SCP in the Period
Long-term loans	1,126,538,850.40	808,001,382.82	39.42%	New RMB long-term loans in the Period.
Bonds payable	1,005,564,722.23	-	-	Issuing MTN in the Period
Deferred income tax liabilities	131,844,457.30	232,789,494.25	-43.36%	Mainly because the fair value changes from other equity instrument investment correspond to the recognized deferred income tax liability decreased in the Period.
Other comprehensive income	267,848,240.84	570,487,739.92	-53.05%	Mainly due to the fair value changes from other equity instrument investment.
Retained profit	2,319,529,677.55	3,588,847,456.98	-35.37%	Affected by epidemic, loss from profit has major deficit in the Period
Item of profit statement	Jan.-Jun of 2020	Jan.-Jun of 2019	Changes +,-	Reasons
Operating income	4,190,649,796.09	8,989,068,400.72	-53.38%	Affected by epidemic, income declined over that of same period last year
Operating cost	5,502,524,031.31	8,395,245,086.04	-34.46%	Affected by epidemic, changing costs declined over that of same period last year
Sales expense	212,135,078.19	388,566,377.89	-45.41%	Affected by epidemic, the agency handling fee and seat reservation charge declined on a y-o-y basis.
Financial expense	95,131,377.62	70,886,727.56	34.20%	The interest expenses and exchange loss are higher than the same period of last year.
Investment income	3,523,000.00	6,075,806.95	-42.02%	Same period last year, the bonus from Sichuan Airline are recognized.
Loss of credit impairment	3,560,655.71	-752,815.03	572.98%	Recognized according to the accounting policy of bad debt provision.
Income from	13,834.98	32,155.55	-56.97%	Income from assets disposal decreased from



assets disposal				the same period last year
Non-operating income	14,819,384.53	21,585,703.86	-31.35%	The pilot transfer income recognized in the Period was lower than that of same period last year.
Non-operating expense	405,767.84	1,518,515.48	-73.28%	Losses from non-current assets disposal decreased compared with the same period last year
Income tax expense	-442,065,669.75	-17,631,156.20	-2407.30%	Affected by epidemic, profit has major losses in the period, and the income tax expenses decreased compared with the same period last year.
Items of cash flow statement	Jan.-Jun of 2020	Jan.-Jun of 2019	Changes +,-	Reasons
Cash received from selling commodities and providing labor services	3,971,039,075.75	9,527,227,600.19	-58.32%	Affected by epidemic, income declined over that of same period last year
Write-back of tax received	50,973,934.55	82,716,519.16	-38.38%	The tax rebated received in the Period declined over that of same period last year.
Cash paid for purchasing commodities and receiving labor service	4,354,801,724.42	6,916,956,252.90	-37.04%	Affected by epidemic, changing costs declined over that of same period last year
Taxes paid	53,916,310.57	446,584,469.95	-87.93%	The enterprise income tax and civil aviation development fund payable in the Period declined over that of same period last year
Other cash paid concerning operating activities	51,329,374.49	92,050,109.48	-44.24%	The current payment paid in the Period is lower than that of same period last year.
Net cash received from disposal of fixed, intangible and other long-term assets	13,834.98	32,155.55	-56.97%	Income from disposal of fixed assets is lower that that of same period last year.
Other cash received concerning investing activities	-	213,867.45	-100.00%	Received the actual delivery proceeds from interest rate swap contracts in the same period last year
Cash paid for purchasing fixed, intangible and	92,081,258.80	1,221,400,170.90	-92.46%	The payment for purchase aircraft in the Period decreased over that of last year



other long-term assets				
Other cash paid concerning investing activities	247,100.00	-	-	Loss from the actual delivery proceeds from interest rate swap contracts was paid in the Period
Cash received from loans	2,720,000,000.00	590,000,000.00	361.02%	Cash received from financing activities increased in the Period
Cash received from issuing bonds	2,000,000,000.00	-	-	Issuing MTN in the Period
Other cash received concerning financing activities	-	485,947,232.59	-100.00%	At same period last year, received the original purchase right price for two leased aircraft.
Cash paid for settling debts	1,536,479,945.64	664,738,351.88	131.14%	Loan payments increased in the Period compared with the same period last year.
Influence on cash and cash equivalents due to fluctuation in exchange rate	-166,297.50	-9,594,042.56	98.27%	Changes in exchange rate of RMB against foreign currencies

In RMB

Changes on a y-o-y basis from main financial data

In RMB

	Current Period	Same period last year	Y-o-y changes (+,-)	Reasons
Operating income	4,190,649,796.09	8,989,068,400.72	-53.38%	Affected by epidemic, income declined over that of same period last year
Operating cost	5,502,524,031.31	8,395,245,086.04	-34.46%	Affected by epidemic, changing costs declined over that of same period last year
Sales expense	212,135,078.19	388,566,377.89	-45.41%	Affected by epidemic, the agency handling fee and seat reservation charge declined on a y-o-y basis.
Administrative expense	164,119,792.84	219,351,048.16	-25.18%	
Financial expense	95,131,377.62	70,886,727.56	34.20%	The interest expenses and exchange loss are higher than the same period of last year.
Income tax expense	-442,065,669.75	-17,631,156.20	-2,407.30%	Affected by epidemic, loss from profit has major deficit in the Period, income tax expenses declined on a



				y-o-y basis
R&D investment	10,424,275.10	8,960,946.50	16.33%	
Net cash flows arising from operating activities	-1,897,748,778.43	544,076,655.68	-448.80%	Affected by epidemic, income declined over that of same period last year
Net cash flows arising from investing activities	-92,314,523.82	-1,221,154,147.90	92.44%	The payment for purchase aircraft in the Period decreased over that of last year
Net cash flows arising from financing activities	2,887,274,705.51	149,904,556.11	1,826.08%	Cash received from financing activities increased in the Period
Net increase of cash and cash equivalents	897,045,105.76	-536,766,978.67	267.12%	

There are no significant changes in the composition or sources of profit in the Period

Composition of operating income

In RMB

	Current Period		Same period last year		Y-o-y changes (+,-)
	Amount	Ratio in operating income	Amount	Ratio in operating income	
Total operating income	4,190,649,796.09	100%	8,989,068,400.72	100%	-53.38%
According to products					
Air transport service	3,879,665,762.66	92.58%	8,637,054,182.79	96.09%	-55.08%
Logistics freight service	12,244,119.20	0.29%	13,687,428.43	0.15%	-10.54%
Hotel & catering service	10,986,047.47	0.26%	15,068,517.60	0.17%	-27.09%
Training service	1,952,877.43	0.05%	3,740,543.55	0.04%	-47.79%
Other	285,800,989.33	6.82%	319,517,728.35	3.55%	-10.55%
According to region					
Domestic	3,990,829,621.76	95.23%	8,135,578,018.15	90.51%	-50.95%
International	183,834,928.39	4.39%	677,956,579.34	7.54%	-72.88%
Region	15,985,245.94	0.38%	175,533,803.23	1.95%	-90.89%

The industries, products, or regions accounting for over 10% of the company's operating income or operating profit

In RMB

	Operating income	Operating cost	Gross profit ratio	Increase/decrease of operating income y-o-y	Increase/decrease of operating cost y-o-y	Increase/decrease of gross profit ratio y-o-y



According to products						
Air transport service	3,879,665,762.66	5,469,745,509.50	-40.98%	-55.08%	-34.58%	44.18 percentage points down
According to region						
Domestic	3,990,829,621.76	5,233,259,466.23	-31.13%	-51.00%	-44.35%	38.27 percentage points down

Under circumstances of adjustment in reporting period for statistic scope of main business data, adjusted main business based on latest one year's scope of period-end

Applicable Not applicable

Reasons for the above 30% y-o-y changes in relevant data

Applicable Not applicable

III. Analysis of the non-main business

Applicable Not applicable

IV. Analysis of Assets and liability

1. Major changes of assets composition

In RMB

	2020.6.30		2019.12.31		Ratio changes	Notes of major changes
	Amount	Ratio in total assets	Amount	Ratio in total assets		
Monetary fund	1,496,006,171.45	8.19%	598,961,065.69	3.44%	4.75 percentage points up	Mainly because considering the future business status and external fund market situation, reserve funds for subsequent payment.
Account receivable	310,976,659.33	1.70%	456,758,290.60	2.63%	0.93 percentage points down	Mainly because affected by the epidemic, sales of passenger tickets declined in the Period.
Inventory	131,619,976.04	0.72%	109,435,256.69	0.63%	0.09 percentage points up	
Fix assets	7,185,074,093.65	39.34%	7,362,687,431.80	42.33%	2.99 percentage points down	
Construction in process	5,723,067,227.61	31.34%	5,479,071,703.01	31.50%	0.16 percentage points down	
Short-term loans	1,524,339,583.33	8.35%	300,329,083.33	1.73%	6.62 percentage	New RMB short-term loans



					points up	in the Period.
Long-term loans	1,126,538,850.40	6.17%	808,001,382.82	4.65%	1.52 percentage	New RMB long-term loans points up in the Period.

2. Assets and liability measured by fair value

In RMB

Item	Opening amount	Gains/losses of changes in fair value	Accumulative changes in fair value reckoned into equity	Impairment accrual in this period	Amount purchased in the Period	Amount sold in the Period	Other changes	Closing amount
Financial assets								
4. Other equity instrument investment	874,728,633.32	-403,519,332.12	382,857,201.20					471,209,301.20
Subtotal of financial assets	874,728,633.32	-403,519,332.12	382,857,201.20					471,209,301.20
The above total	874,728,633.32	-403,519,332.12	382,857,201.20					471,209,301.20
Financial liability	126,264.75	867,700.45						993,965.20

Whether there have major changes on measurement attributes for main assets of the Company in report period or not

Yes No

3. Assets rights restricted till end of the period

Nil

V. Investment

1. Overall situation

Applicable Not applicable

2. The major equity investment obtained in the reporting period

Applicable Not applicable

3. The major non-equity investment doing in the reporting period

Applicable Not applicable

**4. Financial assets measured by fair value**

□ Applicable ✓ Not applicable

5. Financial assets investment**(1) Securities investment**

The Company had no securities investment in the reporting period.

(2) Derivative investment

The Company has no derivatives investment in the reporting period.

VI. Sales of major assets and equity**1. Sales of major assets**

The Company has no sales of major assets in the reporting period.

2. Sales of major equity

□ Applicable ✓ Not applicable

VII. Analysis of main holding Company and stock-jointly companies

Main subsidiary and stock-jointly enterprise with over 10% influence on net profit of the Company

In RMB

Company name	Type	Main business	Register capital	Total assets	Net assets	Operating income	Operating profit	Net profit
Shandong Airlines Logistic Co., Ltd.	Subsidiary	Agency service of land service for the air cargo station, storage of goods and ground distribution service etc.	30,000,000	92,525,079.37	75,070,447.13	19,571,910.20	756,338.16	574,593.72
Qingdao Feisheng International Aviation Technology Development Training Co.,	Subsidiary	Development and application of the new and hi-tech of civil aviation, relevant business and consulting services of pilot	51,545,500	66,653,978.48	66,408,305.57	865,188.66	-1,252,390.57	-1,253,255.57



Ltd.		training						
Shandong Jinping Air Food Co., Ltd.	Subsidiary	Air food supplying, catering service	22,000,000	50,778,158.26	34,040,731.83	16,617,116.93	-2,479,593.13	-1,823,996.84
Shandong Airline Qingdao Food Co., Ltd.	Subsidiary	Souvenir processing; production and processing of the air foods and delivery service	3,380,000	34,256,991.25	25,932,031.93	7,818,279.52	-1,478,656.11	-1,096,216.67
Shandong Rainbow Corporate Aircraft Co., Ltd.	Stock-jointly enterprise	Marine petroleum service, medical aid, aviation exploration and business flying etc.	50,000,000	1,823,809.53	-165,942,003.80	-	-684.00	-684.00

Particular about subsidiaries obtained or disposed in report period

Applicable Not applicable

VIII. Structured vehicle controlled by the Company

Applicable Not applicable

IX. Prediction of business performance from January – September 2020

Estimation on accumulative net profit from the beginning of the year to the end of next report period to be loss probably or the warning of its material change compared with the corresponding period of the last year and explanation on reason

Applicable Not applicable

X. Risks and countermeasures

(1) Risks

1. The risk of macroeconomic fluctuations

The prosperity of civil aviation industry is closely related to the domestic and international macroeconomic development. The macroeconomic prosperity directly affects the development of economic activities, the disposable income of residents and the increase or decrease of import and export trade volume, and thus affects the demand for air passenger transport and air cargo transport.

2. Competition risk

With the gradual opening of the domestic civil aviation market, the competition among the four major aviation groups, foreign airlines, and small and medium-sized airlines in terms of scale, flight schedules, prices, and services has become increasingly fierce, the contradiction between the expansion of the industry's fleet and the lack of market resources needs to be digested, which poses greater challenges to the company's business model and management level.



3. The risk of aviation oil price fluctuations

The aviation oil cost is the company's most important cost expenditure. The fluctuations in the international crude oil price and the adjustment to the domestic aviation oil price of the National Development and Reform Commission will have a greater impact on the company's profitability.

4. The risk of exchange rate fluctuations

The debt structure of the company is mainly in U.S. dollars, and the aircraft rents, aircraft maintenance, and other major costs are mainly paid in U.S. dollars, the RMB devaluation shall increase the company's costs and exchange losses.

5. Other force majeure risks

The external environment has a great influence on the civil aviation transportation, the natural disasters, sudden public health incidents, terrorist attacks and political turmoil will affect the normal operations of airlines and then will adversely affect the company's production and operations.

6. Risks of being affected by the epidemic

Due to the extremely rapid infection of the novel coronavirus pneumonia, the numerous countries and regions affected by the epidemic, the increasing number of infected patients, the decline in passenger demand and the continuous introduction of travel restrictions by governments of various countries, the novel coronavirus pneumonia epidemic has had a great impact on the global air transport industry. The airline's passenger traffic has dropped sharply, and the airline's cash flow is facing greater pressure. At the same time, it has undertaken the task of transporting a large number of anti-epidemic personnel and materials for the country, which incurred higher operating costs during this period. In the short term, the epidemic will put a certain amount of cash flow pressure on the company's operations and bring certain profit losses, and the company will have greater short-term financing needs.

(2) Countermeasures

The company must adhere to the guidance of Xi Jinping Thought on Socialism with Chinese Characteristics in a New Era, thoroughly implement the spirits of the 19th National Congress of the Communist Party of China, the Second, Third and Fourth Plenary Sessions of the 19th Central Committee, and General Secretary Xi Jinping's spirit of the series of instructions or comments on the overall planning of epidemic prevention and control and economic and social development, under the premise of normalization of epidemic prevention and control, adhere to the general tone of the work of seeking progress while maintaining stability, adhere to the new development concept, adhere to the supply-side structural reform as the main line, adhere to the high-quality development path, and resolutely fight three tough battles, i.e. "epidemic prevention and control, safe production, and operational efficiency", strictly adhere to the bottom line of survival, lay a solid foundation for development, and build momentum for long-term response to crisis and changes.

Focus on the following tasks:

1. Consolidate and optimize the working mechanism to fully stimulate the "wartime" state

The first is to improve the working mechanism of overcoming difficulties. It is necessary to further establish and improve governance and management mechanisms that are conducive to stimulating a sense of crisis, urgency, enterprising spirit, and responsibility for the needs of responding to changes in crisis. The goal and pressure of winning the "three tough battles" should be transmitted to all areas and links of production, operation and management, ensuring effective input of energy and resources, and prioritizing problems. It is necessary to consolidate and deepen the special work mechanism of "company making overall planning, working groups taking responsibility", consolidate the main responsibility, strengthen overall planning, and strive to form a favorable situation of coordinated advancement and mutual support of epidemic prevention and control, safe production, and operational efficiency. The second is to improve the normalized epidemic prevention and control work mechanism. It is necessary to closely track the epidemic situation, grasp the policy requirements in time, improve the normalized prevention and control work system and the emergency response plan, and improve the efficiency and effectiveness of the epidemic prevention and treatment work. It is necessary to ensure that the bottom line is not to occur due to the spread of the epidemic caused by the company's flight, and no confirmed or asymptomatic infection cases of the company's internal personnel.

2. Strictly observe the bottom line of safety and improve the efficiency of operation organization



The first is to continue to strengthen the political responsibility to ensure security. Fully understand the political significance of ensuring continued safety for the overall situation of epidemic prevention and control and the company's survival and development, and further enhance the vigilance and consciousness of safety management. The second is to strengthen risk prevention and control to ensure operational safety. The third is to do a good job in operation control under the new environment. In response to the normalized situation of epidemic prevention and control, we must coordinate the implementation of epidemic prevention and control policies during the operation process, continue to strengthen the construction of the emergency response system, promote more comprehensive emergency management responsibilities, resources, and capabilities, and make response and handling more timely and effective.

3. Go all out to grab revenue and reduce expenditure, improve core competitiveness

The first is to resolutely optimize the air route network structure. Make full use of the government policy window, focus on improving the company's route network structure, focus on improving the use value of the top ten airports, and actively strive for time resources in the hot market of bases and hubs. The second is to strengthen the passenger-cargo linkage and make every effort to grab revenue. The third is to reduce costs in an all-round way. We must vigorously advocate the spirit of hard work, diligence and thrift, and fully conduct cost pressures. The fourth is to ensure the safety of funds. Increase fund raising efforts to maintain the company's short-term cash liquidity; continue to promote the issuance of medium term notes and corporate bonds to ensure the company's medium and long-term cash flow security. The fifth is to strengthen policy efforts and external coordination. Pay close attention to relevant national, local, and industry-related support policies and tax reduction and burden reduction measures, and do everything possible to strive for subsidies.



