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中国南方航空股份有限公司

CHINA SOUTHERN AIRLINES COMPANY LIMITED

(a joint stock limited company incorporated in the People's Republic of China with limited liability)
(Stock Code: 1055)

2023 ANNUAL RESULTS

The board of directors (the “Board”) of China Southern Airlines Company Limited (the “Company”) hereby announces the annual results of the Company and its subsidiaries (the “Group”) for the year ended 31 December 2023 together with the comparative figures for 2022, which have been derived from the Group’s audited consolidated financial statements for the year ended 31 December 2023.

FINANCIAL RESULTS

A. PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRS ACCOUNTING STANDARDS”)

CONSOLIDATED INCOME STATEMENTS

For the year ended 31 December 2023

| | Note | 2023 RMB million | 2022 RMB million |
|--|------|---------------------|---------------------|
| Operating revenue | | | |
| Traffic revenue | | 151,445 | 80,901 |
| Other operating revenue | | 8,484 | 6,158 |
| Total operating revenue | 4 | 159,929 | 87,059 |
| Operating expenses | | | |
| Flight operation expenses | 5 | 76,799 | 51,241 |
| Maintenance expenses | | 14,390 | 11,224 |
| Aircraft and transportation service expenses | | 26,487 | 17,506 |
| Promotion and selling expenses | | 6,349 | 4,355 |
| General and administrative expenses | | 4,150 | 3,511 |
| Depreciation and amortisation | 6 | 27,165 | 24,266 |
| (Reversal of)/provision for impairment losses on property, plant and equipment and right-of-use assets | | (123) | 449 |
| Others | | 3,835 | 2,710 |

| | <i>Note</i> | 2023 RMB million | 2022 <i>RMB million</i> |
|---|-------------|-----------------------------------|----------------------------|
| Total operating expenses | | 159,052 | 115,262 |
| Other net income | 7 | 4,680 | 5,661 |
| Operating profit/(losses) | | 5,557 | (22,542) |
| Interest income | | 361 | 457 |
| Interest expense | 8 | (5,928) | (6,006) |
| Exchange loss, net | 21 | (687) | (3,619) |
| Share of associates' results | | (2,244) | (13) |
| Share of joint ventures' results | | 546 | 304 |
| Changes in fair value of financial assets/liabilities | | 874 | (388) |
| Gain on disposal of subsidiaries | | – | 215 |
| Gain on disposal of associates | | – | 42 |
| Loss before income tax | | (1,521) | (31,550) |
| Income tax | 9 | (1,436) | (2,166) |
| Loss for the year | | (2,957) | (33,716) |
| Loss attributable to: | | | |
| Equity shareholders of the Company | | (4,140) | (32,699) |
| Non-controlling interests | | 1,183 | (1,017) |
| Loss for the year | | (2,957) | (33,716) |
| Loss per share | | | |
| Basic and diluted (expressed in RMB per share) | 10 | (0.23) | (1.90) |

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

For the year ended 31 December 2023

| | 2023 <i>RMB million</i> | 2022 <i>RMB million</i> |
|--|----------------------------|----------------------------|
| Loss for the year | (2,957) | (33,716) |
| Other comprehensive income: | | |
| Items that will not be reclassified to profit or loss | | |
| – Equity investments at fair value through other comprehensive income – net movement in fair value reserve (non-recycling) | (112) | 142 |
| – Income tax effect of the above items | 28 | (35) |
| Items that are or may be reclassified subsequently to profit or loss | | |
| – Differences resulting from the translation of foreign currency financial statements | 1 | 1 |
| – Income tax effect of the above items | – | – |
| Other comprehensive income for the year | (83) | 108 |
| Total comprehensive income for the year | (3,040) | (33,608) |
| Total comprehensive income attributable to: | | |
| Equity shareholders of the Company | (4,185) | (32,637) |
| Non-controlling interests | 1,145 | (971) |
| Total comprehensive income for the year | (3,040) | (33,608) |

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2023

| | <i>Note</i> | 31 December 2023 RMB million | 31 December 2022 RMB million |
|---|-------------|---|------------------------------------|
| Non-current assets | | | |
| Property, plant and equipment, net | <i>12</i> | 93,575 | 90,517 |
| Construction in progress | <i>13</i> | 34,177 | 33,300 |
| Right-of-use assets | <i>14</i> | 127,634 | 131,954 |
| Goodwill | | 237 | 237 |
| Interests in associates | | 2,714 | 2,588 |
| Interests in joint ventures | | 4,005 | 3,618 |
| Aircraft lease deposits | | 386 | 354 |
| Other equity instrument investments | | 547 | 659 |
| Other non-current financial assets | <i>15</i> | 3,419 | 436 |
| Derivative financial assets | | – | 27 |
| Amounts due from related companies | | 262 | 357 |
| Deferred tax assets | <i>16</i> | 12,279 | 12,471 |
| Other assets | | 2,422 | 2,274 |
| | | 281,657 | 278,792 |
| Current assets | | | |
| Inventories | | 1,565 | 1,387 |
| Trade receivables | <i>17</i> | 3,161 | 2,619 |
| Other receivables | <i>18</i> | 9,167 | 7,939 |
| Cash and cash equivalents | | 9,531 | 19,889 |
| Assets held for sale | | 198 | 709 |
| Restricted bank deposits | | 137 | 174 |
| Prepaid expenses and other current assets | | 695 | 619 |
| Other financial assets | <i>15</i> | 3,157 | – |
| Derivative financial assets | | 4 | 2 |
| Amounts due from related companies | | 324 | 116 |
| | | 27,939 | 33,454 |

| | <i>Note</i> | 31 December 2023 RMB million | 31 December 2022 RMB million |
|--|-------------|---|------------------------------------|
| Current liabilities | | | |
| Derivative financial liabilities | <i>19</i> | 907 | 1,708 |
| Borrowings | <i>20</i> | 65,694 | 85,336 |
| Lease liabilities | <i>21</i> | 19,261 | 21,799 |
| Trade and bills payables | <i>22</i> | 2,004 | 1,537 |
| Contract liabilities | | 1,509 | 1,496 |
| Sales in advance of carriage | | 7,179 | 3,383 |
| Current income tax | | 346 | 312 |
| Amounts due to related companies | | 594 | 435 |
| Accrued expenses | | 23,142 | 17,636 |
| Other liabilities | | 8,800 | 7,816 |
| | | <u>129,436</u> | <u>141,458</u> |
| Net current liabilities | | <u>(101,497)</u> | <u>(108,004)</u> |
| Total assets less current liabilities | | <u>180,160</u> | <u>170,788</u> |
| Non-current liabilities | | | |
| Borrowings | <i>20</i> | 50,522 | 34,444 |
| Lease liabilities | <i>21</i> | 69,232 | 72,963 |
| Other non-current liabilities | | 1,497 | 1,954 |
| Amounts due to related companies | | 36 | 85 |
| Provision for major overhauls | | 5,731 | 5,199 |
| Deferred benefits and gains | | 752 | 760 |
| Deferred tax liabilities | | 23 | 24 |
| | | <u>127,793</u> | <u>115,429</u> |
| Net assets | | <u>52,367</u> | <u>55,359</u> |
| Capital and reserves | | | |
| Share capital | | 18,121 | 18,121 |
| Reserves | | 18,950 | 23,154 |
| Total equity attributable to equity shareholders of the Company | | 37,071 | 41,275 |
| Non-controlling interests | | 15,296 | 14,084 |
| Total equity | | <u>52,367</u> | <u>55,359</u> |

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2023

| | Attributable to equity shareholders of the Company | | | | | | Non-controlling interests | Total equity |
|--|--|--------------------|------------------------------------|--------------------|--------------------|--------------------|---------------------------|--------------------|
| | Share capital | Share premium | Fair value reserve (non-recycling) | Other reserves | Accumulated losses | Total | | |
| | <i>RMB million</i> | <i>RMB million</i> | <i>RMB million</i> | <i>RMB million</i> | <i>RMB million</i> | <i>RMB million</i> | <i>RMB million</i> | <i>RMB million</i> |
| Balance at 1 January 2022 | 16,948 | 47,378 | 156 | 3,390 | (21) | 67,851 | 16,657 | 84,508 |
| Changes in equity for 2022: | | | | | | | | |
| Loss for the year | - | - | - | - | (32,699) | (32,699) | (1,017) | (33,716) |
| Other comprehensive income | - | - | 61 | 1 | - | 62 | 46 | 108 |
| Total comprehensive income | - | - | 61 | 1 | (32,699) | (32,637) | (971) | (33,608) |
| Distributions to non-controlling interests | - | - | - | - | - | - | (912) | (912) |
| Issuance of shares | 1,173 | 4,873 | - | - | - | 6,046 | - | 6,046 |
| Capital injection from non-controlling interests | - | - | - | 15 | - | 15 | 12 | 27 |
| Decrease in non-controlling interests as a result of disposal of subsidiaries | - | - | - | - | - | - | (702) | (702) |
| Disposal of an equity instrument investment | - | - | 40 | - | (40) | - | - | - |
| Balance at 31 December 2022 | 18,121 | 52,251 | 257 | 3,406 | (32,760) | 41,275 | 14,084 | 55,359 |
| Changes in equity for 2023: | | | | | | | | |
| Loss for the year | - | - | - | - | (4,140) | (4,140) | 1,183 | (2,957) |
| Other comprehensive income | - | - | (46) | 1 | - | (45) | (38) | (83) |
| Total comprehensive income | - | - | (46) | 1 | (4,140) | (4,185) | 1,145 | (3,040) |
| Distributions to non-controlling interests | - | - | - | - | - | - | (909) | (909) |
| Acquisition of non-controlling interests in a subsidiary | - | - | - | (19) | - | (19) | (11) | (30) |
| Capital injection from non-controlling interests | - | - | - | - | - | - | 1,017 | 1,017 |
| Decrease in non-controlling interests as a result of liquidation of subsidiaries | - | - | - | - | - | - | (30) | (30) |
| Balance at 31 December 2023 | 18,121 | 52,251 | 211 | 3,388 | (36,900) | 37,071 | 15,296 | 52,367 |