Section V. Important Events

I. In the report period, the Company held annual shareholders' general meeting and extraordinary shareholders' general meeting

1. Shareholders' General Meeting in the report period

Session of meeting	Type	Ratio of investor participation	Date	Date of disclosure	Index of disclosure
First Extraordinary General Meeting Shareholders of 2020	Extraordinary general meeting	68.54%	2020-03-18	2020-03-19	Notice No.: 2020-08
Annual General Meeting of 2019	AGM	68.65%	2020-06-18	2020-06-19	Notice No.: 2020-24

2. Request for extraordinary general meeting by preferred stockholders whose voting rights restore

Applicable Not applicable

II. Profit distribution plan and capitalizing of common reserves plan for the reporting period

The Company has no plans of cash dividend distributed, no bonus shares and has no share converted from capital reserve either for the semi-annual year.

III. Commitments that actual controller, shareholder, related parties, buyer and committed party as the Company etc. have fulfilled during the reporting period and have not yet fulfilled by the end of reporting period

There are no commitments that the actual controller, shareholder, related parties, buyer and committed party as the Company etc. have fulfilled during the reporting period and have not yet fulfilled by the end of reporting period

IV. Appointment and non-reappointment (dismissal) of CPA

Semi-annual report of the Company has not been audited.

V. Explanation from Board of Directors and Supervisory Committee for "Qualified Opinion" that issued by CPA

Applicable Not applicable

**VI. Explanation from the Board for “Qualified Opinion” of last year’s**

Applicable Not applicable

VII. Bankruptcy reorganization

No bankruptcy reorganization for the Company in the reporting period.

VIII. Lawsuits

During the reporting period, the Company has no major litigation or arbitration matter.

Other litigation matters

Applicable Not applicable

IX. Media questioning

No media generally questioned matters in the reporting period.

X. Penalty and rectification

No penalty or rectification for the Company in the reporting period.

XI. Integrity of the Company and its controlling shareholders and actual controllers

Applicable Not applicable

XII. Implementation of the Company’s stock incentive plan, employee stock ownership plan or other employee incentives

The Company has no equity incentive plan, employee stock ownership plans or other employee incentives in the reporting period.

XIII. Major related transaction**1. Related transaction with routine operation concerned**

Related transaction parties	Related relationship	Related transaction type	Related transaction content	Pricing principle	Dealing price	Trading amount (in 10 thousand Yuan)	Proportion in the amount of the same transaction	Approved transaction amount (in 10 thousand Yuan)	Whether to exceed the approved amount	Means of payments	Market price of similar transaction available	Date of disclosure	Index of disclosure
STAEC	Subsidiary	Sales of	Sales of	Market	740,097.	74.01		118	No	Cash	740,097.	2020-03	2020-1



O	ry of the largest shareholder	goods/offerings labor service	air material revenue	price	03					settleme nt	03	-28	2
Shandong Xiangyu Aeronautical Technology Service Co., Ltd.	Subsidiary of the largest shareholder	Sales of goods/offerings labor service	Sales of air material revenue	Market price	1,211,429.60	121.14		100	Yes	Cash settleme nt	1,211,429.60	2020-03-28	2020-12
Shandong Airlines Rainbow Automobile Service Co., Ltd.	Subsidiary of the largest shareholder	Sales of goods/offerings labor service	Warehousing fee income/Property fee income	Market price	193,000.64	19.3		42.75	No	Cash settleme nt	193,000.64	2020-03-28	2020-12
Shandong Airlines Xinzhihang Media Co., Ltd.	Subsidiary of the largest shareholder's subsidiary	Sales of goods/offerings labor service	Media resource usage fee	Market price	11,245,008.15	1,124.5		1,200	No	Cash settleme nt	11,245,008.15	2020-03-28	2020-12
Air China	Second largest shareholder	Sales of goods/offerings labor service	Agency commission revenue	Market price	377,953.98	37.8		88.5	No	Cash settleme nt	377,953.98	2020-03-28	2020-12
Air China	Second largest shareholder	Sales of goods/offerings labor service	Ground services revenue	Market price	2,545,407.74	254.54		1,001	No	Cash settleme nt	2,545,407.74	2020-03-28	2020-12



Air China	Second largest shareholder	Sales of goods/offering labor service	Non-routine maintenance / revenue from aircraft service	Market price	78,013.01	7.8		43	No	Cash settlement	78,013.01	2020-03-28	2020-12
Air China	Second largest shareholder	Sales of goods/offering labor service	Sales/lease of air material revenue	Market price	673,114.34	67.31		32	Yes	Cash settlement	673,114.34	2020-03-28	2020-12
Air China	Second largest shareholder	Sales of goods/offering labor service	Simultaneous maintenance/hold use leasing revenue	Market price	2,242,714.26	224.27		224.27	No	Cash settlement	2,242,714.26	2020-03-28	2020-12
AMECO	Subsidiary of the second largest shareholder	Sales of goods/offering labor service	Sales/lease of air material revenue	Market price	0	0		180	No	Cash settlement	0	2020-03-28	2020-12
SDA	Largest shareholder	Purchase goods / Accept labor service	Office rent and accommodation fee	Market price	14,976,703.49	1,497.67		4,000	No	Cash settlement	14,976,703.49	2020-03-28	2020-12
SDA	Largest shareholder	Purchase goods / Accept labor service	Residence fee	Market price	3,214,498.71	321.45		1,206	No	Cash settlement	3,214,498.71	2020-03-28	2020-12
STAECO	Subsidiary of the largest shareholder	Purchase goods / Accept labor service	Aircraft maintenance costs	Market price	35,746,862.98	3,574.69		19,030	No	Cash settlement	35,746,862.98	2020-03-28	2020-12
Shandong	Subsidiary	Purchase	Maintenance	Market price	34,850,6	3,485.07		12,020	No	Cash	34,850,6	2020-03	2020-1



g Xiangyu Aeronau tical Technol ogy Service Co., Ltd.	ry of the largest sharehol der	e goods / Accept labor service	ance cost	price	52.86					settleme nt	52.86	-28	2
Shandon g Airlines Rainbo w Automo bile Service Co., Ltd.	Subsidia ry of the largest sharehol der	Purchas e goods / Accept labor service	Vehicle rental fee and mainten ance fee	Market price	30,677.7 13.74	3,067.77		8,496	No	Cash settleme nt	30,677.7 13.74	2020-03 -28	2020-1 2
Shandon g Airlines Rainbo w Automo bile Service Co., Ltd.	Subsidia ry of the largest sharehol der	Purchas e goods / Accept labor service	Residen ce fee	Market price	906,540. 37	90.65		500	No	Cash settleme nt	906,540. 37	2020-03 -28	2020-1 2
Shandon g Airlines Rainbo w Automo bile Service Co., Ltd.	Subsidia ry of the largest sharehol der	Purchas e goods / Accept labor service	Abnorm al flights	Market price	140,577. 98	14.06		55	No	Cash settleme nt	140,577. 98	2020-03 -28	2020-1 2
Shandon g Airlines Xinzhih	Subsidia ry of the largest sharehol	Purchas e goods / Accept labor	Aircraft supplies and advertisi	Market price	3,295,76 2.42	329.58		950	No	Cash settleme nt	3,295,76 2.42	2020-03 -28	2020-1 2



ang Media Co., Ltd.	der's subsidiary	service	ng fees										
Air China	Second largest shareholder	Purchase goods / Accept labor service	Agency commission expenditure	Market price	471,312. 08	47.13		136.6	No	Cash settlement	471,312. 08	2020-03 -28	2020-1 2
Air China	Second largest shareholder	Purchase goods / Accept labor service	Ground service expenditure	Market price	5,642,47 1.45	564.25		1,956.63	No	Cash settlement	5,642,47 1.45	2020-03 -28	2020-1 2
Air China	Second largest shareholder	Purchase goods / Accept labor service	Abnormal flight and resident group expenses	Market price	12,391,5 50.65	1,239.16		2,357	No	Cash settlement	12,391,5 50.65	2020-03 -28	2020-1 2
Air China	Second largest shareholder	Purchase goods / Accept labor service	Mainten ance cost	Market price	2,844,65 5.73	284.47		750	No	Cash settlement	2,844,65 5.73	2020-03 -28	2020-1 2
Air China	Second largest shareholder	Purchase goods / Accept labor service	Purchasing/leasing air material expenditure	Market price	143,367. 07	14.34		55	No	Cash settlement	143,367. 07	2020-03 -28	2020-1 2
Air China	Second largest shareholder	Purchase goods / Accept labor service	Catering	Market price	213,383. 51	21.34		160	No	Cash settlement	213,383. 51	2020-03 -28	2020-1 2
AMEC O	Subsidiary of the second largest shareholder	Purchase goods / Accept labor service	Ground service expenses	Market price	6,864,20 7.26	686.42		3,600	No	Cash settlement	6,864,20 7.26	2020-03 -28	2020-1 2



	der												
AMEC O	Subsidiary of the second largest shareholder	Purchase goods / Accept labor service	Maintenance cost	Market price	34,077,598.52	3,407.76		8,200	No	Cash settlement	34,077,598.52	2020-03-28	2020-12
AMEC O	Subsidiary of the second largest shareholder	Purchase goods / Accept labor service	Purchasing/leasing air material expenditure	Market price	125,905.30	12.59		20	No	Cash settlement	125,905.30	2020-03-28	2020-12
Sichuan Services Aero-Engine Maintenance Co., Ltd.	Joint venture of second largest shareholder	Purchase goods / Accept labor service	Maintenance cost	Market price	42,494,668.19	4,249.47		14,000	No	Cash settlement	42,494,668.19	2020-03-28	2020-12
Air China	Second largest shareholder	Other related transaction	Frequent passenger cooperation	Agreement price	24,200,000.00	2,420		10,000	No	Cash settlement	24,200,000.00	2020-03-28	2020-12
Total				--	--	27,258.54	--	90,521.75	--	--	--	--	--
Details of return of sales in significant amount				Not applicable									
Report the actual implementation of the normal related transactions which were projected about their total amount by types during the reporting period (if any)				Not applicable									
Reasons for major difference between trading price and market reference price (if applicable)				Not applicable									



2. Related transactions of assets/equity acquisition and sold

No related transactions of assets/equity acquisition and sold for the Company in the reporting period.

3. Main related transactions of mutual investment outside

No main related transactions of mutual investment outside for the Company in the reporting period.

4. Contact of related credit and debt

There are no related credits or liabilities occurred in the reporting period.

5. Other related transactions

The Company has no other major related transaction in the reporting period.

XIV. Non-business capital occupying by controlling shareholders and its related parties

No non-business capital occupied by controlling shareholders and its related parties in the reporting period.

XV. Significant contract and implementations

1. Trusteeship, contract and leasing

(1) Trusteeship

No trusteeship for the Company in the reporting period.

(2) Contract

No contract for the Company in the reporting period.

(3) Leasing

No leasing for the Company in the reporting period.

2. Major guarantees

No guarantees for the Company in the reporting period.

3. Trust financing

No trust financing for the Company in the reporting period.



4. Other material contracts

No other material contracts for the Company in the reporting period.

XVI. Social responsibility

1. Major environmental protection

The company and its subsidiaries do not belong to the key pollutant discharge units announced by the environmental protection department.

2. Fulfill the social responsibility of target poverty alleviation

The Company has no target poverty alleviation temporary in the half year and no subsequent program either.

XVII. Other major events

No other major events of the Company that need to be explained in the reporting period.

XVIII. Major event of the subsidiaries

Applicable Not applicable



Section VI. Changes in Shares and Particulars about Shareholders

I. Changes in Share Capital

1. Changes in Share Capital

In Share

	Before changes		(+,-)					After changes	
	Amount	Ratio	New issue	Bonus	Capitalization of public reserve	Other	Subtotal	Amount	Ratio
I. Unlisted shares	260,000,000	65.00%						260,000,000	65.00%
1. Sponsor shares	168,601,000	42.15%						168,601,000	42.15%
Including: State-owned shares	168,402,000	42.10%						168,402,000	42.10%
Domestic corporate shares	199,000	0.05%						199,000	0.05%
4. Preferred stock or other	91,399,000	22.85%						91,399,000	22.85%
II. Listed shares	140,000,000	35.00%						140,000,000	35.00%
2. Domestically listed foreign shares	140,000,000	35.00%						140,000,000	35.00%
III. Total shares	400,000,000	100.00%						400,000,000	100.00%

Reasons for share changed

 Applicable Not applicable

Approval of share changed

 Applicable Not applicable

Ownership transfer of share changes

 Applicable Not applicable

Implementation progress of the share repurchases

 Applicable Not applicable

Implementation progress of the reduction of repurchases shares by centralized bidding

 Applicable Not applicable

Influence on the basic EPS and diluted EPS as well as other financial indexes of net assets per share attributable to common shareholders of Company in latest year and period

 Applicable Not applicable



Other information necessary to disclose or need to disclosed under requirement from security regulators

Applicable Not applicable

2. Changes of restricted shares

Applicable Not applicable

II. Securities issuance and listing

Applicable Not applicable

III. Number of shares and shares held

In Share

Total common stock shareholders in reporting period-end		14,316		Total preference shareholders with voting rights recovered at end of reporting period (if applicable) (found in note 8)			0	
Particulars about shares held above 5% by shareholders or top ten shareholders								
Shareholders	Nature of shareholder	Proportion of shares held	Total common shares hold at the end of report period	Changes in report period	Amount of un-listed common shares held	Amount of listed common shares held	Number of shares pledged/frozen	
							State of share	Amount
Shandong Aviation Group	State-owned legal person	42.00%	168,004,000	0	168,004,000	0		
Air China Limited	State-owned legal person	22.80%	91,200,000	0	91,200,000	0		
NORGES BANK	Foreign legal person	0.87%	3,498,479	0	0	3,498,479		
VANGUARD TOTAL INTERNATIONAL STOCK INDEX FUND	Foreign legal person	0.84%	3,375,395	1,046,044	0	3,375,395		
WANXIANG INTERNATIONAL INVESTMENT CORPORATION	Foreign legal person	0.66%	2,658,100	0	0	2,658,100		
VANGUARD	Foreign	0.54%	2,170,317	-790,600	0	2,170,317		



EMERGING MARKETS STOCK INDEX FUND	legal person							
ISHARES CORE MSCI EMERGING MARKETS ETF	Foreign legal person	0.45%	1,816,418	-189,500	0	1,816,418		
Hou Chunhu	Domestic nature person	0.45%	1,796,145	21,100	0	1,796,145		
Chen Jingjian	Domestic nature person	0.40%	1,595,200	0	0	1,595,200		
Wang Jingqing	Domestic nature person	0.33%	1,319,553	0	0	1,319,553		
Strategy investors or general legal person becomes top 10 shareholders due to rights issued (if applicable) (found in note 3)	N/A							
Explanation on related relationship or concerted action among the above mentioned shareholders	<p>1. Shandong Aviation Group (SDA) is the first largest shareholder of the Company, who holds the shares of the Company on behalf of the State with unlisted shares;</p> <p>2. Air China Limited is the second largest shareholder of the Company, who holds the shares of the Company on behalf of the State with unlisted shares;</p> <p>3. Among the above top ten shareholders, Air China Limited is the first largest shareholder of the SDA, and there exists no associated relationship between SDA and Air China and the other shareholders, and they don't belong to the consistent actionist regulated by the Management Regulation of Information Disclosure on Change of Shareholding for Listed Companies with the other shareholders.</p>							
Shareholding of top 10 circulated shareholders								
Shareholders	Amount of listed shares held at end of the Period		Type of shares					
			Type	Amount				
NORGES BANK	3,498,479		Domestically listed foreign shares	3,498,479				
VANGUARD TOTAL INTERNATIONAL STOCK INDEX FUND	3,375,395		Domestically listed foreign shares	3,375,395				
WANXIANG INTERNATIONAL INVESTMENT CORPORATION	2,658,100		Domestically listed foreign shares	2,658,100				
VANGUARD EMERGING MARKETS	2,170,317		Domestically	2,170,317				



STOCK INDEX FUND		listed foreign shares	
ISHARES CORE MSCI EMERGING MARKETS ETF	1,816,418	Domestically listed foreign shares	1,816,418
Hou Chunhu	1,796,145	Domestically listed foreign shares	1,796,145
Chen Jingjian	1,595,200	Domestically listed foreign shares	1,595,200
Wang Jingqing	1,319,553	Domestically listed foreign shares	1,319,553
GUOTAI JUNAN SECURITIES(HONGKONG) LIMITED	830,815	Domestically listed foreign shares	830,815
Ou Yanping	777,699	Domestically listed foreign shares	777,699
Expiation on associated relationship or consistent actors within the top 10 un-restrict shareholders and between top 10 un-restrict shareholders and top 10 common stock shareholders	The Company is not aware of their associated relationship among the top 10 shareholders of circulation share, and is unknown whether other circulation shareholders belong to the consistent actionist regulated by the Management Regulation of Information Disclosure on Change of Shareholding for Listed Companies.		

Top ten common shareholders or top ten common shareholders with un-restrict shares not held have a buy-back agreement dealing in reporting period.

IV. Changes of controlling shareholders or actual controller

The controlling shareholder of the Company has no changed in reporting period.

The actual controller of the Company has no changed in reporting period.



Section VII. Preferred Stock

The Company had no preferred stock in the reporting.



Section VIII. Convertible Bonds

Applicable Not applicable

The Company had no convertible bonds in the Period.



Section IX. Directors, Supervisors and Senior Executives

I. Changes of shares held by directors, supervisors and senior executives

Shares held by directors, supervisors and senior executives have no changes in reporting period, found more details in Annual Report 2019.

II. Resignation and dismissal of directors, supervisors and senior executives

Name	Position	Type	Date	Reason
Jiang Chengda	Director	Leave office	2020-03-02	Age reason
Xue Ruitao	Supervisor	Leave office	2020-03-12	Age reason



Section X. Corporate Bonds

Whether the Company has corporate bonds that issuance publicly and listed on stock exchange and without due on the date when semi-annual report approved for released or fail to cash in full on due

No



Section XI. Financial Report

I. Audit report

The semi-annual financial report has not been audited.