Notes to the financial information prepared in accordance with IFRS Accounting Standards:

1 CORPORATE INFORMATION

China Southern Airlines Company Limited (the “Company”), a joint stock limited company, was incorporated in the People’s Republic of China (the “PRC”) on 25 March 1995. The address of the Company’s registered office is Unit 301, 3/F, Office Tower, Guanhao Science Park Phase I, 12 Yuyan Street, Huangpu District, Guangzhou, Guangdong Province, Chinese Mainland. The Company and its subsidiaries (the “Group”) are principally engaged in the operation of civil aviation, including the provision of passenger, cargo, mail delivery and other extended transportation services.

The Company’s majority interest is owned by China Southern Air Holding Company Limited (“CSAH”), a state-owned enterprise incorporated in Chinese Mainland.

The Company’s shares are traded on the Shanghai Stock Exchange and The Stock Exchange of Hong Kong Limited.

2 BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with all applicable IFRS Accounting Standards, which collective term includes all applicable individual IFRS Accounting Standards, International Accounting Standards (“IASs”) and Interpretations issued by the International Accounting Standards Board (the “IASB”). The consolidated financial statements also comply with the applicable disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The IASB has issued certain amendments to IFRS Accounting Standards that are first effective or available for early adoption for the current accounting period of the Group. Note 3 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current accounting period reflected in these consolidated financial statements.

The consolidated financial statements for the year ended 31 December 2023 comprise the Group and the Group’s interests in associates and joint ventures.

The measurement basis used in the preparation of the consolidated financial statements is the historical cost basis except that the following assets and liabilities are stated at their fair value:

- other equity instrument investments;
- other financial assets and other non-current financial assets (fair value through profit or loss (“FVPL”)); and
- derivative financial assets/liabilities.

Non-current assets (or disposal groups) held for sale are stated at the lower of carrying amount and fair value less costs to sell.

3 CHANGES IN ACCOUNTING POLICIES

(i) New and amended IFRS Accounting Standards

The Group has applied the following new and amended IFRS Accounting Standards issued by the IASB to these financial statements for the current accounting period:

- IFRS 17, *Insurance contracts*
- Amendments to IAS 8, *Accounting policies, changes in accounting estimates and errors: Definition of accounting estimates*
- Amendments to IAS 1, *Presentation of financial statements and IFRS Practice Statement 2, Making materiality judgements: Disclosure of accounting policies*
- Amendments to IAS 12, *Income taxes: Deferred tax related to assets and liabilities arising from a single transaction*
- Amendments to IAS 12, *Income taxes: International tax reform – Pillar Two model rules*

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period. Impacts of the adoption of the new and amended IFRS Accounting Standards are discussed below:

IFRS 17, *Insurance contracts*

IFRS 17, which replaces IFRS 4, sets out the recognition, measurement, presentation and disclosure requirements applicable to issuers of insurance contracts. The standard does not have a material impact on these financial statements as the Group does not have contracts within the scope of IFRS 17.

Amendments to IAS 8, *Accounting policies, changes in accounting estimates and errors: Definition of accounting estimates*

The amendments provide further guidance on the distinction between changes in accounting policies and changes in accounting estimates. The amendments do not have a material impact on these financial statements as the Group's approach in distinguishing changes in accounting policies and changes in accounting estimates is consistent with the amendments.

Amendments to IAS 1, *Presentation of financial statements and IFRS Practice Statement 2, Making materiality judgements: Disclosure of accounting policies*

The amendments require entities to disclose material accounting policy information and provide guidance on applying the concept of materiality to accounting policy disclosure. The Group has revisited the accounting policy information it has been disclosing and considered it is consistent with the amendments.

Amendments to IAS 12, *Income taxes: Deferred tax related to assets and liabilities arising from a single transaction*

The amendments narrow the scope of the initial recognition exemption such that it does not apply to transactions that give rise to equal and offsetting temporary differences on initial recognition such as leases and decommissioning liabilities. For leases and decommissioning liabilities, the associated deferred tax assets and liabilities are required to be recognised from the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to retained earnings or other components of equity at that date. For all other transactions, the amendments are applied to those transactions that occur after the beginning of the earliest period presented.

Prior to the amendments, the Group did not apply the initial recognition exemption to lease transactions and had recognised the related deferred tax, except that the Group previously determined the temporary difference arising from a right-of-use asset and the related lease liability on a net basis on the basis they arise from a single transaction. Following the amendments, the Group has determined the temporary differences in relation to right-of-use assets and lease liabilities separately. The change primarily impacts disclosures of components of deferred tax assets and liabilities in the annual financial statements, but does not impact the overall deferred tax balances presented in the consolidated statement of financial position as the related deferred tax balances qualify for offsetting under IAS 12.

Amendments to IAS 12, Income taxes: International tax reform – Pillar Two model rules

The amendments introduce a temporary mandatory exception from deferred tax accounting for the income tax arising from tax laws enacted or substantively enacted to implement the Pillar Two model rules published by the Organisation for Economic Co-operation and Development (“OECD”) (income tax arising from such tax laws is hereafter referred to as “Pillar Two income taxes”), including tax laws that implement qualified domestic minimum top-up taxes described in those rules. The amendments also introduce disclosure requirements about such tax. The amendments are immediately effective upon issuance and require retrospective application.

The Group operates regional routes and international flights, and has overseas offices across all continents, which has recently enacted new tax laws to implement the Pillar Two model rules published by the OECD. The new tax laws take effect no early than 1 January 2024. As the new tax laws are not yet effective, the Group does not expect any current tax impact for the year ended 31 December 2023.

(ii) New HKICPA guidance on the accounting implications of the abolition of the MPF-LSP offsetting mechanism

In June 2022 the Hong Kong SAR Government (the “Government”) gazetted the Hong Kong Employment and Retirement Schemes Legislation (Offsetting Arrangement) (Amendment) Ordinance 2022 (the “Amendment Ordinance”), which will come into effect from 1 May 2025 (the “Transition Date”). Once the Amendment Ordinance takes effect, an employer can no longer use any of the accrued benefits derived from its mandatory contributions to mandatory provident fund (“MPF”) scheme to reduce the long service payment (“LSP”) in respect of an employee’s service from the Transition Date (the abolition of the “offsetting mechanism”). In addition, the LSP in respect of the service before the Transition Date will be calculated based on the employee’s monthly salary immediately before the Transition Date and the years of service up to that date.

In July 2023, the HKICPA published “Accounting implications of the abolition of the MPF-LSP offsetting mechanism in Hong Kong” that provides accounting guidance relating to the offsetting mechanism and the abolition of the mechanism. In particular, the guidance indicates that entities may account for the accrued benefits derived from mandatory MPF contributions that are expected to be used to reduce the LSP payable to an employee as deemed contributions by that employee towards the LSP.

However, applying this approach, upon the enactment of the Amendment Ordinance in June 2022, it is no longer permissible to apply the practical expedient in paragraph 93(b) of HKAS 19 that previously allowed such deemed contributions to be recognised as reduction of service cost (negative service cost) in the period the contributions were made; instead these deemed contributions should be attributed to periods of service in the same manner as the gross LSP benefit.

To better reflect the substance of the abolition of the offsetting mechanism, the Group has changed its accounting policy in connection with its LSP liability and has applied the above HKICPA guidance retrospectively. The cessation of applying the practical expedient in paragraph 93(b) of HKAS 19 in conjunction with the enactment of the Amendment Ordinance resulted in a catch-up profit or loss adjustment in June 2022 for the service cost up to that date and consequential impacts on current service cost, interest expense and remeasurement effects from changes in actuarial assumptions for the rest of 2022, with the corresponding adjustment to the comparative carrying amount of the LSP liability. This change in accounting policy did not have any material impact on the financial position and the financial result of the Group.

4 REVENUE AND SEGMENT INFORMATION

(a) Operating revenue

The Group is principally engaged in the operation of civil aviation, including the provision of passenger, cargo, mail delivery, and other extended transportation services.