II. Financial Statement

Statement in Financial Notes are carried in RMB/CNY

1. Consolidated Balance Sheet

Prepared by Shandong Airlines Co., Ltd.

2020-06-30

In RMB

Item	2020-6-30	2019-12-31
Current assets:		
Monetary funds	1,496,006,171.45	598,961,065.69
Settlement provisions		
Capital lent		
Tradable financial assets		
Derivative financial assets		
Note receivable		
Account receivable	310,976,659.33	456,758,290.60
Receivable financing		
Accounts paid in advance	192,479,072.14	232,061,479.78
Insurance receivable		
Reinsurance receivables		
Contract reserve of reinsurance receivable		
Other account receivable	232,693,686.61	232,147,324.23
Including: Interest receivable		
Dividend receivable	3,770,100.00	
Buying back the sale of financial assets		
Inventories	131,619,976.04	109,435,256.69



Contractual assets		
Assets held for sale		
Non-current asset due within one year		
Other current assets	229,931,553.60	170,020,416.07
Total current assets	2,593,707,119.17	1,799,383,833.06
Non-current assets:		
Loans and payments on behalf		
Debt investment		
Other debt investment		
Long-term account receivable		
Long-term equity investment		
Investment in other equity instrument	471,209,301.20	874,728,633.32
Other non-current financial assets		
Investment real estate		
Fixed assets	7,185,074,093.65	7,362,687,431.80
Construction in progress	5,723,067,227.61	5,479,071,703.01
Productive biological asset		
Oil and gas asset		
Right-of-use assets		
Intangible assets	112,751,906.23	113,459,129.62
Expense on Research and Development		
Goodwill	454,020.13	454,020.13
Long-term expenses to be apportioned	638,840,524.62	657,772,583.81
Deferred income tax asset	1,538,656,395.88	1,105,378,651.73
Other non-current asset		
Total non-current asset	15,670,053,469.32	15,593,552,153.42
Total assets	18,263,760,588.49	17,392,935,986.48
Current liabilities:		
Short-term loans	1,524,339,583.33	300,329,083.33
Loan from central bank		
Capital borrowed		



Trading financial liability	993,965.20	126,264.75
Derivative financial liability		
Note payable	436,294,100.67	402,996,891.30
Account payable	2,812,443,390.87	2,482,248,514.51
Accounts received in advance		936,873,667.96
Contractual liability	180,276,219.03	
Selling financial asset of repurchase		
Absorbing deposit and interbank deposit		
Security trading of agency		
Security sales of agency		
Wage payable	165,253,733.47	549,061,919.97
Taxes payable	84,292,465.84	149,437,183.71
Other account payable	641,632,268.07	586,143,459.66
Including: Interest payable		
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	419,477,970.53	885,299,947.83
Other current liabilities	1,011,801,855.68	
Total current liabilities	7,276,805,552.69	6,292,516,933.02
Non-current liabilities:		
Insurance contract reserve		
Long-term loans	1,126,538,850.40	808,001,382.82
Bonds payable	1,005,564,722.23	
Including: Preferred stock		
Perpetual capital securities		
Lease liability		
Long-term account payable	4,866,954,921.48	4,623,939,875.40
Long-term wages payable	149,521,917.04	152,746,225.21



Accrual liability		
Deferred income	104,968,440.29	109,423,070.21
Deferred income tax liabilities	131,844,457.30	232,789,494.25
Other non-current liabilities		
Total non-current liabilities	7,385,393,308.74	5,926,900,047.89
Total liabilities	14,662,198,861.43	12,219,416,980.91
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	267,848,240.84	570,487,739.92
Reasonable reserve		
Surplus public reserve	538,773,444.97	538,773,444.97
Provision of general risk		
Retained profit	2,319,529,677.55	3,588,847,456.98
Total owner's equity attributable to parent company	3,601,561,727.06	5,173,519,005.57
Minority interests		
Total owner's equity	3,601,561,727.06	5,173,519,005.57
Total liabilities and owner's equity	18,263,760,588.49	17,392,935,986.48

Legal Representative: Sun Xiujiang

Person in charge of Accounting Works: Xu Guojian

Person in charge of Accounting Institution: Zhou Shoubin

2. Balance Sheet of Parent Company

In RMB

Item	2020-6-30	2019-12-31
Current assets:		
Monetary funds	1,490,934,639.50	563,534,831.81



Trading financial assets		
Derivative financial assets		
Note receivable		
Account receivable	309,657,169.66	456,602,459.51
Receivable financing		
Accounts paid in advance	192,459,072.14	231,804,126.69
Other account receivable	239,377,273.02	237,966,773.59
Including: Interest receivable		
Dividend receivable	3,770,100.00	
Inventories	130,198,720.99	108,006,448.04
Contractual assets		
Assets held for sale		
Non-current assets maturing within one year		
Other current assets	229,362,528.12	169,612,615.24
Total current assets	2,591,989,403.43	1,767,527,254.88
Non-current assets:		
Debt investment		
Other debt investment		
Long-term receivables		
Long-term equity investments	144,101,285.43	144,101,285.43
Investment in other equity instrument	471,209,301.20	874,728,633.32
Other non-current financial assets		
Investment real estate		
Fixed assets	7,088,159,478.29	7,265,719,146.41
Construction in progress	5,723,067,227.61	5,479,071,703.01
Productive biological assets		
Oil and natural gas assets		
Right-of-use assets		
Intangible assets	100,168,078.85	100,681,207.47
Research and development costs		
Goodwill		
Long-term deferred expenses	638,737,410.56	657,569,167.99
Deferred income tax assets	1,536,964,158.81	1,104,641,386.20



Other non-current assets		
Total non-current assets	15,702,406,940.75	15,626,512,529.83
Total assets	18,294,396,344.18	17,394,039,784.71
Current liabilities		
Short-term borrowings	1,524,339,583.33	300,329,083.33
Trading financial liability	993,965.20	126,264.75
Derivative financial liability		
Notes payable	436,294,100.67	402,996,891.30
Account payable	2,826,457,047.03	2,494,426,631.18
Accounts received in advance		935,722,229.11
Contractual liability	179,068,810.47	
Wage payable	158,761,290.45	539,824,147.52
Taxes payable	82,377,234.80	147,060,509.11
Other accounts payable	727,052,112.05	649,376,495.57
Including: Interest payable		
Dividend payable	11,940.00	11,940.00
Liability held for sale		
Non-current liabilities due within one year	419,477,970.53	885,299,947.83
Other current liabilities	1,011,801,855.68	
Total current liabilities	7,366,623,970.21	6,355,162,199.70
Non-current liabilities:		
Long-term loans	1,126,538,850.40	808,001,382.82
Bonds payable	1,005,564,722.23	
Including: preferred stock		
Perpetual capital securities		
Lease liability		
Long-term account payable	4,866,954,921.48	4,623,939,875.40
Long term employee compensation payable	149,521,917.04	152,746,225.21
Accrued liabilities		
Deferred income	104,968,440.29	109,423,070.21
Deferred income tax liabilities	130,866,398.48	231,746,231.52
Other non-current liabilities		



Total non-current liabilities	7,384,415,249.92	5,925,856,785.16
Total liabilities	14,751,039,220.13	12,281,018,984.86
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	267,848,240.84	570,487,739.92
Special reserve		
Surplus reserve	538,112,740.44	538,112,740.44
Retained profit	2,250,484,974.06	3,517,509,150.78
Total owner's equity	3,543,357,124.05	5,113,020,799.85
Total liabilities and owner's equity	18,294,396,344.18	17,394,039,784.71

Legal Representative: Sun Xiujiang

Person in charge of Accounting Works: Xu Guojian

Person in charge of Accounting Institution: Zhou Shoubin

3. Consolidated Profit Statement

In RMB

Item	Semi-annual of 2020	Semi-annual of 2019
I. Total operating income	4,190,649,796.09	8,989,068,400.72
Including: Operating income	4,190,649,796.09	8,989,068,400.72
Interest income		
Insurance gained		
Commission charge and commission income		
II. Total operating cost	5,990,078,683.88	9,090,783,089.32
Including: Operating cost	5,502,524,031.31	8,395,245,086.04
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	5,744,128.82	7,772,903.17
Sales expense	212,135,078.19	388,566,377.89
Administrative expense	164,119,792.84	219,351,048.16
R&D expense	10,424,275.10	8,960,946.50
Financial expense	95,131,377.62	70,886,727.56
Including: Interest expenses	85,728,100.07	70,674,180.26
Interest income	9,474,223.70	5,907,298.18
Add: other income	40,709,237.21	32,378,668.41
Investment income (Loss is listed with “-”)	3,523,000.00	6,075,806.95
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 “-”)	-867,700.45	-1,081,477.27
Loss of credit impairment (Loss is listed with “-”)	3,560,655.71	-752,815.03
Losses of devaluation of asset (Loss is listed with “-”)		
Income from assets disposal (Loss is listed with “-”)	13,834.98	32,155.55
III. Operating profit (Loss is listed with “-”)	-1,752,489,860.34	-65,062,349.99



Add: Non-operating income	14,819,384.53	21,585,703.86
Less: Non-operating expense	405,767.84	1,518,515.48
IV. Total profit (Loss is listed with “-”)	-1,738,076,243.65	-44,995,161.61
Less: Income tax expense	-442,065,669.75	-17,631,156.20
V. Net profit (Net loss is listed with “-”)	-1,296,010,573.90	-27,364,005.41
(i) Classify by business continuity		
1.continuous operating net profit (net loss listed with “-”)	-1,296,010,573.90	-27,364,005.41
2.termination of net profit (net loss listed with “-”)		
(ii) Classify by ownership		
1.Net profit attributable to owner’s of parent company	-1,296,010,573.90	-27,364,005.41
2.Minority shareholders’ gains and losses		
VI. Net after-tax of other comprehensive income	-302,639,499.08	-39,388,032.24
Net after-tax of other comprehensive income attributable to owners of parent company	-302,639,499.08	-39,388,032.24
(I) Other comprehensive income items which will not be reclassified subsequently to profit of loss	-302,639,499.08	-39,388,032.24
1.Changes of the defined benefit plans that re-measured		
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	-302,639,499.08	-39,388,032.24
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		
1.Other comprehensive income under equity method that can		



transfer to gain/loss		
2.Change of fair value of other debt investment		
3.Amount of financial assets re-classify to other comprehensive income		
4.Credit impairment provision for other debt investment		
5.Cash flow hedging reserve		
6.Translation differences arising on translation of foreign currency financial statements		
7.Other		
Net after-tax of other comprehensive income attributable to minority shareholders		
VII. Total comprehensive income	-1,598,650,072.98	-66,752,037.65
Total comprehensive income attributable to owners of parent Company	-1,598,650,072.98	-66,752,037.65
Total comprehensive income attributable to minority shareholders		
VIII. Earnings per share:		
(i) Basic earnings per share	-3.24	-0.07
(ii) Diluted earnings per share	-3.24	-0.07

Legal Representative: Sun Xiujiang

Person in charge of Accounting Works: Xu Guojian

Person in charge of Accounting Institution: Zhou Shoubin

4. Profit Statement of Parent Company

In RMB

Item	Semi-annual of 2020	Semi-annual of 2019
I. Operating income	4,177,295,385.40	8,977,094,417.01
Less: Operating cost	5,495,633,063.88	8,407,682,821.24
Taxes and surcharge	4,806,924.40	6,505,227.42
Sales expenses	211,221,525.71	387,368,758.11



Administration expenses	156,169,770.63	210,684,463.59
R&D expenses	10,424,275.10	8,960,946.50
Financial expenses	95,131,940.39	70,919,841.98
Including: interest expenses	85,728,100.07	70,674,180.26
Interest income	9,452,770.00	5,865,471.69
Add: other income	40,674,894.01	32,378,668.41
Investment income (Loss is listed with “-”)	3,523,000.00	6,075,806.95
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 “-”)	-867,700.45	-1,081,477.27
Loss of credit impairment (Loss is listed with “-”)	3,472,458.74	-712,515.81
Losses of devaluation of asset (Loss is listed with “-”)		
Income on disposal of assets (Loss is listed with “-”)	13,834.98	32,155.55
II. Operating profit (Loss is listed with “-”)	-1,749,275,627.43	-78,335,004.00
Add: Non-operating income	14,742,586.99	21,491,775.88
Less: Non-operating expense	404,301.52	1,475,292.76
III. Total Profit (Loss is listed with “-”)	-1,734,937,341.96	-58,318,520.88
Less: Income tax	-441,220,370.77	-20,843,078.37
IV. Net profit (Net loss is listed with “-”)	-1,293,716,971.19	-37,475,442.51
(i)continuous operating net profit (net loss listed with “-”)	-1,293,716,971.19	-37,475,442.51
(ii) termination of net profit (net loss listed with “-”)		
V. Net after-tax of other comprehensive	-302,639,499.08	-39,388,032.24



income		
(I) Other comprehensive income items which will not be reclassified subsequently to profit of loss	-302,639,499.08	-39,388,032.24
1.Changes of the defined benefit plans that re-measured		
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	-302,639,499.08	-39,388,032.24
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		
1.Other comprehensive income under equity method that can transfer to gain/loss		
2.Change of fair value of other debt investment		
3.Amount of financial assets re-classify to other comprehensive income		
4.Credit impairment provision for other debt investment		
5.Cash flow hedging reserve		
6.Translation differences arising on translation of foreign currency financial statements		
7.Other		
VI. Total comprehensive income	-1,596,356,470.27	-76,863,474.75
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

5. Consolidated Cash Flow Statement

In RMB

Item	Semi-annual of 2020	Semi-annual of 2019
I. Cash flows arising from operating activities:		
Cash received from selling commodities and providing labor services	3,971,039,075.75	9,527,227,600.19
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	50,973,934.55	82,716,519.16
Other cash received concerning operating activities	85,287,017.15	112,106,927.26
Subtotal of cash inflow arising from operating activities	4,107,300,027.45	9,722,051,046.61
Cash paid for purchasing commodities and receiving labor	4,354,801,724.42	6,916,956,252.90



service		
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	1,545,001,396.40	1,722,383,558.60
Taxes paid	53,916,310.57	446,584,469.95
Other cash paid concerning operating activities	51,329,374.49	92,050,109.48
Subtotal of cash outflow arising from operating activities	6,005,048,805.88	9,177,974,390.93
Net cash flows arising from operating activities	-1,897,748,778.43	544,076,655.68
II. Cash flows arising from investing activities:		
Cash received from recovering investment		
Cash received from investment income		
Net cash received from disposal of fixed, intangible and other long-term assets	13,834.98	32,155.55
Net cash received from disposal of subsidiaries and other units		
Other cash received concerning investing activities		213,867.45
Subtotal of cash inflow from investing activities	13,834.98	246,023.00
Cash paid for purchasing fixed, intangible and other long-term assets	92,081,258.80	1,221,400,170.90
Cash paid for investment		



Net increase of mortgaged loans		
Net cash received from subsidiaries and other units obtained		
Other cash paid concerning investing activities	247,100.00	
Subtotal of cash outflow from investing activities	92,328,358.80	1,221,400,170.90
Net cash flows arising from investing activities	-92,314,523.82	-1,221,154,147.90
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	4,720,000,000.00	590,000,000.00
Other cash received concerning financing activities		485,947,232.59
Subtotal of cash inflow from financing activities	4,720,000,000.00	1,075,947,232.59
Cash paid for settling debts	1,536,479,945.64	664,738,351.88
Cash paid for dividend and profit distributing or interest paying	50,541,437.88	54,073,386.37
Including: Dividend and profit of minority shareholder paid by subsidiaries		
Other cash paid concerning financing activities	245,703,910.97	207,230,938.23
Subtotal of cash outflow from financing activities	1,832,725,294.49	926,042,676.48
Net cash flows arising from financing activities	2,887,274,705.51	149,904,556.11
IV. Influence on cash and cash equivalents due to fluctuation in exchange rate	-166,297.50	-9,594,042.56
V. Net increase of cash and cash equivalents	897,045,105.76	-536,766,978.67



Add: Balance of cash and cash equivalents at the period -begin	598,861,065.69	840,860,104.09
VI. Balance of cash and cash equivalents at the period -end	1,495,906,171.45	304,093,125.42

Legal Representative: Sun Xiujiang

Person in charge of Accounting Works: Xu Guojian

Person in charge of Accounting Institution: Zhou Shoubin

6. Cash Flow Statement of Parent Company

In RMB

Item	Semi-annual of 2020	Semi-annual of 2019
I. Cash flows arising from operating activities:		
Cash received from selling commodities and providing labor services	3,953,208,766.59	9,508,517,501.17
Write-back of tax received	50,973,934.55	82,716,519.16
Other cash received concerning operating activities	85,428,956.83	130,625,833.27
Subtotal of cash inflow arising from operating activities	4,089,611,657.97	9,721,859,853.60
Cash paid for purchasing commodities and receiving labor service	4,337,402,962.87	6,949,755,088.64
Cash paid to/for staff and workers	1,521,227,160.53	1,694,914,700.43
Taxes paid	50,515,780.74	437,444,736.86
Other cash paid concerning operating activities	51,199,549.80	88,175,822.08
Subtotal of cash outflow arising from operating activities	5,960,345,453.94	9,170,290,348.01
Net cash flows arising from operating activities	-1,870,733,795.97	551,569,505.59
II. Cash flows arising from investing activities:		
Cash received from recovering investment		