(i) Disaggregation of revenue

Disaggregation of revenue from contracts with customers by major service lines is as follows:

| | 2023 <i>RMB million</i> | 2022 <i>RMB million</i> |
|---|----------------------------|----------------------------|
| Revenue from contracts with customers within the scope of IFRS 15: | | |
| Disaggregated by service lines | | |
| – Traffic revenue | | |
| – Passenger | 136,170 | 60,017 |
| – Cargo and mail | 15,275 | 20,884 |
| – Commission income | 3,164 | 2,073 |
| – Cargo handling income | 820 | 1,123 |
| – Hotel and tour operation income | 750 | 497 |
| – Ground services income | 473 | 282 |
| – Air catering service income | 458 | 203 |
| – General aviation income | – | 431 |
| – Others | 2,456 | 1,351 |
| | <u>159,566</u> | <u>86,861</u> |
| Revenue from other sources: | | |
| – Rental income | | |
| – Lease payments that are fixed or depend on an index or a rate | 303 | 159 |
| – Variable lease payments that do not depend on an index or a rate | 60 | 39 |
| | <u>363</u> | <u>198</u> |
| | <u><u>159,929</u></u> | <u><u>87,059</u></u> |

Disaggregation of revenue from contracts with customers by the timing of revenue recognition and by geographic markets is disclosed in Notes 4(b) and 4(c) respectively.

(ii) Revenue expected to be recognised in the future arising from contracts with customers in existence at the reporting date

As at 31 December 2023, the aggregated amount of the transaction price allocated to the remaining performance obligation, which is the unredeemed credits under the frequent flyer award programmes, amounted to RMB2,893 million (31 December 2022: RMB3,173 million). This amount represents revenue expected to be recognised in the future when the customers obtain control of the goods or services.

(b) Business segments

The Group has two reportable operating segments “airline transportation operations” and “other segments”, according to internal organisation structure, managerial needs and internal reporting system. “Airline transportation operations” comprises the Group’s passenger and cargo and mail operations. “Other segments” includes cargo handling, hotel and tour operation, ground services, air catering services and other miscellaneous services.

For the purposes of assessing segment performance and allocating resources between segments, the Group’s chief operating decision maker (“CODM”) monitors the results, assets and liabilities attributable to each reportable segment based on financial results prepared under the People’s Republic of China Accounting Standards for Business Enterprises (“PRC GAAP”). As such, the amount of each material reconciling item from the Group’s reportable segment loss before taxation, assets and liabilities, which arises from different accounting policies, are set out in Note 4(d).

Inter-segment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

Information regarding the Group’s reportable segments as provided to the Group’s CODM for the purposes of resource allocation and assessment of segment performance is set out below.

The segment results of the Group for the year ended 31 December 2023 are as follows:

| | Airline transportation operations <i>RMB million</i> | Other segments <i>RMB million</i> | Elimination <i>RMB million</i> | Unallocated* | Total <i>RMB million</i> |
|--|---|--------------------------------------|-----------------------------------|----------------|-----------------------------|
| Revenue from external customers | 157,542 | 2,387 | - | - | 159,929 |
| Inter-segment sales | 573 | 5,098 | (5,671) | - | - |
| Reportable segment revenue | 158,115 | 7,485 | (5,671) | - | 159,929 |
| Reportable segment (loss)/profit before taxation | (1,410) | 613 | (34) | (814) | (1,645) |
| Reportable segment (loss)/profit after taxation | (2,496) | 474 | (28) | (1,032) | (3,082) |
| Other segment information | | | | | |
| Income tax | 1,086 | 139 | (6) | 218 | 1,437 |
| Interest income | 352 | 20 | (11) | - | 361 |
| Interest expense | 5,926 | 71 | (69) | - | 5,928 |
| Depreciation and amortisation | 26,947 | 233 | - | - | 27,180 |
| Impairment losses | 10 | 1 | - | - | 11 |
| Credit losses | 10 | (1) | - | - | 9 |
| Share of associates and joint ventures' results | - | - | - | (1,698) | (1,698) |
| Changes in fair value of financial assets/liabilities | - | - | - | 874 | 874 |
| Non-current assets additions during the year [#] | 27,981 | 745 | (627) | - | 28,099 |

The segment results of the Group for the year ended 31 December 2022 are as follows:

| | Airline transportation operations <i>RMB million</i> | Other segments <i>RMB million</i> | Elimination <i>RMB million</i> | Unallocated* <i>RMB million</i> | Total <i>RMB million</i> |
|--|---|---|-----------------------------------|------------------------------------|-----------------------------|
| Revenue from external customers | 85,935 | 1,124 | - | - | 87,059 |
| Inter-segment sales | 410 | 3,161 | (3,571) | - | - |
| Reportable segment revenue | 86,345 | 4,285 | (3,571) | - | 87,059 |
| Reportable segment loss before taxation | (31,233) | (452) | (8) | 167 | (31,526) |
| Reportable segment loss after taxation | (33,339) | (549) | (8) | 198 | (33,698) |
| Other segment information | | | | | |
| Income tax | 2,106 | 97 | - | (31) | 2,172 |
| Interest income | 549 | 20 | (112) | - | 457 |
| Interest expense | 6,096 | 41 | (131) | - | 6,006 |
| Depreciation and amortisation | 23,830 | 430 | - | - | 24,260 |
| Impairment losses | 582 | - | - | - | 582 |
| Credit losses | (4) | 1 | - | - | (3) |
| Share of associates and joint ventures' results | - | - | - | 291 | 291 |
| Gain on disposal of subsidiaries and associates | - | - | - | 257 | 257 |
| Changes in fair value of financial assets/liabilities | - | - | - | (388) | (388) |
| Non-current assets additions during the year [#] | 23,739 | 385 | (312) | - | 23,812 |

The segment assets and liabilities of the Group as at 31 December 2023 and 31 December 2022 are as follows:

| | Airline transportation operations <i>RMB million</i> | Other segments <i>RMB million</i> | Elimination <i>RMB million</i> | Unallocated* <i>RMB million</i> | Total <i>RMB million</i> |
|--------------------------------|--|---|--|---|------------------------------------|
| As at 31 December 2023 | | | | | |
| Reportable segment assets | 291,170 | 7,654 | (3,146) | 13,548 | 309,226 |
| Reportable segment liabilities | <u>255,347</u> | <u>4,090</u> | <u>(3,115)</u> | <u>907</u> | <u>257,229</u> |
| As at 31 December 2022 | | | | | |
| Reportable segment assets | 301,356 | 5,677 | (1,974) | 6,942 | 312,001 |
| Reportable segment liabilities | <u>254,087</u> | <u>3,089</u> | <u>(1,997)</u> | <u>1,708</u> | <u>256,887</u> |

* Unallocated assets primarily include interests in associates and joint ventures, other equity instrument investments, other financial assets, other non-current financial assets (FVPL) and derivative financial assets. Unallocated liabilities primarily include derivative financial liabilities. Unallocated results primarily include the share of results of associates and joint ventures, the fair value movement of financial instruments recognised through profit or loss, dividend income from equity securities, and gain on disposal of subsidiaries and associates.

The additions of non-current assets do not include interests in associates and joint ventures, other equity instrument investments, other non-current financial assets (FVPL), long-term receivables (including amounts due from related companies), derivative financial assets and deferred tax assets.

(c) Geographical information

The Group's business segments operate in three main geographical areas, even though they are managed on a worldwide basis.

The Group's revenue by geographical segment are analysed based on the following criteria:

- (1) Traffic revenue from services of both origin and destination within Chinese Mainland (excluding Hong Kong Special Administrative Region, Macau Special Administrative Region and Taiwan ("Hong Kong, Macau and Taiwan")), is classified as domestic revenue. Traffic revenue with origin and destination among Chinese Mainland, Hong Kong, Macau and Taiwan is classified as Hong Kong, Macau and Taiwan revenue; while that with origin from or destination to other overseas markets is classified as international revenue.

- (2) Revenue from commission income, cargo handling, hotel and tour operation, ground services, air catering services and other miscellaneous services are classified on the basis of where the services are performed.

| | 2023 <i>RMB million</i> | 2022 <i>RMB million</i> |
|-----------------------------|-----------------------------------|----------------------------|
| Domestic | 122,933 | 57,256 |
| International | 35,223 | 29,249 |
| Hong Kong, Macau and Taiwan | 1,773 | 554 |
| | <u>159,929</u> | <u>87,059</u> |

The major revenue earning assets of the Group are its aircraft fleet which is registered in Chinese Mainland and is deployed across its worldwide route network. Majority of the Group's other assets are located in Chinese Mainland. CODM considers that there is no suitable basis for allocating such assets and related liabilities to geographical locations. Accordingly, geographical segment assets and liabilities are not disclosed.

- (d) **Reconciliation of reportable segment loss before income tax, assets and liabilities to the consolidated figures as reported in the consolidated financial statements**

| | 2023 <i>RMB million</i> | 2022 <i>RMB million</i> |
|---|---|--|
| Loss before income tax | | |
| Reportable segment loss before taxation | (1,645) | (31,526) |
| Capitalisation of exchange difference of specific loans | (3) | (25) |
| Government grants | 1 | 1 |
| Reversal of impairment losses on property, plant and equipment | 126 | – |
| Consolidated loss before income tax | <u>(1,521)</u> | <u>(31,550)</u> |
| | 31 December 2023 <i>RMB million</i> | 31 December 2022 <i>RMB million</i> |
| Assets | | |
| Reportable segment assets | 309,226 | 312,001 |
| Capitalisation of exchange difference of specific loans | 11 | 14 |
| Government grants | (3) | (4) |
| Adjustments arising from business combinations under common control | 237 | 237 |
| Reversal of impairment losses on property, plant and equipment | 126 | – |
| Others | (1) | (2) |
| Consolidated total assets | <u>309,596</u> | <u>312,246</u> |
| Liabilities | | |

As at 31 December 2023 and 2022, the amount of reportable segment liabilities is the same as the amount of consolidated total liabilities.

5 FLIGHT OPERATION EXPENSES

| | 2023 <i>RMB million</i> | 2022 <i>RMB million</i> |
|--------------------------------------|----------------------------|----------------------------|
| Jet fuel costs | 52,050 | 32,669 |
| Flight personnel payroll and welfare | 12,428 | 10,602 |
| Air catering expenses | 2,563 | 1,332 |
| Civil Aviation Development Fund | 1,305 | 704 |
| Aircraft operating lease charges | 1,110 | 791 |
| Training expenses | 885 | 898 |
| Others | 6,458 | 4,245 |
| | <u>76,799</u> | <u>51,241</u> |

6 DEPRECIATION AND AMORTISATION

| | 2023 <i>RMB million</i> | 2022 <i>RMB million</i> |
|---|----------------------------|----------------------------|
| Depreciation of property, plant and equipment | 10,124 | 8,659 |
| Depreciation of right-of-use assets | 16,506 | 15,067 |
| Other amortisation | 535 | 540 |
| | <u>27,165</u> | <u>24,266</u> |

7 OTHER NET INCOME

| | 2023 <i>RMB million</i> | 2022 <i>RMB million</i> |
|--|----------------------------|----------------------------|
| Government grants | 3,785 | 4,688 |
| Gains on disposal of property, plant and equipment, right-of-use assets and assets held for sale | | |
| – Aircraft and spare engines | 220 | 275 |
| – Other property, plant and equipment and right-of-use assets | 140 | 25 |
| Others | 535 | 673 |
| | <u>4,680</u> | <u>5,661</u> |

8 INTEREST EXPENSE

| | 2023 <i>RMB million</i> | 2022 <i>RMB million</i> |
|--|-----------------------------------|----------------------------|
| Interest on borrowings | 3,000 | 2,797 |
| Interest relating to lease liabilities | 3,600 | 3,899 |
| Total interest expense on financial liabilities not at fair value through profit or loss | 6,600 | 6,696 |
| Less: interest expense capitalised (<i>Note</i>) | (672) | (690) |
| | 5,928 | 6,006 |

Note: The weighted average interest rate used for interest capitalisation was 2.56% per annum in 2023 (2022: 2.54%).

9 INCOME TAX

(a) Income tax expense in the consolidated income statement

| | 2023 <i>RMB million</i> | 2022 <i>RMB million</i> |
|---|-----------------------------------|----------------------------|
| Current tax | | |
| – Provision for the year | 1,203 | 1,854 |
| – Under/(over)-provision in prior year | 14 | (2) |
| | 1,217 | 1,852 |
| Deferred tax | | |
| Origination and reversal of temporary differences | 219 | 314 |
| Income tax expense | 1,436 | 2,166 |

In respect of a majority of the Group's airlines operation outside Chinese Mainland, the Group has either obtained exemptions from overseas taxation pursuant to the bilateral aviation agreements between the overseas governments and Chinese government, or has sustained tax losses in those overseas jurisdictions. Accordingly, no provision for overseas income tax has been accrued for overseas airlines operation in the current and prior years.

For the year of 2023, the Company and its branches and subsidiaries in Chinese Mainland are subject to income tax rates ranging from 15% to 25% (2022: 15% to 25%), and certain subsidiaries of the Company in Hong Kong are subject to income tax at 16.5% (2022: 16.5%).

(b) Reconciliation between actual income tax expense and calculated tax based on accounting loss at applicable income tax rates

| | 2023 <i>RMB million</i> | 2022 <i>RMB million</i> |
|---|-----------------------------------|----------------------------|
| Loss before income tax | <u>(1,521)</u> | <u>(31,550)</u> |
| Notional tax on loss before taxation, calculated at the rates applicable to loss in the tax jurisdictions concerned | (362) | (7,678) |
| Adjustments for tax effect of: | | |
| Non-deductible expenses | 109 | 90 |
| Share of results of associates and joint ventures and other non-taxable income | 427 | (76) |
| Unused tax losses and deductible temporary differences for which no deferred tax assets were recognised | 1,345 | 6,956 |
| Reversal of tax losses recognised as deferred tax assets in prior years | 33 | 2,916 |
| Utilisation of unused tax losses and deductible temporary differences for which no deferred tax assets were recognised in prior years | (96) | (1) |
| Under/(over)-provision in prior year | 14 | (2) |
| Super deduction of research and development expenses | <u>(34)</u> | <u>(39)</u> |
| Income tax expense | <u>1,436</u> | <u>2,166</u> |

10 LOSS PER SHARE

The calculation of basic loss per share for the year ended 31 December 2023 is based on the loss attributable to equity shareholders of the Company of RMB4,140 million (2022: RMB32,699 million) and the weighted average of 18,120,892,710 shares in issue during the year (2022: 17,205,242,710 shares).

| | 2023 <i>million</i> | 2022 <i>million</i> |
|---|-------------------------------|------------------------|
| Issued ordinary shares at 1 January | 18,121 | 16,948 |
| Effect of issuance of shares | <u>–</u> | <u>257</u> |
| Weighted average number of ordinary shares at 31 December | <u>18,121</u> | <u>17,205</u> |

The amount of diluted loss per share is the same as basic loss per share as the effect of convertible bonds is anti-dilutive for the year ended 31 December 2023 and for the year ended 31 December 2022.

11 DIVIDENDS

The directors did not propose any final dividend in respect of the years ended 31 December 2023 and 2022.

12 PROPERTY, PLANT AND EQUIPMENT, NET

| | Investment properties <i>RMB million</i> | Buildings <i>RMB million</i> | Aircraft <i>RMB million</i> | Other flight equipment including rotables <i>RMB million</i> | Machinery, equipment and vehicles <i>RMB million</i> | Total <i>RMB million</i> |
|--|--|---------------------------------|--------------------------------|--|---|-----------------------------|
| Cost: | | | | | | |
| At 1 January 2022 | 541 | 23,505 | 116,090 | 25,353 | 10,534 | 176,023 |
| Additions | – | 30 | 2,356 | 554 | 430 | 3,370 |
| Transferred from construction in progress | – | 788 | 4,360 | 65 | 141 | 5,354 |
| Transferred from other assets | – | 1,012 | 88 | – | – | 1,100 |
| Reclassification on change of holding intention: | | | | | | |
| – transferred to other property, plant and equipment | (122) | 122 | – | – | – | – |
| – transferred from other property, plant and equipment | 146 | (146) | – | – | – | – |
| Transferred from right-of-use assets on exercise of purchase option (<i>Note 14</i>) | – | – | 7,032 | 246 | – | 7,278 |
| Transferred from right-of-use assets to investment properties (<i>Note 14</i>) | 19 | – | – | – | – | 19 |
| Transferred to assets held for sale | – | – | (2,861) | – | – | (2,861) |
| Disposals | | | | | | |
| – disposals | (7) | (65) | (10,558) | (186) | (221) | (11,037) |
| – disposal of subsidiaries | – | (62) | – | (2,114) | (39) | (2,215) |
| At 31 December 2022 | <u>577</u> | <u>25,184</u> | <u>116,507</u> | <u>23,918</u> | <u>10,845</u> | <u>177,031</u> |
| At 1 January 2023 | 577 | 25,184 | 116,507 | 23,918 | 10,845 | 177,031 |
| Additions | – | 12 | 2,601 | 1,064 | 681 | 4,358 |
| Transferred from construction in progress | – | 618 | 2,625 | 673 | 100 | 4,016 |
| Reclassification on change of holding intention: | | | | | | |
| – transferred to other property, plant and equipment | (28) | 28 | – | – | – | – |
| – transferred from other property, plant and equipment | 342 | (342) | – | – | – | – |
| Transferred from right-of-use assets on exercise of purchase option (<i>Note 14</i>) | – | – | 12,943 | – | – | 12,943 |
| Transferred from investment properties to right-of-use assets (<i>Note 14</i>) | (12) | – | – | – | – | (12) |
| Transferred from right-of-use assets to investment properties (<i>Note 14</i>) | 21 | – | – | – | – | 21 |
| Transferred to assets held for sale | – | – | (1,125) | (55) | – | (1,180) |
| Disposals | | | | | | |
| – disposals | – | (412) | (4,973) | (860) | (358) | (6,603) |
| – liquidation of subsidiaries | – | (23) | – | – | – | (23) |
| At 31 December 2023 | <u>900</u> | <u>25,065</u> | <u>128,578</u> | <u>24,740</u> | <u>11,268</u> | <u>190,551</u> |