Cash received from investment income		
Net cash received from disposal of fixed, intangible and other long-term assets	13,834.98	32,155.55
Net cash received from disposal of subsidiaries and other units		
Other cash received concerning investing activities		213,867.45
Subtotal of cash inflow from investing activities	13,834.98	246,023.00
Cash paid for purchasing fixed, intangible and other long-term assets	88,741,539.33	1,218,270,807.57
Cash paid for investment		
Net cash received from subsidiaries and other units obtained		
Other cash paid concerning investing activities	247,100.00	
Subtotal of cash outflow from investing activities	88,988,639.33	1,218,270,807.57
Net cash flows arising from investing activities	-88,974,804.35	-1,218,024,784.57
III. Cash flows arising from financing activities		
Cash received from absorbing investment		
Cash received from loans	4,720,000,000.00	590,000,000.00
Other cash received concerning financing activities		485,947,232.59
Subtotal of cash inflow from financing activities	4,720,000,000.00	1,075,947,232.59
Cash paid for settling debts	1,536,479,945.64	664,738,351.88
Cash paid for dividend and profit distributing or interest paying	50,541,437.88	54,073,386.37
Other cash paid concerning financing activities	245,703,910.97	207,230,938.23
Subtotal of cash outflow from financing activities	1,832,725,294.49	926,042,676.48



Net cash flows arising from financing activities	2,887,274,705.51	149,904,556.11
IV. Influence on cash and cash equivalents due to fluctuation in exchange rate	-166,297.50	-9,594,042.56
V. Net increase of cash and cash equivalents	927,399,807.69	-526,144,765.43
Add: Balance of cash and cash equivalents at the period -begin	563,534,831.81	804,583,812.57
VI. Balance of cash and cash equivalents at the period -end	1,490,934,639.50	278,439,047.14

Legal Representative: Sun Xiujiang

Person in charge of Accounting Works: Xu Guojian

Person in charge of Accounting Institution: Zhou Shoubin

7. Statement of Changes in Owners' Equity (Consolidated)

This Period

In RMB

Item	Semi-annual of 2020													Minority interests	Total owners' equity
	Owners' equity attributable to the parent Company														
	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	400,000,000.00				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
Add: Changes of accounting policy											26,692,794.47		26,692,794.47		26,692,794.47
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		570,487,739.92		538,773,444.97		3,615,540,251.45		5,200,211,800.04		5,200,211,800.04	
III. Increase/Decrease in this year (Decrease is listed with “-”)						-302,639,499.08				-1,296,010,573.90		-1,598,650,072.98		-1,598,650,072.98	
(i) Total comprehensive income						-302,639,499.08				-1,296,010,573.90		-1,598,650,072.98		-1,598,650,072.98	
(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															
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															



I. Balance at the end of the last year	400,000.00			75,410,363.70	149,300,488.94	503,999,977.58	3,342,615.14	4,471,325.97	4,471,325.97	4,471,325.97
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	3,342,615.14	4,830,812.30	4,830,812.30	4,830,812.30
III. Increase/Decrease in this year (Decrease is listed with “-”)					-39,388,032.24		-107,364,005.41	-146,752,037.65		-146,752,037.65
(i) Total comprehensive income					-39,388,032.24		-27,364,005.41	-66,752,037.65		-66,752,037.65
(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							-80,000.00	-80,000.00		-80,000.00



											00		00		
1. Withdrawal of surplus reserves															
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		469,398,778.51		503,999,977.58		3,235,251,142.65		4,684,060,262.44		4,684,060,262.44
---	------------	--	--	---------------	--	----------------	--	----------------	--	------------------	--	------------------	--	------------------

Legal Representative: Sun Xiujiang

Person in charge of Accounting Works: Xu Guojian

Person in charge of Accounting Institution: Zhou Shoubin

8. Statement of Changes in Owners' Equity (Parent Company)

This Period

In RMB

Item	Semi-annual of 2020											
	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		570,487,739.92		538,112,740.44	3,517,509,150.78		5,113,020,799.85
Add: Changes of accounting policy										26,692,794.47		26,692,794.47
Error correction of the last period												
Other												
II. Balance at the beginning of this year	400,000,000.00				86,911,168.71		570,487,739.92		538,112,740.44	3,544,201,945.25		5,139,713,594.32
III. Increase/Decrease in this year (Decrease is listed with "-")							-302,639,499.08			-1,293,716,971.19		-1,596,356,470.27
(i) Total comprehensive income							-302,639,499.08			-1,293,716,971.19		-1,596,356,470.27
(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													
1. Withdrawal of surplus reserves													
2. Distribution for owners (or shareholders)													
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		267,848,240.84		538,112,740.44	2,250,484,974.06		3,543,357,124.05

Last period

In RMB

Item	Semi-annual of 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
		Preferred stock	Perpetual capital securities	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 "-")							-39,388,032.24			-117,475,442.51		-156,863,474.75
(i) Total comprehensive income							-39,388,032.24			-37,475,442.51		-76,863,474.75
(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										-80,000,000.00		-80,000,000.00
1. Withdrawal of surplus reserves												
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 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	400,000,000				86,911,168.71		469,398,778.51		503,339,273.05	3,167,072,501.74		4,626,721,722.01

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 30 June 2020

(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的合同



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 30 June 2020. 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 reconciled 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 calculated 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 oversea 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 oversea 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.



Item	Characteristics of the group
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 initially measured at cost which considers the impact of expected costs of dismantling and removing the item and restoring the site on which it is located. From the following month that the assets are capable of operating in the manner intended by management, fixed assets are depreciated on the basis of the straight-line method, except that replacement parts of engine are depreciated on the basis of expected flying hours. The expected useful life and estimated residual rate of each fixed assets categories are as follows:



Category	Expected useful life (year) /Expected flying hours (thousand hours)	Residual rate (%)	Annual Depreciation rate /Depreciation rate per thousand hous (%)
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 (thousand hours)	17-23	0.00	4.35-5.88
Equipment, electronic devices and furniture	4-10	5.00	9.5-23.75
High value rotables	3-15	0.00	6.67-33.33

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 from contracts with customers

From 1 January 2020, the Company applies “Chinese Accounting Standards for Business Enterprises No. 14 – Revenue (Revised in 2017)” (Accounting [2017] No.22) (hereinafter New Revenue Standard), which is issued by the Ministry of Finance on 5 July 2017.

3.22.1 General principles of revenue recognition

Revenues are the total inflows of economic benefits generated from the Company’s ordinary business which will increase



shareholders' equity and is not related to capital invested by shareholders.

The Company recognizes revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer. The transfer of control means that the customers are able to direct the use of, and obtain substantially all of the remaining benefits from, the asset.

Where a contract contains more than one distinct performance obligation the Company allocates the transaction price to all separate performance obligations in proportion to the stand-alone selling price of the good or service underlying each performance obligation at the start of the contract.

The transaction price is the amount of consideration to which the Company expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties. If the consideration promised in a contract includes a variable amount, the Company estimates the variable consideration based on the expected value or the most likely amount only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved. Where there is a significant financing component in the contract the Company shall measure the transaction price at an amount that reflects the price that a customer would have paid for the promised goods or services if the customer had paid cash for those goods or services when (or as) they transfer to the customer (i.e. the cash selling price). The difference between the transaction price and contract consideration will be amortized based on effective interest method over the contract period. If the period between the transfer of control and the payment made by customer is less than one year, the Company will not consider the financing components.

A performance obligation is satisfied over time if one of following criteria is met: ① the customer simultaneously receives and consumes the benefits provided by the Company's performance as the Company performs; ② the Company's performance creates or enhances an asset (for example, work in progress) that the customer controls as the asset is created or enhanced; or ③ the Company's performance does not create an asset with an alternative use to the Company and the Company has an enforceable right to payment for performance completed to date. Otherwise, the performance obligation is satisfied at a point of time.

For a performance obligation satisfied over time, the Company recognizes revenue over time by measuring the progress towards complete satisfaction of that performance obligation, except that it is unable to reasonably measure progress towards complete satisfaction of a performance obligation. The input method (or output method) is applied to measure the progress for each performance obligation satisfied over time. When it is unable to reasonably measure the progress towards complete satisfaction of a performance obligation, the company shall recognize revenue only to the extent of the costs incurred until such time that it can reasonably measure the outcome of the performance obligation.

For a performance obligation satisfied at a point of time, the Company recognizes revenue when the control of goods or services has



transferred to customers. To determine whether the control of goods or services has transferred to customers, the Company considers the following indicators:

- ① the Company has a present right to payment for the asset, i.e. a customer is presently obliged to pay for an asset;
- ② the Company has transferred the legal title for the asset to the customer, i.e. the customer has legal title to the asset;
- ③ the Company has transferred physical possession of the asset, i.e. the customer has physical possession of an asset;
- ④ the Company has transferred the significant risks and rewards of ownership of the asset, i.e. the customer has the significant risks and rewards of ownership of the asset;
- ⑤ the customer has accepted the asset;
- ⑥ other indicators that imply the customer has obtain the control of the asset.

Upon receipt of a prepayment from a customer, the Company firstly recognizes a contract liability and then derecognizes that contract liability (and recognizes revenue) when it transfers those goods or services and, therefore, satisfies its performance obligation. When the prepayment is non-refundable and customers may not exercise all of their contractual rights, the Company recognizes the expected unexercised rights amount as revenue in proportion to the pattern of rights exercised by the customer. Otherwise, the Company derecognizes that contract liability (and recognizes revenue) only when the likelihood of the customer exercising its remaining rights becomes remote.

3.22.2 The application of New Revenue Standard inthe Company

① Revenue from rendering services

A)The Company recognizes revenue from rendering of air service for carriage of passengers when the service is rendered. Revenue is not recognised when the tickets are sold. Tickets sold but of which the service is not yet rendered are recognized in current liabilities as Contract Liability. In addition, the Company has code sharing agreement with other airlines. According to the code sharing agreement, the flight number of a carrier of one party can use the code designated by the airline of the other carrier.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.

Ticket breakagesare an unexercised contractual right.When the prepayment of tickets is non-refundable and customers may not exercise all or part of their contractual rights, the Company recognizes the expected unexercised rights amount as revenue in proportion to the pattern of rights exercised by the customer. Otherwise, the Company derecognizes that contract liability (and recognizes revenue) only when the likelihood of the customer exercising its remaining rights becomes remote.

B)The Company recognizes air cargo revenue from rendering of air service for carriage of cargo when the service is rendered.

C) Revenue arising from rendering other goods or services is recognized when the control of goods or services has transferred. Other



goods or services mainly include provision of services such as ground services and aircraft maintenance, and sales of goods such as the sale of goods on board.

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

On 5 July 2017, Ministry of Finance issued the “Chinese Accounting Standards for Business Enterprises No. 14 – Revenue (Revised in 2017)” (Accounting [2017] No.22) (hereinafter New Revenue Standard) and domestic listed companies are required to implement it from 1 January 2020.

Based on the resolution of the 3th meeting of the 7th Board of Directors of the Company on 26 March 2020, the Company will implement the above New Revenue Standard from 1 January 2020.

Under the New Revenue Standard, the original revenue standard and original construction contract standard are incorporated into a unified revenue recognition model. The transfer of control is the criterion for determining the timing of revenue recognition, replacing risk-reward transfer criterion. There is a clearer guidance for accounting treatment of a contract with multiple performance obligations. It also provides a clear guidance for certain specific transactions (or events) during the recognition and measurement of revenue.

The Company retrospective applies the New Revenue Standard, but in terms of classification and measurement involving inconsistency between the previous comparative financial statement data and the New Revenue Standard, the Company chooses not to restate. Therefore, the Company recognizes the cumulative effect of initially applying this Standard as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) and other relative line item in the financial statements for 2020. The financial statements for 2019 were not restated. The Company only adjusts the cumulative impact from unfulfilled contracts on the initial application of the Standard

The main changes and effects of the Company's application of the New Revenue Standard are as follows:

——Under the New Revenue Standard, contract liabilities refer to the Company's obligation to transfer goods or services to customers for the consideration received or receivable from customers. Therefore, on 1 January 2020, the company transferred the balance of the prepayment from ticket settlement payment into contract liabilities.

——Under the original Revenue Standard, the Company recognizes the revenue from ticket breakages only when the right to use the ticket breakage is confirmed to expire. According to the New Revenue Standard, ticket breakages are unexercised contractual rights. When the prepayment of tickets is non-refundable and customers may not exercise all or part of their contractual rights, the Company recognizes the expected unexercised rights amount as revenue in proportion to the pattern of rights exercised by the customer. Otherwise, the Company derecognizes that contract liability (and recognizes revenue) only when the likelihood of the customer exercising its remaining rights becomes remote.

**Adjustments of the Financial Statements at the Beginning of the Reporting Period for the First-Year Adoption of New****Revenue Standards****Consolidated financial statements**

Unit: Yuan, Currency: CNY

Items	31 December 2019	1 January 2020	Adjustment
Current assets:			
Monetary funds	598,961,065.69	598,961,065.69	
Held-for-trading financial assets			
Derivative financial assets			
Notes receivable			
Accounts receivable	456,758,290.60	456,758,290.60	
Accounts receivable financing			
Prepayments	232,061,479.78	232,061,479.78	
Other receivables	232,147,324.23	232,147,324.23	
Including: Interests receivable			
Dividend receivable			
Inventories	109,435,256.69	109,435,256.69	
contract asset	N/A		
Held-for-sale assets			
Non-current assets maturing within one year			
Other current assets	170,020,416.07	170,020,416.07	
Total current assets	1,799,383,833.06	1,799,383,833.06	
Non-current assets:			
Debt investments			
Other debt investments			
Long-term receivables			
Long-term equity investments			
Other equity instrument investment	874,728,633.32	874,728,633.32	
Other non-current financial assets			



Items	31 December 2019	1 January 2020	Adjustment
Investment property			
Fixed assets	7,362,687,431.80	7,362,687,431.80	
Construction in progress	5,479,071,703.01	5,479,071,703.01	
Biological assets held for production			
Oil and gas assets			
Intangible assets	113,459,129.62	113,459,129.62	
Development expenditure			
Goodwill	454,020.13	454,020.13	
Deferred charges	657,772,583.81	657,772,583.81	
Deferred tax assets	1,105,378,651.73	1,105,378,651.73	
Other non-current assets			
Total non-current assets	15,593,552,153.42	15,593,552,153.42	
Total assets	17,392,935,986.48	17,392,935,986.48	
Current liabilities			
Short-term borrowings	300,329,083.33	300,329,083.33	
Held-for-trading financial liabilities	126,264.75	126,264.75	
Derivative financial liabilities			
Notes payable	402,996,891.30	402,996,891.30	
Accounts payable	2,482,248,514.51	2,482,248,514.51	
Advance from customers	936,873,667.96		-936,873,667.96
Employee benefits payable	549,061,919.97	549,061,919.97	
Taxes and fees payable	149,437,183.71	158,334,781.87	8,897,598.16
Other payables	586,143,459.66	586,143,459.66	
Including: Interests payables			
Dividend payables	602,306.96	602,306.96	
contract liability	N/A	839,385,426.95	839,385,426.95
Held-for-sale liabilities			
Non-current liabilities due within one year	885,299,947.83	885,299,947.83	



Items	31 December 2019	1 January 2020	Adjustment
Other current liabilities		61,897,848.38	61,897,848.38
Total current liabilities	6,292,516,933.02	6,265,824,138.55	-26,692,794.47
Non-current liabilities:			
Long-term borrowings	808,001,382.82	808,001,382.82	
Bonds payable			
Including: Preference share			
Perpetual capital securities			
Long-term payables	4,623,939,875.40	4,623,939,875.40	
Long-term employee benefits payable	152,746,225.21	152,746,225.21	
Accrued liabilities			
Deferred income	109,423,070.21	109,423,070.21	
Deferred tax liabilities	232,789,494.25	232,789,494.25	
Other non-current liabilities			
Total non-current liabilities	5,926,900,047.89	5,926,900,047.89	
Total liabilities	12,219,416,980.91	12,192,724,186.44	-26,692,794.47
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	
Less: Treasury stock			
Other comprehensive income	570,487,739.92	570,487,739.92	
Specific reserves			
Surplus reserves	538,773,444.97	538,773,444.97	
General risk reserves			
Retained earnings	3,588,847,456.98	3,615,540,251.45	26,692,794.47
Equity attributable to shareholders of the parent	5,173,519,005.57	5,200,211,800.04	26,692,794.47



Items	31 December 2019	1 January 2020	Adjustment
Minority interests			
Total owners' equity	5,173,519,005.57	5,200,211,800.04	26,692,794.47
Total liabilities and owners' equity	17,392,935,986.48	17,392,935,986.48	

Financial Statements of Parent Company

Unit: Yuan Currency: CNY

Items	31 December 2019	1 January 2020	Adjustment
Current assets:			
Monetary funds	563,534,831.81	563,534,831.81	
Held-for-trading financial assets			
Derivative financial assets			
Notes receivable			
Accounts receivable	456,602,459.51	456,602,459.51	
Accounts receivable financing			
Prepayments	231,804,126.69	231,804,126.69	
Other receivables	237,966,773.59	237,966,773.59	
Including: Interests receivable			
Dividend receivable			
Inventories	108,006,448.04	108,006,448.04	
contract asset	N/A		
Held-for-sale assets			
Non-current assets maturing within one year			
Other current assets	169,612,615.24	169,612,615.24	
Total current assets	1,767,527,254.88	1,767,527,254.88	
Non-current assets:			
Debt investments			
Other debt investments			
Long-term receivables			
Long-term equity investments	144,101,285.43	144,101,285.43	
Other equity instrument investment	874,728,633.32	874,728,633.32	