| | Investment properties <i>RMB million</i> | Buildings <i>RMB million</i> | Aircraft <i>RMB million</i> | Other flight equipment including rotables <i>RMB million</i> | Machinery, equipment and vehicles <i>RMB million</i> | Total <i>RMB million</i> |
|--|--|---------------------------------|--------------------------------|--|---|-----------------------------|
| Accumulated depreciation and impairment losses: | | | | | | |
| At 1 January 2022 | 236 | 6,108 | 56,900 | 15,250 | 6,343 | 84,837 |
| Depreciation charge for the year | 19 | 758 | 5,601 | 1,215 | 1,066 | 8,659 |
| Reclassification on change of holding intention: | | | | | | |
| – transferred to other property, plant and equipment | (38) | 38 | – | – | – | – |
| – transferred from other property, plant and equipment | 25 | (25) | – | – | – | – |
| Transferred from right-of-use assets on exercise of purchase option (<i>Note 14</i>) | – | – | 3,680 | 58 | – | 3,738 |
| Transferred from right-of-use assets to investment properties (<i>Note 14</i>) | 1 | – | – | – | – | 1 |
| Transferred to assets held for sale | – | – | (2,178) | – | – | (2,178) |
| Disposals | | | | | | |
| – disposals | (7) | (29) | (7,239) | (137) | (185) | (7,597) |
| – disposal of subsidiaries | – | (39) | – | (1,279) | (29) | (1,347) |
| Provision for impairment losses | – | – | 348 | 68 | – | 416 |
| Impairment losses transferred from right-of-use assets (<i>Note 14</i>) | – | – | 429 | – | – | 429 |
| Impairment losses written off on disposals | – | – | (444) | – | – | (444) |
| At 31 December 2022 | <u>236</u> | <u>6,811</u> | <u>57,097</u> | <u>15,175</u> | <u>7,195</u> | <u>86,514</u> |

| | Investment properties <i>RMB million</i> | Buildings <i>RMB million</i> | Aircraft <i>RMB million</i> | Other flight equipment including rotables <i>RMB million</i> | Machinery, equipment and vehicles <i>RMB million</i> | Total <i>RMB million</i> |
|--|--|---------------------------------|--------------------------------|--|---|-----------------------------|
| Accumulated depreciation and impairment losses: | | | | | | |
| At 1 January 2023 | 236 | 6,811 | 57,097 | 15,175 | 7,195 | 86,514 |
| Depreciation charge for the year | 24 | 752 | 6,913 | 1,368 | 1,067 | 10,124 |
| Reclassification on change of holding intention: | | | | | | |
| – transferred to other property, plant and equipment | (19) | 19 | - | - | - | - |
| – transferred from other property, plant and equipment | 134 | (134) | - | - | - | - |
| Transferred from right-of-use assets on exercise of purchase option (<i>Note 14</i>) | - | - | 6,114 | - | - | 6,114 |
| Transferred from investment properties to right-of-use assets (<i>Note 14</i>) | (3) | - | - | - | - | (3) |
| Transferred from right-of-use assets to investment properties (<i>Note 14</i>) | 1 | - | - | - | - | 1 |
| Transferred to assets held for sale | - | - | (430) | (15) | - | (445) |
| Disposals | | | | | | |
| – disposals | - | (49) | (3,660) | (557) | (309) | (4,575) |
| – liquidation of subsidiaries | - | (21) | - | - | - | (21) |
| Provision for impairment losses | 3 | - | - | - | - | 3 |
| Impairment losses transferred from right-of-use assets (<i>Note 14</i>) | - | - | 940 | - | - | 940 |
| Reversal of impairment losses | - | - | (126) | - | - | (126) |
| Impairment losses transferred to assets held for sale | - | - | (502) | (35) | - | (537) |
| Impairment losses written off on disposals | | | | | | |
| – disposals | - | - | (929) | (82) | - | (1,011) |
| – liquidation of subsidiaries | - | - | - | - | (2) | (2) |
| At 31 December 2023 | <u>376</u> | <u>7,378</u> | <u>65,417</u> | <u>15,854</u> | <u>7,951</u> | <u>96,976</u> |
| Net book value: | | | | | | |
| At 31 December 2023 | <u>524</u> | <u>17,687</u> | <u>63,161</u> | <u>8,886</u> | <u>3,317</u> | <u>93,575</u> |
| At 31 December 2022 | <u>341</u> | <u>18,373</u> | <u>59,410</u> | <u>8,743</u> | <u>3,650</u> | <u>90,517</u> |

For the year ended 31 December 2023, impairment losses of RMB126 million in relation to certain aircraft and related equipment were reversed as the assets' values have increased significantly during the year. The estimated recoverable amounts of above assets were based on the fair value less cost to sell, which was determined by reference to observable market prices. As at 31 December 2023, the carrying amount of the above assets were RMB198 million, and the amounts were classified as held for sale as the carrying amount will be recovered principally through a sale transaction rather than through continuing use.

13 CONSTRUCTION IN PROGRESS

| | 2023 <i>RMB million</i> | 2022 <i>RMB million</i> |
|---|-----------------------------------|----------------------------|
| Advance payment for aircraft and flight equipment | 32,270 | 31,838 |
| Others | 1,907 | 1,462 |
| | 34,177 | 33,300 |

14 RIGHT-OF-USE ASSETS

| | Aircraft and engines <i>RMB million</i> | Land use rights <i>RMB million</i> | Buildings <i>RMB million</i> | Others <i>RMB million</i> | Total <i>RMB million</i> |
|--|---|--|--|-------------------------------------|------------------------------------|
| Cost: | | | | | |
| At 1 January 2022 | 214,194 | 6,810 | 3,285 | 1,134 | 225,423 |
| Additions | 5,500 | 12 | 579 | 11 | 6,102 |
| Transferred from construction in progress | 5,706 | – | – | 71 | 5,777 |
| Transferred to investment properties (Note 12) | – | (19) | – | – | (19) |
| Transferred to property, plant and equipment on exercise of purchase option (Note 12) | (7,032) | – | – | (246) | (7,278) |
| Disposals | | | | | |
| – disposals | (1,607) | (53) | (582) | (145) | (2,387) |
| – disposal of subsidiaries | – | (47) | (13) | (64) | (124) |
| At 31 December 2022 | 216,761 | 6,703 | 3,269 | 761 | 227,494 |
| At 1 January 2023 | 216,761 | 6,703 | 3,269 | 761 | 227,494 |
| Additions | 9,597 | 106 | 1,528 | 101 | 11,332 |
| Transferred from construction in progress | 6,575 | 118 | – | 87 | 6,780 |
| Transferred from investment properties (Note 12) | – | 12 | – | – | 12 |
| Transferred to investment properties (Note 12) | – | (21) | – | – | (21) |
| Transferred to property, plant and equipment on exercise of purchase option (Note 12) | (12,943) | – | – | – | (12,943) |
| Disposals | (3,900) | (18) | (1,634) | (233) | (5,785) |
| At 31 December 2023 | 216,090 | 6,900 | 3,163 | 716 | 226,869 |

| | Aircraft and engines <i>RMB million</i> | Land use rights <i>RMB million</i> | Buildings <i>RMB million</i> | Others <i>RMB million</i> | Total <i>RMB million</i> |
|--|---|--|---------------------------------|------------------------------|-----------------------------|
| Accumulated amortisation and impairment losses: | | | | | |
| At 1 January 2022 | 84,080 | 1,087 | 1,543 | 274 | 86,984 |
| Amortisation charge for the year | 13,767 | 173 | 937 | 190 | 15,067 |
| Transferred to property, plant and equipment on exercise of purchase option (<i>Note 12</i>) | (3,680) | – | – | (58) | (3,738) |
| Transferred to investment properties (<i>Note 12</i>) | – | (1) | – | – | (1) |
| Disposals | | | | | |
| – disposals | (1,594) | (25) | (563) | (145) | (2,327) |
| – disposal of subsidiaries | – | (12) | (6) | (31) | (49) |
| Impairment losses transferred to property, plant and equipment (<i>Note 12</i>) | (429) | – | – | – | (429) |
| Provision for impairment losses | 33 | – | – | – | 33 |
| | <u>92,177</u> | <u>1,222</u> | <u>1,911</u> | <u>230</u> | <u>95,540</u> |
| At 31 December 2022 | <u>92,177</u> | <u>1,222</u> | <u>1,911</u> | <u>230</u> | <u>95,540</u> |
| At 1 January 2023 | 92,177 | 1,222 | 1,911 | 230 | 95,540 |
| Amortisation charge for the year | 15,321 | 166 | 883 | 136 | 16,506 |
| Transferred to property, plant and equipment on exercise of purchase option (<i>Note 12</i>) | (6,114) | – | – | – | (6,114) |
| Transferred from investment properties (<i>Note 12</i>) | – | 3 | – | – | 3 |
| Transferred to investment properties (<i>Note 12</i>) | – | (1) | – | – | (1) |
| Disposals | (3,900) | (11) | (1,615) | (233) | (5,759) |
| Impairment losses transferred to property, plant and equipment (<i>Note 12</i>) | (940) | – | – | – | (940) |
| | <u>96,544</u> | <u>1,379</u> | <u>1,179</u> | <u>133</u> | <u>99,235</u> |
| At 31 December 2023 | <u>96,544</u> | <u>1,379</u> | <u>1,179</u> | <u>133</u> | <u>99,235</u> |
| Net book value: | | | | | |
| At 31 December 2023 | <u>119,546</u> | <u>5,521</u> | <u>1,984</u> | <u>583</u> | <u>127,634</u> |
| At 31 December 2022 | <u>124,584</u> | <u>5,481</u> | <u>1,358</u> | <u>531</u> | <u>131,954</u> |