Items	31 December 2019	1 January 2020	Adjustment
Other non-current financial assets			
Investment property			
Fixed assets	7,265,719,146.41	7,265,719,146.41	
Construction in progress	5,479,071,703.01	5,479,071,703.01	
Biological assets held for production			
Oil and gas assets			
Intangible assets	100,681,207.47	100,681,207.47	
Development expenditure			
Goodwill			
Deferred charges	657,569,167.99	657,569,167.99	
Deferred tax assets	1,104,641,386.20	1,104,641,386.20	
Other non-current assets			
Total non-current assets	15,626,512,529.83	15,626,512,529.83	
Total assets	17,394,039,784.71	17,394,039,784.71	
Current liabilities			
Short-term borrowings	300,329,083.33	300,329,083.33	
Held-for-trading financial liabilities	126,264.75	126,264.75	
Derivative financial liabilities			
Notes payable	402,996,891.30	402,996,891.30	
Accounts payable	2,494,426,631.18	2,494,426,631.18	
Advance from customers	935,722,229.11		-935,722,229.11
Employee benefits payable	539,824,147.52	539,824,147.52	
Taxes and fees payable	147,060,509.11	155,958,107.27	8,897,598.16
Other payables	649,376,495.57	649,376,495.57	
Including: Interests payables			
Dividend payables	11,940.00	11,940.00	
contract liability	N/A	838,233,988.10	838,233,988.10
Held-for-sale liabilities			



Items	31 December 2019	1 January 2020	Adjustment
Non-current liabilities due within one year	885,299,947.83	885,299,947.83	
Other current liabilities		61,897,848.38	61,897,848.38
Total current liabilities	6,355,162,199.70	6,328,469,405.23	-26,692,794.47
Non-current liabilities:			
Long-term borrowings	808,001,382.82	808,001,382.82	
Bonds payable			
Including: Preference share			
Perpetual capital securities			
Long-term payables	4,623,939,875.40	4,623,939,875.40	
Long-term employee benefits payable	152,746,225.21	152,746,225.21	
Accrued liabilities			
Deferred income	109,423,070.21	109,423,070.21	
Deferred tax liabilities	231,746,231.52	231,746,231.52	
Other non-current liabilities			
Total non-current liabilities	5,925,856,785.16	5,925,856,785.16	
Total liabilities	12,281,018,984.86	12,254,326,190.39	-26,692,794.47
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	570,487,739.92	570,487,739.92	
Specific reserves			
Surplus reserves	538,112,740.44	538,112,740.44	
Retained earnings	3,517,509,150.78	3,544,201,945.25	26,692,794.47
Total owners' equity	5,113,020,799.85	5,139,713,594.32	26,692,794.47



Items	31 December 2019	1 January 2020	Adjustment
Total liabilities and owners' equity	17,394,039,784.71	17,394,039,784.71	

The consolidated and separate balance sheet items affected of New Revenue Standard are as follows:

Influence on Consolidated Financial Statements	31 December 2019	Adjustment	Remeasure	1 January 2020
Advance from customers	936,873,667.96	-936,873,667.96		
contract liability		874,975,819.58	-35,590,392.63	839,385,426.95
Taxes and fees payable	149,437,183.71		8,897,598.16	158,334,781.87
Other current liabilities		61,897,848.38		61,897,848.38
Retained earnings	3,588,847,456.98		26,692,794.47	3,615,540,251.45
Influence on Financial Statements of Parent Company	31 December 2019	Adjustment	Remeasure	1 January 2020
Advance from customers	935,722,229.11	-935,722,229.11		
contract liability		873,824,380.73	-35,590,392.63	838,233,988.10
Taxes and fees payable	147,060,509.11		8,897,598.16	155,958,107.27
Other current liabilities		61,897,848.38		61,897,848.38
Retained earnings	3,517,509,150.78		26,692,794.47	3,544,201,945.25

3.27.2 Changes of Accounting Estimates

In order to provide more reasonable estimate on the depreciation of the Company's fixed assets and fairly reflect the company's financial status and operating results, the 4th (temporary) meeting of the 7th board of directors of the company on 28 April 2020 reviewed and approved the "Proposal on Changes in Accounting Estimates" and resolved to implement a new accounting estimate from 1 January 2020. This change in accounting estimates complies with accounting standards and relevant regulations. It also compares with other listed companies in the same industry and combines the actual situation of the company,

The depreciation method of engine replacement parts is adjusted from the straight-line method to the units of production method. The useful life of high value rotables is adjusted from the original 15-18 years to 3-15 years.

This change in accounting estimates increased the current consolidated net profit by RMB 30,152,377.22 and the parent company's net profit by RMB 30,152,377.22.

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 5.29.

3.29.11 Expected revenue from ticket breakage

Ticket breakages arise when a passenger has not traveled according to the carrier date stated on the ticket, and has not been changed to a new date after purchasing the ticket, but still has the right to use the ticket for a certain period in the future and require the company to provide transportation services. When the prepayment of tickets is non-refundable and customers may not exercise all or part of their contractual rights, the Company recognizes the expected unexercised rights amount as revenue in proportion to the pattern of rights exercised by the customer based on historical experience. Different judgments and estimates may affect the estimated amount of overdue tickets revenue for the current period. The company's contract liability amount on 30 June 2020



has considered the impact of relevant adjustments.

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%, 13% (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 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, roundtrip 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	30 June 2020	31 December 2019
Cash at hand:	710,300.06	285,508.32
Bank deposit:	1,495,195,871.39	598,575,557.37
Other monetary funds	100,000.00	100,000.00
Total	1,496,006,171.45	598,961,065.69
Including: the total amount of deposit abroad	9,534,217.82	8,525,480.55

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 Accounts receivable

5.2.1 Disclosure by Age

Age	30 June 2020	31 December 2019
Within 1 year	289,685,453.71	437,769,605.78
1 to 2 years	35,123,064.16	35,123,064.16
2 to 3 years		
3 to 4 years		
4 to 5 years		
Over 5 years	11,243,647.55	11,243,647.55
Subtotal	336,052,165.42	484,136,317.49
Less: provision for bad debt	25,075,506.09	27,378,026.89



Age	30 June 2020	31 December 2019
Total	310,976,659.33	456,758,290.60

5.2.2 Disclosure by Category

① 30 June 2020 (Provision using simple model)

Category	30 June 2020				Carrying amount
	Book balance		Provision for bad debt		
	Amount	Proportion (%)	Amount	Provision ratio (%)	
Accounts receivable subject to individual impairment assessment	10,823,117.90	3.22	10,823,117.90	100.00	
Accounts receivable subject to group impairment assessment	325,229,047.52	96.78	14,252,388.19	4.38	310,976,659.33
Total	336,052,165.42	100.00	25,075,506.09	7.46	310,976,659.33

② 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

Detailed explanation of provision for bad debt:

① Accounts receivable with individually significant balance and provision for bad debt recognized individually as of 30 June 2020

Entity name	30 June 2020			Reason
	Book balance	Provision for bad debt	Provision ratio (%)	



Entity name	30 June 2020			
	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
CR Airways	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 groups of 30 June 2020

Name	30 June 2020		
	Book balance	Provision for bad debt	Provision ratio (%)
Amounts due from the clearing center	16,572,241.10		
Amounts due from the aviation association	15,591,320.14		
Amounts due from related parties	8,017,722.32		
Other receivables	285,047,763.96	14,252,388.19	5.00
Total	325,229,047.52	14,252,388.19	4.38

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 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
CR Airways	916,508.05	916,508.05	100.00	Impairment upon individual assessment
Total	10,823,117.90	10,823,117.90	100.00	

④ Accounts receivable subject to impairment assessment by credit risk characteristics of a groups 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

5.2.3 Changes of Provision for Bad Debt During the Reporting Period

Category	31 December 2019	Changes during the reporting period			30 June 2020
		Provision	Recovery or reversal	Write-off	
Accounts receivable subject to individual impairment assessment	10,823,117.90				10,823,117.90
Accounts receivable subject to impairment assessment by group	16,554,908.99	-2,302,520.80			14,252,388.19
Total	27,378,026.89	-2,302,520.80			25,075,506.09

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

5.2.5 The total amount of top five accounts receivable summarized by debtors as at the end of current year is CNY 163,588,678.35, accounting for 48.68% of the total accounts receivable as at the end of current year, the total corresponding provision for bad debt is CNY8,179,433.92.

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

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

5.3 Prepayments

5.3.1 Disclosure by Age

Age	30 June 2020		31 December 2019	
	Amount	%	Amount	%
Within 1 year	191,778,931.13	99.64	231,299,824.20	99.67
1 to 2 years	160,229.12	0.08	269,211.97	0.12
2 to 3 years	100,000.00	0.05		
Over 3 years	439,911.89	0.23	492,443.61	0.21



Age	30 June 2020		31 December 2019	
	Amount	%	Amount	%
Total	192,479,072.14	100.00	232,061,479.78	100.00

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

5.3.2 The total amount of top five prepayments as at the end of reporting period is CNY72,852,708.46, accounting for 37.85% of prepayments.

5.4 Other receivables

5.4.1 Other Receivables by Category

Items	30 June 2020	31 December 2019
Interest receivable		
Dividend receivable	3,770,100.00	
Other receivables	228,923,586.61	232,147,324.23
Total	232,693,686.61	232,147,324.23

5.4.2 Dividend receivable

Category	30 June 2020	31 December 2019
TravelSky Technology Limited	3,770,100.00	
Subtotal	3,770,100.00	
Less: allowance for bad debt		
Total	3,770,100.00	

5.4.3 Other Receivables

① Other receivables by age

Age	30 June 2020	31 December 2019
Within one year	201,655,011.33	205,811,193.91
1-2 years	10,953,758.53	13,480,887.91
2-3 years	5,954,357.72	5,048,559.92
3-4 years	1,586,797.99	870,414.71
4-5 years	4,211,314.36	4,254,714.36
Over 5 years	111,503,801.93	110,881,143.58



Age	30 June 2020	31 December 2019
Subtotal	335,865,041.86	340,346,914.39
Less: provision for bad debt	106,941,455.25	108,199,590.16
Total	228,923,586.61	232,147,324.23

② Other receivables by nature

Nature	30 June 2020	31 December 2019
Deposits receivable	107,527,634.33	87,059,915.18
Amounts due from related parties	120,542,655.60	120,329,549.24
Other receivables	107,794,751.93	132,957,449.97
Subtotal	335,865,041.86	340,346,914.39
Less: provision for bad debt	106,941,455.25	108,199,590.16
Total	228,923,586.61	232,147,324.23

③ Other receivables by bad debt provision method

A. Provision for bad debts recognized based on three stages model as of 30 June 2020 is as follows:

Provision for bad debt in the first stage as of 30 June 2020:

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	234,313,324.21	2.30	5,389,737.60	228,923,586.61	
Including: Deposits receivable	107,527,634.33			107,527,634.33	No significant increase on credit risk
Amounts due from related parties	18,990,937.95			18,990,937.95	No significant increase on credit risk
Other receivables	107,794,751.93	5.00	5,389,737.60	102,405,014.33	No significant increase on credit risk
Total	234,313,324.21	2.30	5,389,737.60	228,923,586.61	

As of 30 June 2020, 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 30 June 2020:



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 2019:

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		

④ Changes of provision for bad debt during the reporting period

Category	31 December	Changes during the reporting period	30 June 2020
----------	-------------	-------------------------------------	--------------



	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	6,647,872.51	-1,258,134.91			5,389,737.60
Total	108,199,590.16	-1,258,134.91			106,941,455.25

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 30 June 2020	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	30.23	101,551,717.65
Debtor #1	Deposits	58,127,125.48	Within 1 year	17.31	
Debtor #2	Others	31,306,698.43	Within 1 year	9.32	1,565,334.92
Debtor #3	Others	17,230,962.06	Within 1 year	5.13	861,548.10
Debtor #4	Deposits	10,432,950.00	Within 1 year	3.11	
Total		218,649,453.62		65.10	103,978,600.67

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.

5.5 Inventories

5.5.1 Inventories by Category

Items	30 June 2020			31 December 2019		
	Book balance	Provision for impairment	Carrying amount	Book balance	Provision for impairment	Carrying amount
Consumable air equipment	130,356,396.27	4,227,205.99	126,129,190.28	107,636,197.57	4,227,205.99	103,408,991.58
Low-value consumables	2,831,428.50		2,831,428.50	3,144,185.37		3,144,185.37
Materials	2,659,357.26		2,659,357.26	2,882,079.74		2,882,079.74
Total	135,847,182.03	4,227,205.99	131,619,976.04	113,662,462.68	4,227,205.99	109,435,256.69

**5.5.2 Provision for Impairment**

Items	31 December 2019	Increase during the reporting period		Decrease during the reporting period		30 June 2020
		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

5.6 Other current assets

Items	30 June 2020	31 December 2019
VAT deductible	229,931,553.60	170,020,416.07
Total	229,931,553.60	170,020,416.07

5.7 Long-term equity investments

Investees	31 December 2019	Provision b/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 (+, -)			30 June 2020	Provision at 30 June 2020
	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

5.8 Other equity instrument investment**5.8.1 General Information of Other Equity Instrument Investment**

Items	30 June 2020	31 December 2019
-------	--------------	------------------



Items	30 June 2020	31 December 2019
Non-trading equity instrument investment	471,209,301.20	874,728,633.32
Total	471,209,301.20	874,728,633.32

5.8.2 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	3,770,100.00	155,840,962.31			Non-trading financial assets	
Sichuan Airlines		221,416,381.37			Non-trading financial assets	
Jinan International Airport		5,599,857.52			Non-trading financial assets	
Total	3,770,100.00	382,857,201.20				

5.9 Fixed assets

5.9.1 Fixed Assets by Category

Items	30 June 2020	31 December 2019
Fixed assets	7,185,074,093.65	7,362,687,431.80
Disposal of fixed assets		
Total	7,185,074,093.65	7,362,687,431.80

5.9.2 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 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
1.2 Increased in current period	427,691.99	194,633,901.75	35,457,536.58	3,709,412.02	1,922,891.96	236,151,434.30
(1) Purchase	427,691.99	194,633,901.75	35,457,536.58	3,709,412.02	1,922,891.96	236,151,434.30
(2) Transferred from						



Category	Houses and buildings	Aircrafts and engines	High-value rotables	Transportation vehicles	Others	Total
construction-in-progress						
(3) Transferred from merger and acquisitions						
(4) Others						
1.3 Decreased in current period		120,534,529.41	6,261,261.13	2,154,516.60	1,807,923.97	130,758,231.11
(1) Disposal or scrap		120,534,529.41	6,261,261.13	2,154,516.60	1,807,923.97	130,758,231.11
(2) Others						
1.4 Balance as at 30 June 2020	572,276,092.28	12,330,069,564.28	758,732,952.39	80,206,760.10	238,891,321.68	13,980,176,690.73
2. Accumulated Depreciation						
2.1 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
2.2 Increased in current period	8,766,481.47	288,196,536.69	97,437,985.46	2,902,641.36	10,551,640.35	407,855,285.33
(1) Accrual	8,766,481.47	288,196,536.69	97,437,985.46	2,902,641.36	10,551,640.35	407,855,285.33
(2) Transferred from merger and acquisitions						
2.3 Decreased in current period		120,534,529.41	575,709.50	2,047,842.77	1,690,662.31	124,848,743.99
(1) Disposal or scrap		120,534,529.41	575,709.50	2,047,842.77	1,690,662.31	124,848,743.99
(2) Others						
2.4. Balance as at 30 June 2020	140,823,390.93	6,074,194,300.10	376,091,322.45	52,444,433.50	149,351,327.17	6,792,904,774.15
3. Impairment provision						
3.1 Balance as at 31 December 2019			2,197,822.93			2,197,822.93
3.2 Increased in current period						
(1) Accrual						
(2) Transferred from						



Category	Houses and buildings	Aircrafts and engines	High-value rotables	Transportation vehicles	Others	Total
merger and acquisitions						
3.3 Decreased in current period						
(1) Disposal or scrap						
(2) Others						
3.4 Balance as at 30 June 2020			2,197,822.93			2,197,822.93
4 Carrying amount of fixed assets						
4.2 Carrying amount as at 30 June 2020	431,452,701.35	6,255,875,264.18	380,443,807.01	27,762,326.60	89,539,994.51	7,185,074,093.65
4.1 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

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	2,130,070,497.51	517,676,870.65		1,612,393,626.86
Total	2,130,070,497.51	517,676,870.65		1,612,393,626.86

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	11,231,492.00	Land rented from Jinan Air Control, not eligible for ownership registration
Buildings of Jinping Food Co., Ltd.	10,921,450.77	Land use rights belonging to Shandong SDA Group, not eligible for ownership registration

5.10 Construction in progress

5.10.1 Construction in Progress by Category

Items	30 June 2020	31 December 2019
-------	--------------	------------------



Items	30 June 2020	31 December 2019
Construction in progress	5,723,067,227.61	5,479,071,703.01
Construction material		
Total	5,723,067,227.61	5,479,071,703.01

5.10.2 Construction in Progress

① General Information of Construction in Progress

Items	30 June 2020			31 December 2019		
	Book balance	Provision for impairment	Carrying amount	Book balance	Provision for impairment	Carrying amount
Factory building project	850,827,639.21		850,827,639.21	643,681,520.42		643,681,520.42
Prepayment for aircrafts introduction project	4,864,948,388.67		4,864,948,388.67	4,828,576,000.04		4,828,576,000.04
Construction of information system	3,369,231.85		3,369,231.85	2,892,214.67		2,892,214.67
Simulator	3,921,967.88		3,921,967.88	3,921,967.88		3,921,967.88
Total	5,723,067,227.61		5,723,067,227.61	5,479,071,703.01		5,479,071,703.01

② Changes in significant projects of construction in progress

Projects	Budget	31 December 2019	Increase during the reporting period	Transfer to fixed asset	Decrease during the reporting period	30 June 2020
Dining area of Jiaodong airport	84,478,748.00	68,392,964.16	13,419,316.10			81,812,280.26
Freight area of Jiaodong airport	144,614,600.00	76,279,239.24	14,172,016.45			90,451,255.69
Maintenance area of Jiaodong airport	361,793,762.00	212,052,421.02	60,621,178.98			272,673,600.00
Auxiliary production office area	379,639,610.00	283,366,346.43	118,016,176.07			401,382,522.50