15 OTHER NON-CURRENT FINANCIAL ASSETS AND OTHER FINANCIAL ASSETS

| | 2023 <i>RMB million</i> | 2022 <i>RMB million</i> |
|---|----------------------------|----------------------------|
| Other non-current financial assets (FVPL) | | |
| – Listed shares | 26 | 21 |
| – Non-listed shares | 31 | 28 |
| – Certificates of deposit | 3,065 | – |
| Other non-current financial assets (amortised cost) | | |
| – Long-term receivables | 297 | 387 |
| | <u>3,419</u> | <u>436</u> |
| Other financial assets (FVPL) | | |
| – Certificates of deposit | 3,157 | – |
| | <u>3,157</u> | <u>–</u> |

As at 31 December 2023, the fair value of the negotiable certificates of deposit was RMB6,222 million. The Group expected to sell the certificates of deposit rather than held-to-maturity, and based on the Group's working capital forecast, RMB3,157 million was expected to be sold within one year and was then recorded in other financial assets (FVPL), while RMB3,065 million was expected to be sold over one year and was then recorded in other non-current financial assets (FVPL).

16 DEFERRED TAX ASSETS

Deferred tax assets arise from deductible temporary differences and unused tax losses are recognised to the extent that it is probable that future taxable profits will be available against which the related tax benefit can be utilised. The Group's tax losses in Chinese Mainland are available for carrying forward to set off future assessable income for a maximum period of five or eight years (According to the *Notice of the Ministry of Finance on the Taxation Policy for supporting the prevention of pandemic of Covid-19 (No. 8, 2020)*, the carry over period for tax losses of enterprises in certain difficult industries suffering from the epidemic in 2020 will be extended from 5 years to 8 years). Therefore, the Group's tax losses occurred in 2020 can be carried forward for 5-8 years, and the Group's tax losses occurred in other years can be carried forward for 5 years.

17 TRADE RECEIVABLES

Credit terms granted by the Group to sales agents and other customers generally range from one to three months. Ageing analysis of trade receivables based on transaction date is set out below:

| | 2023 <i>RMB million</i> | 2022 <i>RMB million</i> |
|--|----------------------------|----------------------------|
| Within 1 month | 2,259 | 1,942 |
| More than 1 month but less than 3 months | 517 | 425 |
| More than 3 months but less than 12 months | 315 | 231 |
| More than 1 year | 134 | 74 |
| | <u>3,225</u> | <u>2,672</u> |
| Less: loss allowance | (64) | (53) |
| | <u>3,161</u> | <u>2,619</u> |

18 OTHER RECEIVABLES

| | 2023 <i>RMB million</i> | 2022 <i>RMB million</i> |
|---|----------------------------|----------------------------|
| VAT recoverable | 7,062 | 5,609 |
| Government grants receivables | 826 | 985 |
| Rebate receivables on aircraft acquisitions | 329 | 493 |
| Other deposits | 186 | 166 |
| Others | 898 | 822 |
| | <hr/> | <hr/> |
| | 9,301 | 8,075 |
| Less: loss allowance | (134) | (136) |
| | <hr/> | <hr/> |
| | 9,167 | 7,939 |
| | <hr/> <hr/> | <hr/> <hr/> |

19 DERIVATIVE FINANCIAL LIABILITIES

In October 2020, the Group issued a total of 160,000,000 A share convertible bonds with par value of RMB100 each at par. The convertible bonds have a term of six years from the date of the issuance and the convertible bonds bear interest at the annual rate of 0.2% in the first year, 0.4% in the second year, 0.6% in the third year, 0.8% in the fourth year, 1.5% in the fifth year and 2.0% in the sixth year. Interest is paid once a year. Conversion rights are exercisable from 21 April 2021 to 14 October 2026 at an initial conversion price of RMB6.24 per share, subject to clauses of adjustment and downward revision of conversion price, redemption and sell-back. Convertible bonds, which conversion rights have not been exercised in five transaction days after maturity, will be redeemed at 106.5% of par value (including the interest for the sixth year).

Any excess of proceeds over the fair value amount initially recognised as the derivative component is recognised as the host liability component. Transaction costs related to the issuance of the convertible bonds are allocated to the host liability and are recognised initially as part of the liability. The derivative component is subsequently remeasured at fair value while the host liability component is subsequently carried at amortised cost using the effective interest method.

For the year ended 31 December 2023, 870 convertible bonds were converted to A shares at the conversion price of RMB6.17 per share (for the year ended 31 December 2022, 1,920 convertible bonds were converted to A shares at the conversion price from RMB6.17 to RMB6.24 per share). As at 31 December 2023, the carrying amount of liability component of the remaining 58,963,140 A share convertible bonds was RMB5,510 million (31 December 2022: 58,964,010 A share convertible bonds with a carrying amount of RMB5,250 million), and the fair value of the derivative component of the remaining 58,963,140 A share convertible bonds was RMB907 million (31 December 2022: 58,964,010 A share convertible bonds with fair value of RMB1,708 million). For the year ended 31 December 2023, the gain on the changes in fair value of the derivative component amounted to RMB801 million was recognised (31 December 2022: loss on the changes in fair value amounted to RMB486 million).

20 BORROWINGS

Borrowings are analysed as follows:

| | 2023 <i>RMB million</i> | 2022 <i>RMB million</i> |
|--|-----------------------------------|----------------------------|
| Non-current | | |
| Long-term borrowings | 38,130 | 15,316 |
| Convertible bonds | 5,498 | 5,240 |
| Medium-term notes | 6,894 | 13,888 |
| | <hr/> 50,522 | <hr/> 34,444 |
| Current | | |
| Current portion of long-term borrowings | 5,153 | 10,773 |
| Short-term borrowings | 51,362 | 53,674 |
| Ultra-short-term financing bills | – | 12,536 |
| Current portion of corporate bonds and medium-term notes | 9,167 | 8,343 |
| Current portion of convertible bonds | 12 | 10 |
| | <hr/> 65,694 | <hr/> 85,336 |
| Total borrowings | <hr/> 116,216 | <hr/> 119,780 |
| The borrowings are repayable: | | |
| Within one year | 65,694 | 85,336 |
| In the second year | 16,334 | 14,167 |
| In the third to fifth year | 31,806 | 17,599 |
| After the fifth year | 2,382 | 2,678 |
| | <hr/> 116,216 | <hr/> 119,780 |

21 LEASE LIABILITIES

At 31 December 2023, the lease liabilities were payable as follows:

| | 2023 <i>RMB million</i> | 2022 <i>RMB million</i> |
|----------------------------------|-----------------------------------|----------------------------|
| Within 1 year | 19,261 | 21,799 |
| After 1 year but within 2 years | 15,994 | 17,412 |
| After 2 years but within 5 years | 34,623 | 36,225 |
| After 5 years | 18,615 | 19,326 |
| | <hr/> 88,493 <hr/> | <hr/> 94,762 <hr/> |

The Group has significant lease liabilities which are denominated in USD as at 31 December 2023. The net exchange loss of RMB687 million for the year ended 31 December 2023 (2022: net exchange loss of RMB3,619 million) was mainly attributable to the translation of balances of lease liabilities which are denominated in USD.