Projects	Budget	31 December 2019	Increase during the reporting period	Transfer to fixed asset	Decrease during the reporting period	30 June 2020
Aircraft asset introduction project	9,937,456,340.04	4,828,576,000.04	40,790,757.03		4,418,368.40	4,864,948,388.67
Total	10,907,983,060.04	5,468,666,970.89	247,019,444.63		4,418,368.40	5,711,268,047.12

(Continued)

Items	Weight of cost to date in budgeted cost	Stage of completion	Cumulative interests capitalized	Including: Transferred into leaseback assets during the current period	Including: Transferred into fixed assets during the current period	Including: interests capitalized during the current period	Capitalisation rate applicable to the current period	Source of finance
Dining area of Jiaodong airport	96.84	Not yet completed						Working capital
Freight area of Jiaodong airport	62.55	Not yet completed						Working capital
Maintenance area of Jiaodong airport	75.37	Not yet completed						Working capital
Auxiliary production office area	105.73	Not yet completed						Working capital
Aircraft asset introduction project	48.96	Not applicable	142,343,750.92			7,467,073.53	3.2763-4.2750	Loans from financial institution
Total			142,343,750.92			7,467,073.53		

5.11 Intangible assets

5.11.1 General Information of Intangible Assets

Items	Land rights	Software	Total
1. Cost:			
1.1 Balance as at 31 December 2019	108,347,341.13	53,292,238.70	161,639,579.83
1.2 Increased in current period		4,698,113.08	4,698,113.08
(1) Purchase		4,698,113.08	4,698,113.08



Items	Land rights	Software	Total
(2) Diversion of construction			
(3) Increased from business combination			
1.3 Decreased in current period			
(1) Disposal			
1.4 Balance as at 30 June 2020	108,347,341.13	57,990,351.78	166,337,692.91
2. Accumulated amortization			
2.1 Balance as at 31 December 2019	20,795,558.15	27,384,892.06	48,180,450.21
2.2 Increased in current period	1,201,791.19	4,203,545.28	5,405,336.47
(1) Accrual	1,201,791.19	4,203,545.28	5,405,336.47
2.3 Decreased in current period			
(1) Disposal			
2.4 Balance as at 30 June 2020	21,997,349.34	31,588,437.34	53,585,786.68
3. Impairment provision			
3.1 Balance as at 31 December 2019			
3.2 Increased in current period			
(1) Accrual			
3.3 Decreased in current period			
(1) Disposal			
3.4 Balance as at 30 June 2020			
4. Carrying amount			
4.1 Carrying amount as at 30 June 2020	86,349,991.79	26,401,914.44	112,751,906.23
4.2 Carrying amount as at 31 December 2019	87,551,782.98	25,907,346.64	113,459,129.62

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

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

5.12 Goodwill

5.12.1 Initial Recognition of Goodwill



Investees or matters that goodwill arising from	31 December 2019	Increase during the reporting period		Decrease during the reporting period		30 June 2020
		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

5.12.2 Provision for Impairment

Investees or matters that goodwill arising from	31 December 2019	Increase during the reporting period		Decrease during the reporting period		30 June 2020
		Provision		Disposal		
Qingdao Feisheng	10,220,816.22					10,220,816.22
Total	10,220,816.22					10,220,816.22

5.13 Deferred charges

Items	31 December 2019	Increase during the reporting period	Decrease during the reporting period		30 June 2020
			Amortization	Other decrease	
Pilot training	628,796,231.56	37,375,217.98	52,509,713.93		613,661,735.61
Decoration expenditure	3,283,501.74		1,438,112.22		1,845,389.52
Modification costs for aircraft leasing	25,692,850.51		2,359,451.02		23,333,399.49
Total	657,772,583.81	37,375,217.98	56,307,277.17		638,840,524.62

5.14 Deferred tax assets and deferred tax liabilities**5.14.1 Deferred Tax Assets Before Offsetting**

Items	30 June 2020		31 December 2019	
	Deductible temporary differences	Deferred tax assets	Deductible temporary differences	Deferred tax assets
Provision for bad debt	132,016,961.34	33,004,240.34	135,577,617.05	33,894,404.26
Impairment provision for inventories	4,227,205.99	1,056,801.50	4,227,205.99	1,056,801.50



Items	30 June 2020		31 December 2019	
	Deductible temporary differences	Deferred tax assets	Deductible temporary differences	Deferred tax assets
Impairment provision for fixed assets	2,197,822.93	549,455.73	2,197,822.93	549,455.73
Fair value movement of financial liabilities held for trading	993,965.20	248,491.30	126,264.75	31,566.19
Provisions	4,424,815,881.82	1,106,203,970.45	4,234,796,893.54	1,058,699,223.39
Employment benefits payable	44,391,479.01	11,097,869.75	22,851,931.68	5,712,982.92
Deferred income	20,405,799.95	5,101,449.99	21,736,870.97	5,434,217.74
Tax loss carried forwards	1,525,576,467.28	381,394,116.82		
Total	6,154,625,583.52	1,538,656,395.88	4,421,514,606.91	1,105,378,651.73

5.14.2 Deferred Tax Liabilities Before Offsetting

Items	30 June 2020		31 December 2019	
	Deductible temporary differences	Deferred tax liabilities	Deductible temporary differences	Deferred tax liabilities
Asset evaluation increment from Enterprise merger under the different control	3,912,235.25	978,058.81	4,173,050.93	1,043,262.73
Changes in fair value of other equity instruments investment	382,857,201.20	95,714,300.30	786,376,533.32	196,594,133.33
Others (Note)	140,608,392.76	35,152,098.19	140,608,392.76	35,152,098.19
Total	527,377,829.21	131,844,457.30	931,157,977.01	232,789,494.25

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.

5.15 Short-term borrowings

**5.15.1 Disclosure of Short-Term Borrowings by Category**

Items	30 June 2020	31 December 2019
Credit loan	1,524,339,583.33	300,329,083.33
Total	1,524,339,583.33	300,329,083.33

5.15.2 The Company has no overdue short-term borrowings.

5.16 Held-for-trading financial liabilities

Items	31 December 2019	Increase during the reporting period	Decrease during the reporting period	30 December 2020
Financial liabilities designated at fair value through profit or loss	126,264.75	867,700.45		993,965.20
Including: Interest rate swaps	126,264.75	867,700.45		993,965.20
Total	126,264.75	867,700.45		993,965.20

5.17 Notes payable

Category	30 June 2020	31 December 2019
Bank acceptance bills	427,794,100.67	394,496,891.30
Commercial acceptance bills	8,500,000.00	8,500,000.00
Total	436,294,100.67	402,996,891.30

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

5.18 Accounts payable**5.18.1 Accounts Payable by Nature**

Items	30 June 2020	31 December 2019
Aircraft maintenance costs	522,602,614.32	689,822,992.66
Fuel cost	322,005,665.77	253,885,753.63
Landing fee	383,272,794.11	465,517,353.92
Aircraft service cost	567,928,568.70	504,230,134.03
Flight catering	92,912,825.80	91,996,252.04
Computer booking fee	295,833,062.10	261,849,848.30
Lease rental	378,444,236.79	7,552,869.30
Others	249,443,623.28	207,393,310.63
Total	2,812,443,390.87	2,482,248,514.51

5.18.2 Significant Accounts Payable with Age of Over One Year



Items	30 June 2020	Reason
Computer booking fee	193,232,943.12	No payment due
Total	193,232,943.12	

5.19 Advance from customers

Details of Advance from Customers

Items	30 June 2020	31 December 2019
Ticket clearing		918,437,701.34
Advanced payment for tickets		4,180,237.06
Others		14,255,729.56
Total		936,873,667.96

5.20 liability Contract

5.20.1 Details of liability Contract

Items	30 June 2020	31 December 2019
Ticket clearing	156,749,908.90	
Advanced payment for tickets	4,232,940.06	
Others	19,293,370.07	
Total	180,276,219.03	

5.20.2 The Company has no important contract liabilities with an age of more than 1 year. ◦

5.21 Employee benefits payable

5.21.1 Details of Employee Benefits Payable

Items	31 December 2019	Increase during the reporting period	Decrease during the reporting period	30 June 2020
1. Short-term employee benefits	549,061,919.97	1,061,198,782.18	1,446,294,647.87	163,966,054.28
2. Post-employment benefits – defined contribution plans		99,401,571.33	98,113,892.14	1,287,679.19
3. Termination benefits		511,334.26	511,334.26	
4. Other long-term employee benefits within one year				
Total	549,061,919.97	1,161,111,687.77	1,544,919,874.27	165,253,733.47

5.21.2 Short-Term Employee Benefits



Items	31 December 2019	Increase during the reporting period	Decrease during the reporting period	30 June 2020
1. Wages, salaries and subsidies	491,371,818.04	895,348,000.24	1,296,030,236.55	90,689,581.73
2. Employee welfare		30,962,811.04	30,962,811.04	
3. Social insurance:		47,698,090.20	19,485,769.39	28,212,320.81
Including: Medical insurance		46,178,168.66	18,189,247.14	27,988,921.52
Employment injury insurance		1,212,378.39	1,176,553.16	35,825.23
Maternity insurance		307,543.15	119,969.09	187,574.06
4. Housing provident fund		55,768,891.61	55,602,961.61	165,930.00
5. Labour union fee and employee education fee	23,020,993.78	31,420,989.09	9,543,761.13	44,898,221.74
6. Short-term paid absences	34,669,108.15		34,669,108.15	
7. Short-term profit-sharing plan				
Total	549,061,919.97	1,061,198,782.18	1,446,294,647.87	163,966,054.28

5.21.3 Defined Contribution Plans

Items	31 December 2019	Increase during the reporting period	Decrease during the reporting period	30 June 2020
Post-employment benefits:				
1. Basic pension		51,846,970.41	50,598,314.97	1,248,655.44
2. Unemployment insurance		2,398,959.24	2,359,935.49	39,023.75
3. Annuity payment		45,155,641.68	45,155,641.68	
Total		99,401,571.33	98,113,892.14	1,287,679.19

5.22 Taxes and fees payable

Items	30 June 2020	31 December 2019
VAT	1,197,829.38	1,457,921.43
Urban construction and maintenance tax	20,802.76	214,935.06
Education surcharge	15,085.27	151,647.82
Enterprise income tax	217,472.04	18,719,845.92



Property tax	217,166.97	169,094.44
Land tax	233,104.56	89,655.60
Personal income tax	6,190,337.09	11,458,059.11
Stamp duty	1,500,000.00	991,505.53
Civil aviation development fund	74,686,008.50	116,161,969.13
Others	14,659.27	22,549.67
Total	84,292,465.84	149,437,183.71

5.23 Other payables

5.23.1 Other Payables by Category

Items	30 June 2020	31 December 2019
Interests payable		
Dividends payable	602,306.96	602,306.96
Other payables	641,029,961.11	585,541,152.70
Total	641,632,268.07	586,143,459.66

5.23.2 Dividends Payable

Items	30 June 2020	31 December 2019
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.

5.23.3 Other Payables

① Other Payables by Nature

Items	30 June 2020	31 December 2019
Payables for construction projects	265,617,537.15	172,005,523.84
Payables for deposits	160,324,901.10	146,354,708.31
Taxes deducted at source	61,825,741.95	122,250,153.03
Others	153,261,780.91	144,930,767.52
Total	641,029,961.11	585,541,152.70

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

5.24 Non-current liabilities due within one year

Items	30 June 2020	31 December 2019
-------	--------------	------------------



Items	30 June 2020	31 December 2019
Long-term borrowings due within one year	222,282,299.60	567,350,817.16
Long-term payables due within one year	186,430,050.57	307,786,130.67
Long-term employee benefits payable due within one year	10,765,620.36	10,163,000.00
Total	419,477,970.53	885,299,947.83

5.25 Other current liabilities

5.25.1 Other current liabilities

Items	30 June 2020	31 December 2019
Super&Short-term Commercial Paper	1,001,744,444.45	
Pending Output VAT	10,057,411.23	
Total	1,011,801,855.68	

5.25.2 Changes in Super&Short-term Commercial Paper:

Bond name	Face value	Issue date	Bond period	Issuance amount
20 SDA SCP001	500,000,000.00	2020/4/21	180 days	500,000,000.00
20 SDA SCP002	500,000,000.00	2020/6/17	180 days	500,000,000.00
Total	1,000,000,000.00			1,000,000,000.00

(Continued)

Bond name	Current issue	Interest accrued at face value	Repayment in current period	30 June 2020
20 SDA SCP001	500,000,000.00	1,511,111.12		501,511,111.12
20 SDA SCP002	500,000,000.00	233,333.33		500,233,333.33
Total	1,000,000,000.00	1,744,444.45		1,001,744,444.45

5.26 Long-term borrowings

5.26.1 Long-Term Borrowings by Category

Items	30 June 2020	31 December 2019	Range of interest rates
Secured loans	754,493,353.52	811,423,255.68	2.6206%-4.41%
Credit loans	594,327,796.48	563,928,944.30	3.2806%-4.275%
Subtotal	1,348,821,150.00	1,375,352,199.98	
Less: Long-term borrowings due	222,282,299.60	567,350,817.16	



Items	30 June 2020	31 December 2019	Range of interest rates
within one year (Note 5.24)			
Total	1,126,538,850.40	808,001,382.82	

5.27 Bonds payable

5.27.1 Bonds payable

Items	30 June 2020	31 December 2019
Medium-term Notes	1,005,564,722.23	
Subtotal	1,005,564,722.23	
Less: Bonds payable due within one year		
Total	1,005,564,722.23	

5.27.2 Changes in bonds payable

Bond name	Face value	Issue date	Bond period	Issuance amount
20 SDA MTN001	1,000,000,000.00	2020/4/22	3 years	1,000,000,000.00
Total	1,000,000,000.00			1,000,000,000.00

(Continued)

Bond name	Current issue	Interest accrued at face value	Premium and discount amortization	Repayment in current period	30 June 2020
20 SDA MTN001	1,000,000,000.00	5,564,722.23			1,005,564,722.23
Total	1,000,000,000.00	5,564,722.23			1,005,564,722.23

5.28 Long-term payables

5.28.1 Long-Term Payables by Category

Items	30 June 2020	31 December 2019
Long-term payables	5,575,987,586.37	5,639,672,919.84
Specific payables		
Subtotal	5,575,987,586.37	5,639,672,919.84
Less: Long-term payables due within one year	709,032,664.89	1,015,733,044.44
Total	4,866,954,921.48	4,623,939,875.40

5.28.2 Long-Term Payables by Nature



Items	30 June 2020	31 December 2019
Financial lease rental payables	1,347,371,704.55	1,558,752,105.19
Maintenance payables for aircrafts and engines held under operating lease	4,228,615,881.82	4,080,920,814.65
Subtotal	5,575,987,586.37	5,639,672,919.84
Less: Financial lease rental payables due within one year	186,430,050.57	307,786,130.67
Less: Maintenance payables for aircrafts and engines held under operating lease due within one year (Note 1)	522,602,614.32	707,946,913.77
Total	4,866,954,921.48	4,623,939,875.40

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

5.29 Long-term employee benefits payable

5.29.1 General Information of Long-Term Employee Benefits Payable

Items	30 June 2020	31 December 2019
1. Post-employment benefits-net defined benefit liability	160,287,537.40	162,909,225.21
Less: long-term staff remuneration payable due within one year (Note 5.24)	10,765,620.36	10,163,000.00
Total-	149,521,917.04	152,746,225.21

5.29.2 Changes in Defined Benefit Plans

Present value of the defined benefit obligation:

Items	Jan - Jun 2020	2019
1. Balance at the beginning of the reporting period	162,909,225.21	144,434,119.11
2. Cost recognized in current profit or loss:	2,568,500.00	26,706,000.00
2.1 Current service cost		
2.2 Past service cost		22,161,000.00
2.3 Gains /(losses) on settlement (loss presented with "-" prefix)		
2.4 Net interest	2,568,500.00	4,545,000.00
3. Cost recognized in other comprehensive income:		-1,727,000.00
3.1 Actuarial gains /(losses) (loss presented with "-" prefix)		-1,727,000.00



Items	Jan - Jun 2020	2019
4.Other changes:	5,190,187.81	9,957,893.90
4.1 Consideration paid in settlements		
4.2 Payment of benefits	5,190,187.81	9,957,893.90
5.Balance at the end of the reporting period	160,287,537.40	162,909,225.21

5.29.3 Significant Actuarial Assumptions of Defined Benefit Plans

Items	30 June 2020	31 December 2019
Discount Rate	3.25%	3.25%
Mortality Rate	China Life Insurance Mortality Rate 2010-2013 (Annuity)	
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%	

5.30 Deferred income

5.30.1 General Information of Deferred Income

Items	31 December 2019	Increase during the reporting period	Decrease during the reporting period	30 June 2020	Reason
Unrealized gains and losses of operating lease from aircraft leaseback	87,686,199.24		3,123,558.90	84,562,640.34	The aircraft sale-leaseback disposal profits and losses
Designated subsidy for civil aviation energy-saving program	9,899,565.28		488,250.06	9,411,315.22	Asset related subsidies
Designated subsidy for HUD and repackage project	11,837,305.69		842,820.96	10,994,484.73	Asset related subsidies
Total	109,423,070.21		4,454,629.92	104,968,440.29	

5.30.2 Items Related to Government Grants



Items	31 December 2019	Increase during the reporting period	Recognized in non-operating income during the reporting period	Recognized in other income during the reporting period	Other changes	30 June 2020	Related to assets/Related to profit or loss
Designated subsidy for civil aviation energy-saving program	9,899,565.28			488,250.06		9,411,315.22	Asset related subsidies
Designated subsidy for HUD and repackage project	11,837,305.69			842,820.96		10,994,484.73	Asset related subsidies
Total	21,736,870.97			1,331,071.02		20,405,799.95	

5.31 Share capital

	31 December 2019	Changes during the reporting period (+, -)					30 June 2020
		New issues	Bonus issues	Capitalisation of reserves	Others	Subtotal	
Number of total shares	400,000,000.00						400,000,000.00

5.32 Capital reserves

Items	31 December 2019	Increase during the reporting period	Decrease during the reporting period	30 June 2020
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

5.33 Other comprehensive income

Items	31 December	Changes during the reporting period	30 June 2020
-------	-------------	-------------------------------------	--------------



	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	570,487,739.92	-403,519,332.12		-100,879,833.04	-302,639,499.08	267,848,240.84
Including: remeasurement of net assets or net liabilities of defined benefit plans	-19,294,660.07					-19,294,660.07
Changes in fair value of other equity instruments investment	589,782,399.99	-403,519,332.12		-100,879,833.04	-302,639,499.08	287,142,900.91
Total of other comprehensive income	570,487,739.92	-403,519,332.12		-100,879,833.04	-302,639,499.08	267,848,240.84

5.34 Surplus reserves



Items	31 December 2019	Increase during the reporting period	Decrease during the reporting period	30 June 2020
Statutory surplus reserve	538,773,444.97			538,773,444.97
Total	538,773,444.97			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.