22 TRADE AND BILLS PAYABLES

Ageing analysis of trade and bills payables based on transaction date is set out below:

| | 2023 <i>RMB million</i> | 2022 <i>RMB million</i> |
|---|-----------------------------------|----------------------------|
| Within 1 month | 756 | 420 |
| More than 1 month but less than 3 months | 674 | 437 |
| More than 3 months but less than 6 months | 271 | 265 |
| More than 6 months but less than 1 year | 109 | 129 |
| More than 1 year | 194 | 286 |
| | <hr/> 2,004 <hr/> | <hr/> 1,537 <hr/> |

B. PREPARED IN ACCORDANCE WITH THE PRC GAAP

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2023

| | 2023 | 2022 |
|--|-----------------------|------------------------|
| | <i>RMB million</i> | <i>RMB million</i> |
| Revenue | 159,929 | 87,059 |
| Less: Operating costs | 147,582 | 105,862 |
| Taxes and surcharges | 531 | 240 |
| Selling and distribution expenses | 6,629 | 4,555 |
| General and administrative expenses | 3,779 | 3,560 |
| Research and development expenses | 511 | 389 |
| Finance expenses | 6,393 | 9,240 |
| Including: interest expense | 5,928 | 6,006 |
| interest income | 361 | 457 |
| Add: Other income | 3,779 | 4,670 |
| Investment (loss)/income | (1,688) | 555 |
| Including: (loss)/income from investment in associates and joint ventures | (1,698) | 291 |
| Changes in fair value of financial assets/liabilities | 874 | (388) |
| (Provision)/reversal of credit losses | (9) | 3 |
| Impairment losses | (11) | (582) |
| Gain on assets disposals | 409 | 330 |
| | <hr/> | <hr/> |
| Operating loss | (2,142) | (32,199) |
| Add: Non-operating income | 581 | 710 |
| Less: Non-operating expenses | 84 | 37 |
| | <hr/> | <hr/> |
| Loss before income tax | (1,645) | (31,526) |
| Less: Income tax | 1,437 | 2,172 |
| | <hr/> | <hr/> |
| Net loss for the year | <u>(3,082)</u> | <u>(33,698)</u> |
| (1) Net loss classified by continuity of operations: | | |
| 1. Net loss from continuing operations | (3,082) | (33,698) |
| 2. Net loss from discontinued operations | - | - |
| (2) Net loss classified by ownership: | | |
| 1. Shareholders of the Company | (4,209) | (32,682) |
| 2. Non-controlling interests | 1,127 | (1,016) |

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2023

| | 31 December 2023 RMB million | 31 December 2022 RMB million |
|--|---|------------------------------------|
| Assets | | |
| Current assets | | |
| Cash at bank and on hand | 9,924 | 20,240 |
| Other financial assets | 3,157 | – |
| Derivative financial instruments | 4 | 2 |
| Bills receivables | 2 | – |
| Account receivables | 3,322 | 2,656 |
| Prepayments | 695 | 619 |
| Other receivables | 1,640 | 1,943 |
| Inventories | 1,565 | 1,387 |
| Assets held for sale | – | 26 |
| Non-current assets due within one year | 180 | 152 |
| Other current assets | 7,252 | 5,746 |
| | 27,741 | 32,771 |
| | 27,741 | 32,771 |
| Non-current assets | | |
| Long-term equity investments | 6,718 | 6,205 |
| Other equity instrument investment | 547 | 659 |
| Other non-current financial assets | 3,122 | 49 |
| Investment properties | 524 | 341 |
| Fixed assets | 93,076 | 90,810 |
| Construction in progress | 34,199 | 33,322 |
| Right-of-use assets | 122,131 | 126,491 |
| Intangible assets | 6,629 | 6,547 |
| Long-term receivables | 559 | 744 |
| Aircraft lease deposits | 386 | 354 |
| Long-term deferred expenses | 517 | 624 |
| Derivative financial instruments | – | 27 |
| Deferred tax assets | 12,280 | 12,473 |
| Other non-current assets | 797 | 584 |
| | 281,485 | 279,230 |
| | 281,485 | 279,230 |
| Total assets | 309,226 | 312,001 |

| | 31 December 2023 | 31 December 2022 |
|---|-----------------------------|---------------------|
| | <i>RMB million</i> | <i>RMB million</i> |
| Liabilities and shareholders' equity | | |
| Current liabilities | | |
| Short-term bank borrowings | 51,362 | 53,674 |
| Derivative financial liabilities | 907 | 1,708 |
| Bills payables | 236 | – |
| Account payables | 19,722 | 14,351 |
| Contract liabilities | 1,509 | 1,496 |
| Sales in advance of carriage | 7,179 | 3,383 |
| Employee benefits payable | 4,968 | 4,564 |
| Taxes payable | 802 | 640 |
| Other payables | 8,969 | 7,939 |
| Non-current liabilities due within one year | 33,782 | 41,167 |
| Other current liabilities | – | 12,536 |
| | <hr/> | <hr/> |
| Total current liabilities | 129,436 | 141,458 |
| | <hr/> <hr/> | <hr/> <hr/> |
| Non-current liabilities | | |
| Long-term bank borrowings | 38,130 | 15,316 |
| Bonds payable | 12,392 | 19,128 |
| Lease liabilities | 69,232 | 72,963 |
| Long-term payable | 100 | 289 |
| Provision for major overhauls | 5,731 | 5,199 |
| Deferred benefits and gains | 752 | 760 |
| Deferred tax liabilities | 23 | 24 |
| Other non-current liabilities | 1,433 | 1,750 |
| | <hr/> | <hr/> |
| Total non-current liabilities | 127,793 | 115,429 |
| | <hr/> <hr/> | <hr/> <hr/> |
| Total liabilities | 257,229 | 256,887 |
| | <hr/> <hr/> | <hr/> <hr/> |

| | 31 December 2023 | 31 December 2022 |
|--|-----------------------------|---------------------|
| | <i>RMB million</i> | <i>RMB million</i> |
| Net assets | | |
| Share capital | 18,121 | 18,121 |
| Capital reserve | 52,756 | 52,775 |
| Other comprehensive income | 216 | 261 |
| Surplus reserve | 2,579 | 2,579 |
| Accumulated losses | (36,888) | (32,679) |
| | <hr/> | <hr/> |
| Total equity attributable to equity shareholders of the Company | 36,784 | 41,057 |
| Non-controlling interests | 15,213 | 14,057 |
| | <hr/> | <hr/> |
| Total equity | 51,997 | 55,114 |
| | <hr/> <hr/> | <hr/> <hr/> |
| Total liabilities and equity | 309,226 | 312,001 |
| | <hr/> <hr/> | <hr/> <hr/> |

C. RECONCILIATION OF DIFFERENCES IN FINANCIAL STATEMENTS PREPARED UNDER PRC GAAP AND IFRS ACCOUNTING STANDARDS

Difference in loss and equity attributable to equity shareholders of the Company under consolidated financial information in financial statements between IFRS Accounting Standards and PRC GAAP

| | Loss attributable to equity shareholders of the Company | | Equity attributable to equity shareholders of the Company | |
|---|---|----------------------------|---|--|
| | 2023 <i>RMB million</i> | 2022 <i>RMB million</i> | 31 December 2023 <i>RMB million</i> | 31 December 2022 <i>RMB million</i> |
| Amounts under PRC GAAP | (4,209) | (32,682) | 36,784 | 41,057 |
| Adjustments: | | | | |
| Capitalisation of exchange difference of specific loans | (3) | (25) | 11 | 14 |
| Government grants | 1 | 1 | (3) | (4) |
| Adjustment arising from the Company's business combination under common control | – | – | 237 | 237 |
| Reversal of impairment losses on property, plant and equipment | 126 | – | 126 | – |
| Income tax effect of the above adjustments | 1 | 6 | (1) | (2) |
| Effect of the above adjustments on non-controlling interests | (56) | 1 | (83) | (27) |
| Amounts under IFRS Accounting Standards | <u>(4,140)</u> | <u>(32,699)</u> | <u>37,071</u> | <u>41,275</u> |

BUSINESS REVIEW

In 2023, the global economic growth was still slow due to factors such as tightening monetary policies and sluggish trade. The World Economic Outlook report published by the International Monetary Fund shows that the global economic growth in 2023 is 3.1%. China adhered to the general tone of seeking progress while maintaining stability and achieved sound economic recovery. The GDP of China for the year reached RMB126 trillion, representing a year-on-year increase of 5.2%.

In 2023, despite the complex environment and severe challenges, China's civil aviation industry witnessed orderly resumption of transportation and production. The Total Transport Turnover, Passenger Volume, and Cargo and Mail Volume for the whole year were 118.83 billion ton-kilometers, 620 million passengers and 7.354 million tons, respectively, representing a year-on-year increase of 98.3%, 146.1% and 21% and back to 91.9%, 93.9% and 97.6% of 2019 levels, respectively. The Group coordinated safety production and operation and actively promoted the implementation of reform and development strategies. During the reporting period, with the joint efforts of the management and all employees, the Group recorded 2.842 million flight hours, and carried 142 million passengers and 1.585 million tons of cargo and mail. We have been honored as the "Best Airline of the Year" by Civil Aviation Passenger Service Evaluation ("CAPSE") for six consecutive years and awarded the "Five-Star Diamond Award" by the World Brand Lab, being the only domestic airline with the award. In January 2024, the Group was awarded the "Three-Star Diamond Award for Flight Safety", the top award for flight safety from the CAAC.

1. Safety Management

During the reporting period, the Group gave top priority to aviation safety and developed sustainable and high-quality safety with continuous improvement in safety level. We implemented the outlook on overall national security, coordinated development and security in a scientific manner, deepened the construction of seven safety systems and consolidated the responsibility system on safety production among all employees. We established and implemented the mechanism on significant safety decisions and plans and improved the mechanism on special studies on regular safety production. We refined the responsibility system, specified the safety responsibilities of all business management functions and developed a unified regulatory mechanism on regional and local safety. We carried out special investigation and remediation of significant hidden safety hazards and implemented classification-based management for the skill recovery of professionals. During the reporting period, the Group achieved 2.842 million hours of safe flight with a leading position in the industry in terms of safety.