5.35 Retained earnings

Items	Current period	Prior period
Pre-adjustment balance brought forward	3,588,847,456.98	3,342,615,148.06
Total adjustment to retained earnings b/f (+, -)	26,692,794.47	
Retained earnings b/f after adjustment	3,615,540,251.45	3,342,615,148.06
Add: Net profit attributable to shareholders of the parent	-1,296,010,573.90	-27,364,005.41
Less: Appropriation to statutory surplus reserve		
Appropriation to discretionary surplus reserve		
General reserve		
Ordinary dividends declared		80,000,000.00
Bonus issue		
Closing balance as of 30 June 2020	2,319,529,677.55	3,235,251,142.65

5.36 Operating revenues and operating costs

Items	Current period		Prior period	
	Operating revenues	Operating costs	Operating revenues	Operating costs
Principal activities	3,897,876,220.42	5,500,295,122.53	8,662,501,912.54	8,393,542,113.46
Other activities	292,773,575.67	2,228,908.78	326,566,488.18	1,702,972.58
Total	4,190,649,796.09	5,502,524,031.31	8,989,068,400.72	8,395,245,086.04

5.37 Tax and surcharges

Items	Current period	Prior period
-------	----------------	--------------



Items	Current period	Prior period
Urban maintenance and construction tax	652,154.53	1,660,551.31
Education surcharge and others	5,091,974.29	6,112,351.86
Total	5,744,128.82	7,772,903.17

5.38 Sales expenses

Items	Current period	Prior period
Agency fees	44,148,642.14	108,172,942.32
Employment benefits	83,393,161.98	110,084,846.82
Computer booking fees	40,747,548.62	90,439,234.30
Online payment fees	9,031,360.10	18,500,546.84
Lease rental	4,812,963.00	11,132,987.19
Advertisement fees	5,310,716.01	10,721,524.81
Administrative office expenses	579,543.63	1,402,463.77
Travel expenses	1,252,257.71	3,393,070.01
System and network fees	10,135,534.66	13,504,168.24
BSP data processing fees	2,054,411.53	5,891,147.19
Depreciation	777,486.99	719,021.50
Others	9,891,451.82	14,604,424.90
Total	212,135,078.19	388,566,377.89

5.39 General and administrative expenses

Items	Current period	Prior period
Employment benefits	89,149,437.01	113,804,877.27
Lease rental fees	7,232,223.29	12,190,868.44
Business entertainment costs	434,430.06	2,588,901.12
Depreciation	10,503,404.08	9,978,743.53
Administrative office expenses	3,820,239.80	5,271,841.62
Technology development costs		972,633.38
Amortization of intangibles	5,405,336.47	4,470,180.77



Items	Current period	Prior period
Water, electricity charges	3,949,163.51	6,131,159.05
Outsourcing fees	8,590,710.13	14,929,468.74
Others	35,034,848.49	49,012,374.24
Total	164,119,792.84	219,351,048.16

5.40 Research and development expenses

Items	Current period	Prior period
Employment benefits	10,424,275.10	8,960,946.50
Total	10,424,275.10	8,960,946.50

5.41 Financial costs

Items	Current period	Prior period
Interest expenses	85,728,100.07	70,674,180.26
Less: Interest income	9,474,223.70	5,907,298.18
Net interest expenses	76,253,876.37	64,766,882.08
Foreign exchange losses	50,524,700.29	107,340,080.21
Less: Foreign exchange gains	32,538,126.79	101,985,920.47
Net foreign exchange losses	17,986,573.50	5,354,159.74
Bank charges	890,927.75	765,685.74
Total	95,131,377.62	70,886,727.56

5.42 Other income

Category	Current period	Prior period	Included in current period non-recurring profit and loss
1. Government grant recognized in other income	38,080,616.43	32,120,370.10	38,080,616.43
Including: Government grant related to deferred income (related to assets)	1,331,071.02	1,580,821.02	1,331,071.02
Government grant related to deferred income (related to income)			
Government grant directly recognized in current profit or loss (related to income)	36,749,545.41	30,539,549.08	36,749,545.41



Category	Current period	Prior period	Included in current period non-recurring profit and loss
2. Others related to daily operation activities and recognized in other income	2,628,620.78	258,298.31	2,628,620.78
Including: Charges of withholding individual income tax	2,586,974.60	258,298.31	2,586,974.60
Including: Input tax deduction	41,646.18		41,646.18
Total	40,709,237.21	32,378,668.41	40,709,237.21

5.43 Investment income

Items	Current period	Prior period
Investment income from held-for-trading financial assets during holding period	-247,100.00	213,867.45
Dividend income from other equity instrument income during holding period	3,770,100.00	5,861,939.50
Total	3,523,000.00	6,075,806.95

5.44 Gains/(losses) from changes in fair values

Sources of gains on changes in fair value	Current period	Prior period
Interest rate swaps	-867,700.45	-1,081,477.27
Total	-867,700.45	-1,081,477.27

5.45 Impairment loss of credit

Items	Current period	Prior period
Provision for bad debt for accounts receivable	2,302,520.80	-421,196.30
Provision for bad debt for other receivables	1,258,134.91	-331,618.73
Total	3,560,655.71	-752,815.03

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, construction in progress, productive biological assets and intangible assets not classified as held for sale	13,834.98	32,155.55	13,834.98



Category	Current period	Prior period	Included in current period non-recurring profit and loss
Including: Fixed assets	13,834.98	32,155.55	13,834.98
Total	13,834.98	32,155.55	13,834.98

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	4,716,981.14	13,443,396.23	4,716,981.14
Others	10,102,403.39	8,142,307.63	10,102,403.39
Total	14,819,384.53	21,585,703.86	14,819,384.53

5.47.2 The Company has no government grants irrelevant to daily operation activities during 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	233,744.92	1,322,013.76	233,744.92
Others	172,022.92	196,501.72	172,022.92
Total	405,767.84	1,518,515.48	405,767.84

5.49 Income tax expenses

5.49.1 Details of Income Tax Expenses

Items	Current period	Prior period
Current tax expenses	174,876.48	102,193,273.66
Deferred tax expenses	-442,240,546.23	-119,824,429.86
Total	-442,065,669.75	-17,631,156.20

5.49.2 Reconciliation of Accounting Profit and Income Tax Expenses

Items	Current period	Prior period
Profit before tax	-1,738,076,243.65	-44,995,161.61
Income tax expense at the statutory /applicable tax rate	-434,519,060.91	-11,248,790.40
Adjustments of impact from prior period income tax	-7,236,342.86	-5,669,018.64
Effect of income that is exempt from taxation	-942,525.00	-1,465,484.87
Effect of non-deductible costs, expenses or losses	693,517.48	537,004.36



Items	Current period	Prior period
Effect of previously unrecognized deductible losses recognized as deferred tax assets	-61,258.46	215,133.35
Income tax expenses	-442,065,669.75	-17,631,156.20

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 5.33 *Other Comprehensive Income*.

5.51 Notes to the Statement of Cash Flow

5.51.1 Other cash received relating to operating activities

Items	Current period	Prior period
Government grants	36,749,545.41	30,531,871.97
Cash received other than government grants which is recognized in other income	2,586,974.60	258,298.31
Interest income on bank deposit	9,474,223.70	5,907,298.18
Cash receipts from non-operating income	14,819,384.53	21,438,805.97
Cash receipts from current account	21,656,888.91	53,970,652.83
Total	85,287,017.15	112,106,927.26

5.51.2 Other cash payments relating to operating activities

Items	Current period	Prior period
Bank charges	890,927.75	765,685.74
Cash payments for non-operating expenses	172,022.92	196,501.72
Cash payments for current account	21,119,919.45	58,258,275.51
Cash payments for sales and general and administrative expenses	29,146,504.37	32,829,646.51
Total	51,329,374.49	92,050,109.48

5.51.3 Other cash received relating to investing activities

Items	Current period	Prior period
Cash receipts from settlement of interest rate swaps		213,867.45
Total		213,867.45

5.51.4 Other cash payments relating to investing activities

Items	Current period	Prior period
Cash payments for settlement of interest rate swaps	247,100.00	
Total	247,100.00	

5.51.5 Other cash receipts relating to financing activities



Items	Current period	Prior period
Cash receipts for aircraft transfer of sale and leaseback deals		485,947,232.59
Total		485,947,232.59

5.51.6 Other cash payments relating to financing activities

Items	Current period	Prior period
Cash payments for aircraft financial lease rental	245,703,910.97	207,230,938.23
Total	245,703,910.97	207,230,938.23

5.52 Supplementary information to the Statement of Cash Flows**5.52.1 Supplementary Information to the Statement of Cash Flows**

Supplementary information	Current period	Prior period
1. Adjustments of net profit to cash flows from operating activities:		
Net profit	-1,296,010,573.90	-27,364,005.41
Add: Provisions for impairment of assets		
Impairment loss of credit	-3,560,655.71	752,815.03
Depreciation of fixed assets, investment properties, oil and gas assets and biological assets held for production	407,855,285.33	452,151,368.95
Amortization of intangible assets	5,405,336.47	4,470,180.77
Amortization of deferred charges	56,307,277.17	46,229,621.19
Loss on non-current assets disposal (gain presented by "-" prefix)	-13,834.98	-32,155.55
Loss on scrap of fixed assets (gain presented by "-" prefix)	233,744.92	1,322,013.76
Loss on fair value changes (gain presented by "-" prefix)	867,700.45	1,081,477.27
Financial costs (gain presented by "-" prefix)	101,401,234.52	82,422,633.27
Investment loss (gain presented by "-" prefix)	-3,523,000.00	-6,075,806.95
Decrease of deferred tax assets (increase presented by "-" prefix)	-442,175,342.31	-146,933,398.61
Increase of deferred tax liabilities (increase presented by "-" prefix)	-65,203.92	27,108,968.75
Decrease of inventories (increase presented by "-" prefix)	-22,184,719.35	3,827,321.72
Decrease of operating receivables (increase presented by "-" prefix)	192,148,432.24	-67,153,349.11



Supplementary information	Current period	Prior period
prefix)		
Increase of operating payables (decrease presented by "-" prefix)	-889,244,271.55	177,083,675.94
Others	-5,190,187.81	-4,814,705.34
Net cash flows generated from operating activities	-1,897,748,778.43	544,076,655.68
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		
3. Movement of cash and cash equivalents:		
Cash at the end of the reporting period	1,495,906,171.45	304,093,125.42
Less: Cash at the beginning of the reporting period	598,861,065.69	840,860,104.09
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	897,045,105.76	-536,766,978.67

5.52.2 Net Cash Received from Disposals of Subsidiaries

Item	30 June 2020	31 December 2019
①Cash	1,495,906,171.45	598,861,065.69
Including: Cash at hand	710,300.06	285,508.32
Demand bank deposit	1,495,195,871.39	598,575,557.37
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	1,495,906,171.45	598,861,065.69
Including: restricted cash and cash equivalents in parent company or		



Item	30 June 2020	31 December 2019
subsidiary		

5.53 Assets with Imposed Restriction on Ownership

Category	Closing balance as of 30 June 2020	Reason of restriction
Assets pledged as security	1,258,827,279.87	
Aircrafts and engines	1,258,727,279.87	Pledge as security for borrowings
Bank deposit	100,000.00	Guarantee deposit
Other form of restriction:	1,612,393,626.86	
Aircrafts and engines	1,612,393,626.86	Assets acquired under financial lease
Total	2,871,220,906.73	

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	554,789.25	7.0795	3,927,630.50
-CAD	10.00	5.1843	51.84
-WON	311,752,812.00	0.0059	1,839,341.59
-TWD	11,623,913.00	0.2403	2,793,226.29
-JPY	65,349,276.00	0.0658	4,299,982.36
-THB	3,809,393.45	0.2293	873,493.92
-EUR	5,042.00	7.9610	40,139.36
Other receivables			
Including: -USD	11,135,266.12	7.0795	78,832,116.50
-GBP	3,082.00	8.7144	26,857.78
Accounts payable			
Including: -USD	11,326,881.03	7.0795	80,188,654.25
-GBP	32,175.13	7.9610	256,146.21



Items	Carrying amount at foreign currency	Exchange rate	Carrying amount at CNY
-JPY	2,618,255.00	0.0658	172,281.18
Other payables			
Including: -USD	11,138.56	7.0795	78,855.44
Non-current liabilities due within one year			
Including: -USD	26,976,724.59	7.0795	190,981,721.73
Long-term borrowings			
Including: -USD	64,769,948.50	7.0795	458,538,850.41
Long-term payables			
Including: -USD	36,526,464.81	7.0795	258,589,107.62

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
			Current period	Prior period	
Designated subsidy for snow disaster		Deferred income		249,750.00	Other income
Designated subsidy for civil aviation energy-saving program	488,250.06	Deferred income	488,250.06	488,250.06	Other income
Designated subsidy for HUD and repackage project	842,820.96	Deferred income	842,820.96	842,820.96	Other income
Total	1,331,071.02		1,331,071.02	1,580,821.02	

5.55.2 Government grants related to income

Items	Amount	Items presented in the Financial	Recognized in current profit or loss or directly as deduct of related cost	Presented items that recognized in current
-------	--------	----------------------------------	--	--



		Statements	Current period	Prior period	profit or loss or directly as deduct of related cost
Airline grants	35,571,745.41	Other income	35,571,745.41	30,431,871.97	Other income
Other government grants	1,177,800.00	Other income	1,177,800.00	107,677.11	Other income
Total	36,749,545.41		36,749,545.41	30,539,549.08	

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 period 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	30 June 2020 / Current period	31 December 2019 / Prior period
Current assets	1,802,740.67	1,802,740.67
Non-current assets	21,068.86	21,752.86
Total assets	1,823,809.53	1,824,493.53
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		
Equity attributable to shareholders of the parent	-165,942,003.80	-165,941,319.80
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	-684.00	-2,500.00
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 2019	Unrecognized losses of current year (Share of net profit of current year)	Cumulative unrecognized losses as of 30 June 2020
Shandong Rainbow Commercial Jet Co., Ltd.	-74,676,385.20	-307.80	-74,676,693.00

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 30 June 2020, 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 5.15, 5.24, 5.26, 5.28). 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 30 June 2020, 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 30 June 2020

Item	The fair value at 30 June 2020			
	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				



Item	The fair value at 30 June 2020			
	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
1.1 Other equity instrument investments	162,530,962.31		308,678,338.89	471,209,301.20
Total amount of assets continuous measurement by fair value	162,530,962.31		308,678,338.89	471,209,301.20
2. Financial liabilities at fair value through profit or loss		993,965.20		993,965.20
2.1 Interest rate swaps		993,965.20		993,965.20
Total amount of liabilities continuous measurement by fair value		993,965.20		993,965.20

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
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



Other related parties	Relationship to the Company
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
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 period	Prior period
Beijing Aircraft Maintenance and Engineering Corporation	Repairment	34,077,598.52	87,204,401.98



Related party	Transaction	Current period	Prior period
Beijing Aircraft Maintenance and Engineering Corporation	Purchase / lease of aircraft materials	125,905.30	90,670.21
Beijing Aircraft Maintenance and Engineering Corporation	Rentals	179,716.98	
Beijing Aircraft Maintenance and Engineering Corporation	Ground service	6,864,207.26	7,918,216.40
Beijing Golden Phoenix Human Resources Service Co., Ltd.	Ground service	666,357.91	958,601.38
Chengdu Fukai Aircraft Engineering Services Limited	Repairment	2,844,655.73	3,226,680.49
Shandong Air New Media Co., Ltd.	Aircraft offerings and advertising fees	3,295,762.42	2,795,638.44
Shandong Air New Media Co., Ltd.	Ground service	235,470.80	
Taikoo (Shandong) Aircraft Engineering Company Limited	Aircraft maintenance	35,746,862.98	84,319,157.89
Shandong XiangYu Air Technology Co., Ltd.	Repairment	34,850,652.86	40,603,685.76
Shandong XiangYu Air Technology Co., Ltd.	Purchase / lease of aircraft materials	11,232.91	85,831.54
SDA Group	Office lease rental and catering	14,976,703.49	21,387,861.95
SDA Group	Group fee	3,214,498.71	4,335,054.65
SDA Group	Irregular flight	17,820.00	16,480.00
Shandong Airlines Rainbow Auto Service Co., Ltd.	Vehicle rental fee and maintenance fee	30,677,713.74	41,140,535.12
Shandong Airlines Rainbow Auto Service Co., Ltd.	Group fee	906,540.37	1,488,340.00
Shandong Airlines Rainbow Auto Service Co., Ltd.	Irregular flight	140,577.98	340,640.00
Shenzhen Airlines Co., Ltd.	Agency service	205,627.68	677,857.68
Shenzhen Airlines Co., Ltd.	Purchase / lease of aircraft materials	45,739.13	71,015.05
Shenzhen Airlines Co., Ltd.	Catering	213,383.51	889,287.46



Related party	Transaction	Current period	Prior period
Shenzhen Airlines Co., Ltd.	Irregular flight	163,018.87	133,800.00
Sichuan International Aero Engine Maintenance Co., Ltd.	Repairment	42,494,668.19	19,750.00
Air China	Ground service	4,912,038.29	7,640,745.45
Air China	Purchase / lease of aircraft materials	97,627.94	114,588.32
Air China	Agency service	262,567.00	344,641.04
Air China	Irregular flight expenditure	12,092,569.52	13,342,127.56
Kunming Airlines Co., Ltd	Agency service	3,117.40	4,096.70
Dalian Airlines Co., Ltd.	Irregular flight	135,962.26	144,240.00
Shanghai International Airport Ground Service Co., Ltd.	Ground service	64,075.25	108,849.06
Total		229,522,673.00	319,402,794.12

Sales of goods and rendering of services

Related party	Transaction	Current period	Prior period
<i>Beijing Aircraft Maintenance and Engineering Corporation</i>	Sale /rent of aircraft materials		706,594.15
Dalian Airlines Co., Ltd.	Ground service	399,956.23	396,256.38
Dalian Airlines Co., Ltd.	Non-routine maintenance/machinery service	1,408.06	
Kunming Airlines Co., Ltd	Ground service		56,600.00
Kunming Airlines Co., Ltd	Locomotive service income	46,622.64	71,320.00
Kunming Airlines Co., Ltd	Agency service	2,508.63	6,389.15
Shandong Air New Media Co., Ltd.	Media resource fee	11,245,008.15	6,099,996.00
Taikoo (Shandong) Aircraft Engineering Company Limited	Sale of aircraft materials	740,097.03	154,216.00
Taikoo (Shandong) Aircraft Engineering Company Limited	Training fee	6,981.13	34,197.00
Taikoo (Shandong) Aircraft Engineering Company Limited	Maintenance fee	909,059.53	



Related party	Transaction	Current period	Prior period
Shandong XiangYu Air Technology Co., Ltd.	Sale of aircraft materials	1,211,429.60	283,444.97
Shenzhen Airlines Co., Ltd.	Agency service	210,885.60	597,123.55
Shenzhen Airlines Co., Ltd.	Ground service		30,900.00
Shenzhen Airlines Co., Ltd.	Sale /rent of aircraft materials	195,966.68	17,669.00
Shenzhen Airlines Co., Ltd.	Irregular flight maintenance/locomotive service income	495.58	88.50
Shenzhen Airlines Co., Ltd.	Freight revenue		26,611.25
Air China	Ground service	2,099,758.11	3,495,904.21
Air China	Simulator maintenance / House rental income	2,242,714.26	2,242,714.31
Air China	Sale /rent of aircraft materials	477,147.66	26,375.00
Air China	Irregular flight maintenance/locomotive service income	29,486.73	9,103.54
Air China	Agency service	164,559.75	111,207.26
Beijing Airlines Co., Ltd.	Ground service	452.83	60,539.14
China International Airlines Inner Mongolia Co., Ltd.	Ground service	45,240.57	7,116.00
Shandong Airlines Rainbow Auto Service Co., Ltd.	Storage income	179,245.92	179,481.05
Shandong Airlines Rainbow Auto Service Co., Ltd.	Property fee income	13,754.72	13,754.72
Total		20,222,779.41	14,627,601.18

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 30 June 2020 is CNY 177,600,000.00
SDA Group	150,000,000.00	11 November 2019	19 October 2020	Balance as at 30 June 2020 is CNY 150,000,000.00, and the loan is entrusted by the Industrial and



Related Party	Borrowing money	Beginning date	Due date	Description
				Commercial Bank of China Co., Ltd. Jinan Minghu Branch.

10.5.3 Remuneration to Key Management Personnel

Item	Current period	Prior period
Key management personnel compensation	CNY 5.2386 million	CNY 6.2940 million

10.5.4 Other Related Party Transactions

Related party	Transaction	Current period	Prior period
Air China	Frequent flyer cooperation	24,200,000.00	16,000,000.00
Total		24,200,000.00	16,000,000.00

10.6 Related Party Balances

10.6.1 Receivables

Related party	30 June 2020		31 December 2019	
	Carrying amount	Provision for bad debt	Carrying amount	Provision for bad debt
Accounts receivable				
Air China	7,701,033.72		5,441,837.40	
Dalian Airlines Co., Ltd.	445.40		16,894.80	
Taikoo (Shandong) Aircraft Engineering Company Limited	24,200.00		24,700.00	
Shandong Air New Media Co., Ltd.	250,000.00		75,000.00	
Shandong Airlines Rainbow Auto Service Co., Ltd.	42,043.20			
Total	8,017,722.32		5,558,432.20	
Other receivables				
Air China	5,984,551.73		5,134,920.42	
Shenzhen Airlines Co., Ltd.	47,781.61		75,988.90	
Shandong Rainbow Commercial Jet Co.,	101,551,717.65	101,551,717.65	101,551,717.65	101,551,717.65



Related party	30 June 2020		31 December 2019	
	Carrying amount	Provision for bad debt	Carrying amount	Provision for bad debt
Ltd.				
Shandong XiangYu Air Technology Co., Ltd.	2,281,371.58		1,835,674.33	
Taikoo (Shandong) Aircraft Engineering Company Limited	1,822,002.64		180,217.72	
Shandong Air New Media Co., Ltd.	8,131,811.56		10,095,530.78	
<i>Beijing Aircraft Maintenance and Engineering Corporation</i>	669,122.03		1,224,188.64	
Dalian Airlines Co., Ltd.	5,656.80		56,450.80	
Kunming Airlines Co., Ltd	48,640.00		174,620.00	
Shandong Airlines Rainbow Auto Service Co., Ltd.			240.00	
Total	120,542,655.60	101,551,717.65	120,329,549.24	101,551,717.65

10.6.2 Payables

Related party	30 June 2020	31 December 2019
Accounts payable		
Shandong XiangYu Air Technology Co., Ltd.	44,896,429.04	24,885,130.73
Taikoo (Shandong) Aircraft Engineering Company Limited	49,017,844.40	60,317,020.35
Air China	248,717,042.49	216,889,212.07
Beijing Golden Phoenix Human Resources Service Co., Ltd.	669,093.41	316,512.86
Shenzhen Airlines Co., Ltd.	278,106.06	352,836.71
Aircraft Maintenance and Engineering Corporation (Ameco)	60,327,714.77	33,686,285.52
Sichuan International Aero Engine Maintenance Co., Ltd.	42,582,877.48	88,209.29
Shandong Air New Media Co., Ltd.	1,633,624.70	4,691,884.84
Shandong Airlines Rainbow Auto Service Co., Ltd.	29,490,000.00	6,375,000.00
Chengdu Fukai Aircraft Engineering Service Co., Ltd.	5,409,265.31	3,494,468.69
Shanghai International Airport Ground Service Co., Ltd.	86,057.80	54,398.40



Related party	30 June 2020	31 December 2019
Accounts payable		
Total	483,108,055.46	351,150,959.46
Other payables		
SDA Group	10,367,309.17	14,933,120.85
Taikoo (Shandong) Aircraft Engineering Company Limited	484,291.74	484,291.74
Shandong Air New Media Co., Ltd.	2,373,212.00	6,368,095.92
Shandong Rainbow Commercial Jet Co., Ltd.	19,232.86	7,798.95
Total	13,244,045.77	21,793,307.46

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	30 June 2020	31 December 2019
Commitment for purchase long-term assets	6,868,276,580.73	7,036,492,465.21
Large contract		
Commitment for external investment		

11.1.2 Operating Lease Commitment

Minimum lease payments under non-cancellable operating leases	30 June 2020	31 December 2018
Within 1 year	3,034,553,887.28	3,014,893,635.26
1-2 years	2,836,600,204.29	2,842,138,245.44
2-3 years	2,697,616,352.30	2,672,068,066.30
After 3 years	9,015,488,005.41	9,875,497,392.11
Total	17,584,258,449.28	18,404,597,339.11

11.1.3 Other Commitment

The Company has no other significant commitment needed to be disclosed as of 30 June 2020.

11.2 Contingencies

The Company has no other significant contingencies needed to be disclosed as of 30 June 2020.

**Note 12 EVENTS AFTER THE REPORTING PERIOD**

As of the reporting date, 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 period, see Note 5.21, 5.29.

Note 14 NOTES TO ELEMENTS OF THE SEPARATE FINANCIAL STATEMENTS**14.1 Accountsreceivable**

14.1.1 Disclosure by Age

Age	30 June 2020	31 December 2019
Within 1 year	288,321,461.29	437,495,880.93
1 to 2 years	35,122,000.00	35,122,001.00
2 to 3 years		
3 to 4 years		
4 to 5 years		
Over 5 years	8,477,739.50	8,477,739.50
Subtotal	331,921,200.79	481,095,621.43
Less: provision for bad debt	22,264,031.13	24,493,161.92
Total	309,657,169.66	456,602,459.51

14.1.2 Disclosure by Category

①30 June 2020 (Provision using simple model)

Category	30 June 2020				Carrying amount
	Book balance		Provision for bad debt		
	Amount	Proportion (%)	Amount	Provision ratio (%)	
Accounts receivable subject to individual impairment	8,057,209.85	2.43	8,057,209.85	100.00	



Category	30 June 2020				
	Book balance		Provision for bad debt		Carrying amount
	Amount	Proportion (%)	Amount	Provision ratio (%)	
assessment					
Accounts receivable subject to group impairment assessment	323,863,990.94	97.57	14,206,821.28	4.39	309,657,169.66
Total	331,921,200.79	100.00	22,264,031.13	6.71	309,657,169.66

②31 December 2019 (Provision using simple model)

Category	31 December 2019				
	Book balance		Provision for bad debt		Carrying amount
	Amount	Proportion (%)	Amount	Provision ratio (%)	
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

Detailed explanation of provision for bad debt:

①Accounts receivable with individually significant balance and provision for bad debt recognized individually as of 30 June 2020

Entity name	30 June 2020			
	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
Total	8,057,209.85	8,057,209.85	100.00	

② Accounts receivable subject to impairment assessment by credit risk characteristics of a group as of 30 June 2020

Name	30 June 2020		
	Book balance	Provision for bad debt	Provision ratio (%)
Amounts due from the clearing center	16,572,241.10		



Name	30 June 2020		
	Book balance	Provision for bad debt	Provision ratio (%)
Amounts due from the aviation association	15,591,320.14		
Amounts due from related parties	7,564,004.00		
Other receivables	284,136,425.70	14,206,821.28	5.00
Total	323,863,990.94	14,206,821.28	4.39

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

③Accounts 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
Total	8,057,209.85	8,057,209.85	100.00	

④Accounts 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	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

14.1.3 Changes of Provision for Bad Debt During the Reporting Period

Category	31 December 2019	Changes during the reporting period			30 June 2020
		Provision	Recovery or reversal	Write-off	
Accounts receivable subject to individual impairment assessment	8,057,209.85				8,057,209.85
Accounts receivable subject to impairment assessment by group	16,435,952.07	-2,229,130.79			14,206,821.28



Category	31 December 2019	Changes during the reporting period			30 June 2020
		Provision	Recovery or reversal	Write-off	
Total	24,493,161.92	-2,229,130.79			22,264,031.13

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 30 June 2020

The total amount of top five accounts receivable summarized by debtors as at the end of current year is CNY163,588,678.35, accounting for 49.29% of the total accounts receivable as at the end of current year, the total corresponding provision for bad debt is CNY8,179,433.92

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	30 June 2020	31 December 2019
Interests receivable		
Dividends receivable	3,770,100.00	
Other receivables	235,607,173.02	237,966,773.59
Total	239,377,273.02	237,966,773.59

14.2.2 Dividend receivable

Category	30 June 2020	31 December 2019
TravelSky Technology Limited	3,770,100.00	
Subtotal	3,770,100.00	
Less: allowance for bad debt		
Total	3,770,100.00	

14.2.3 Other Receivables

① Other receivables by age

Age	30 June 2020	31 December 2019
Within one year	203,104,514.33	206,592,316.53
1-2 years	16,244,591.74	18,721,168.79



Age	30 June 2020	31 December 2019
2-3 years	5,950,357.72	4,917,213.36
3-4 years	1,558,397.99	830,749.97
4-5 years	4,143,574.36	4,163,874.36
Over 5 years	111,497,801.93	110,876,843.58
Subtotal	342,499,238.07	346,102,166.59
Less: provision for bad debt	106,892,065.05	108,135,393.00
Total	235,607,173.02	237,966,773.59

②Other receivables by nature

Nature	30 June 2020	31 December 2019
Deposits receivable	107,527,634.33	87,059,915.18
Amounts due from related parties	128,164,655.73	127,368,744.43
Other receivables	106,806,948.01	131,673,506.98
Subtotal	342,499,238.07	346,102,166.59
Less: provision for bad debt	106,892,065.05	108,135,393.00
Total	235,607,173.02	237,966,773.59

③Other receivables by bad debt provision method

A. Provision for bad debts recognized based on three stages model as of 30 June 2020 is as follows:

Provision for bad debt in the first stage as of 30 June 2020:

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	240,947,520.42	2.22	5,340,347.40	235,607,173.02	
Including: Deposits receivable	107,527,634.33			107,527,634.33	No significant increase on credit risk



Category	Book balance	Lifetime expected credit losses rate (%)	Provision for bad debt	Carrying amount	Reason
Amounts due from related parties	26,612,938.08			26,612,938.08	No significant increase on credit risk
Otherreceivables	106,806,948.01	5.00	5,340,347.40	101,466,600.61	No significant increase on credit risk
Total	240,947,520.42	2.22	5,340,347.40	235,607,173.02	

As of 30 June 2020, 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 30 June 2020:

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 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



Category	Book balance	Lifetime expected credit losses rate (%)	Provision for bad debt	Carrying amount	Reason
Amounts due from related parties	25,817,026.78			25,817,026.78	No significant increase on credit risk
Other receivables	131,673,506.98	5.00	6,583,675.35	125,089,831.63	No significant increase on credit risk
Total	244,550,448.94	2.69	6,583,675.35	237,966,773.59	

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		

④Changes of provision for bad debt during the reporting period

Category	31 December 2019	Changes during the reporting period			30 June 2020
		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	6,583,675.35	-1,243,327.95			5,340,347.40
Total	108,135,393.00	-1,243,327.95			106,892,065.05

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

⑥Top five closing balances by entity



Entity name	Nature	Balance at 30 June 2020	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	29.65	101,551,717.65
Debtor #1	Deposits	58,127,125.48	Within 1 year	16.97	
Debtor #2	Others	31,306,698.43	Within 1 year	9.14	1,565,334.92
Debtor #3	Others	17,230,962.06	Within 1 year	5.03	861,548.10
Debtor #4	Deposits	10,432,950.00	Within 1 year	3.05	
Total		218,649,453.62		63.84	103,978,600.67

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

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

⑨The 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 2019	Current period increase	Current period decrease	30 June 2020	Provision recognized	Provision at 30 June 2020
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	Impairment	Changes in the current period (+, -)
----------	-------------	------------	--------------------------------------



	2019	provision	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 (+, -)			30 June 2020	Provision at 30 June 2020
	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	Current period		Prior period	
	Operating revenues	Operating costs	Operating revenues	Operating costs
Principal activities	3,884,834,129.13	5,493,454,954.08	8,650,608,567.79	8,405,979,848.66
Other activities	292,461,256.27	2,178,109.80	326,485,849.22	1,702,972.58
Total	4,177,295,385.40	5,495,633,063.88	8,977,094,417.01	8,407,682,821.24

14.5 Investment Income

Items	Current period	Prior period
Investment income from held-for-trading financial assets during holding period	-247,100.00	213,867.45
Dividend income from other equity instrument income during holding period	3,770,100.00	5,861,939.50
Total	3,523,000.00	6,075,806.95

**Note 15 SUPPLEMENTARY INFORMATION****15.1 Current non-recurring statement of profit and loss**

Items	Current period	Prior period	Description
Gains /(losses) on disposal of non-current assets	-219,909.94	-1,289,858.21	
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)	38,080,616.43	32,120,370.10	
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	-1,114,800.45		
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		-867,609.82	
Other non-operating income/expenses except for items mentioned above	14,647,361.61	21,389,202.14	
Other gains or losses satisfying the definition of extraordinary gains or losses	2,628,620.78	258,298.31	
Total extraordinary gains/(losses)	54,021,888.43	51,610,402.52	
Less: tax effect	13,513,493.98	12,943,704.13	
Net extraordinary gains/(losses)	40,508,394.45	38,666,698.39	
Less: net extraordinary gains/(losses) attributable to minority interests			
Net extraordinary gains/(losses) attributable to ordinary	40,508,394.45	38,666,698.39	



Items	Current period	Prior period	Description
shareholders			

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

15.2.1 Current period

Profit for the reporting period	Weighted average return on net assets (%)	EPS	
		Basic	Diluted
Net profit attributable to ordinary shareholders	-29.45	-3.24	-3.24
Net profit attributable to ordinary shareholders after extraordinary gains and losses	-30.37	-3.34	-3.34

15.2.2 Prior period

Profit for the reporting period	Weighted average return on net assets (%)	EPS	
		Basic	Diluted
Net profit attributable to ordinary shareholders	-0.61	-0.07	-0.07
Net profit attributable to ordinary shareholders after extraordinary gains and losses	-1.48	-0.17	-0.17



Section XII. Documents available for Reference

1. Financial statements carrying the personal signatures and seals of Person in charge of the company, Person in charge of Accounting Works and Person in charge of Accounting Institution.
2. Originals of all documents and notices publicly disclosed websites designated by CSRC in the reporting period.
3. The Company will offer above documents for reference timely provided that CSRC or Stock Exchange demands or shareholders requires according to the regulations and Articles of Association.

Shandong Airlines Co., Ltd.

Legal representative: Sun Xiujiang

29 August 2020