2. Operation Management

During the reporting period, the Group focused on enhancing the core market competitiveness to facilitate quality and efficiency improvement in operation. We improved the operation of Guangzhou and Beijing as core hubs, implemented the strategy of maximizing marginal contribution of flights and actively facilitated the increase and resumption of international flights. We vigorously promoted the establishment of the customer management system, continuously improved online and offline reach scenarios of passengers with digital and ecosystem-based concepts and prepared tailored aviation product portfolios to build an open and comprehensive aviation platform. We seized the new normal of the freight market, implemented the new development concept and planned and invested in the construction of freight hubs to achieve the linkage of domestic aviation and ground networks. We expanded the transportation of live animals, high-end precision instruments and other goods with high value. During the reporting period, the Company's group customers and frequent flyers reached 29,000 and 99.06 million, respectively. The Cargo and Mail Volume recorded a year-on-year increase of 19.47%.

3. Operation Service

During the reporting period, the Group steadily improved its operation quality with continuous improvement in brand image. We focused on improving flight punctuality and increasing the number of flights that enable passengers to board from boarding bridges directly, established working mechanisms on operation under extreme weather and guarantee of shuttle operation, constantly reduced the transit time at hubs, and focused on improving the travelling convenience and making passengers have more sense of gain. We refined the service quality management system, optimized the entire-chain business process and structure of services, developed the global service support center and introduced “kapok” and “cloud” featured air services. We deepened the brand management strategy and built the Guangzhou-Beijing core hub brand, the “affinity and refinement” service brand and the “Green Flight” responsibility brand. During the reporting period, the Company was awarded the “Five-Star Diamond Award” by the World Brand Lab and has been honored as the “Best Airline of the Year” by CAPSE for six consecutive years.

4. Implementation of Strategies

During the reporting period, the Group actively served national strategies and solidly promoted high-quality development. We continued to build Beijing hub with high quality, fully seized opportunities in the accelerated recovery of the industry and continuously carried out the planning of domestic and overseas networks. We continued to focus on the Guangdong-Hong Kong-Macao Greater Bay Area, sped up in restoring the network of domestic and overseas airlines at Guangzhou hub and coordinated policies on integrated sales channels in the Guangdong-Hong Kong-Macao Greater Bay Area. We preliminarily set up the operation model of ecosystem-based platforms, continuously perfected the establishment of supply chains, constantly implemented refined management of the fleet and steadily improved resources allocation and operational efficiency. We steadily advanced the digital transformation, developed the new-generation IT architecture of “cloud platform & dual middle-platform” and facilitated the system construction on the IT R&D ecology, achieving automatic flight dispatching. During the reporting period, the flight transfer rate at Daxing Airport increased to 11.8% while domestic market share in Guangzhou, Shenzhen, Zhuhai and Huizhou reached 37%. The Company was awarded the Silver Prize in Benchmark Competition at the “Blooming Cup” 5G Application Contest by the Ministry of Industry and Information Technology.

5. Reform and Development

During the reporting period, the Group further fulfilled reform tasks and continuously consolidated the development foundation. We improved the modern corporate governance systems of state-owned enterprises with Chinese characteristics, focused on enhancing the standard operation of the board of directors, implemented the powers and functions of the board of directors of subsidiaries based on different levels and categories and perfected rules on authorization and delegation of power. We promoted the tenure system and contractual management to the Group’s subsidiaries and deepened the linkage mechanism of salary and performance. We established and improved the system and mechanism of scientific and technological innovation and boosted efforts in achieving breakthroughs in significant aviation-related technological innovation with focus on digital technology, advanced manufacturing, green and low-carbon and other sectors. We revised the overarching approach for high-quality development, resolved property right flaws and optimized the manual management platform and the compliance risk management system. During the reporting period, the Group obtained 115 new state-authorized patents, established 24 business platforms, and developed 1,249 sharing capabilities. The Company was awarded the “Best Practice of the Board of Directors” by the China Association for Public Companies.

6. Social Responsibility

During the reporting period, the Group proactively fulfilled its social responsibilities and boosted assistance efforts in industrial revitalization. We systematically advanced work on “carbon peak and carbon neutrality”, introduced high-efficiency and energy-saving aircrafts, carried out aircraft weight reduction programs, continuously promoted the “petroleum-to-electricity” transformation for ground vehicles, and adopted refined jet fuel management and other measures on energy saving and emission reduction. We completed the platform of “Employees’ Voices” and put it into use, carried out pilot programs on improving employees’ life quality and organized activities to improve crew health through sports. We boosted efforts in industrial, talent, cultural, ecological and organizational revitalization in rural areas, innovated assistance measures and deepened the characteristic assistance model of CSA. During the reporting period, the fuel consumption per ton-kilometer of the Company was reduced to 2.732 tons/10,000-ton-kilometer.

OPERATING DATA SUMMARY

The following table sets forth operating data by geographic regions:

| | For the year ended 31 December | | Increase/ (decrease) % |
|---|--------------------------------|-------------------|------------------------------|
| | 2023 | 2022 | |
| Traffic | | | |
| Revenue passenger kilometers (RPK) (million) | | | |
| Domestic | 207,816.73 | 96,986.98 | 114.27 |
| Hong Kong, Macau and Taiwan | 1,809.23 | 175.05 | 933.54 |
| International | 37,321.27 | 4,916.03 | 659.17 |
| Total: | 246,947.23 | 102,078.06 | 141.92 |
| Revenue tonne kilometers (RTK) (million) | | | |
| Domestic | 19,654.63 | 9,593.44 | 104.88 |
| Hong Kong, Macau and Taiwan | 183.60 | 22.86 | 703.14 |
| International | 9,952.88 | 6,767.36 | 47.07 |
| Total: | 29,791.11 | 16,383.66 | 81.83 |
| RTK – passenger (million) | | | |
| Domestic | 18,229.18 | 8,546.25 | 113.30 |
| Hong Kong, Macau and Taiwan | 157.48 | 15.50 | 916.05 |
| International | 3,277.65 | 435.37 | 652.85 |
| Total: | 21,664.31 | 8,997.12 | 140.79 |

| | For the year ended 31 December | | Increase/ (decrease) % |
|---|--------------------------------|-------------------|------------------------------|
| | 2023 | 2022 | |
| RTK – cargo (million) | | | |
| Domestic | 1,425.45 | 1,047.19 | 36.12 |
| Hong Kong, Macau and Taiwan | 26.12 | 7.36 | 254.83 |
| International | 6,675.24 | 6,331.99 | 5.42 |
| Total: | 8,126.80 | 7,386.54 | 10.02 |
| Passengers carried (thousand) | | | |
| Domestic | 131,571.96 | 61,666.94 | 113.36 |
| Hong Kong, Macau and Taiwan | 1,535.76 | 157.23 | 876.75 |
| International | 9,093.37 | 812.95 | 1,018.57 |
| Total: | 142,201.09 | 62,637.12 | 127.02 |
| Cargo and mail carried (thousand tonnes) | | | |
| Domestic | 840.80 | 633.62 | 32.70 |
| Hong Kong, Macau and Taiwan | 23.03 | 6.87 | 235.38 |
| International | 721.09 | 686.17 | 5.09 |
| Total: | 1,584.92 | 1,326.66 | 19.47 |
| Capacity | | | |
| Available seat kilometres (ASK) (million) | | | |
| Domestic | 266,515.67 | 145,654.49 | 82.98 |
| Hong Kong, Macau and Taiwan | 2,441.55 | 410.36 | 494.97 |
| International | 47,260.23 | 7,775.72 | 507.79 |
| Total: | 316,217.46 | 153,840.57 | 105.55 |
| Available tonne kilometres (ATK) (million) | | | |
| Domestic | 30,348.36 | 16,139.85 | 88.03 |
| Hong Kong, Macau and Taiwan | 316.95 | 55.49 | 471.21 |
| International | 14,233.28 | 10,026.28 | 41.96 |
| Total: | 44,898.59 | 26,221.62 | 71.23 |
| Available tonne kilometres (ATK) – passenger (million) | | | |
| Domestic | 23,986.41 | 13,108.90 | 82.98 |
| Hong Kong, Macau and Taiwan | 219.74 | 36.93 | 494.97 |
| International | 4,253.42 | 699.81 | 507.79 |
| Total: | 28,459.57 | 13,845.65 | 105.55 |

| | For the year ended 31 December | | Increase/ (decrease) |
|---|--------------------------------|-----------------------------|-----------------------------|
| | 2023 | 2022 | % |
| Available tonne kilometres (ATK) – cargo (million) | | | |
| Domestic | 6,361.95 | 3,030.95 | 109.90 |
| Hong Kong, Macau and Taiwan | 97.21 | 18.55 | 423.90 |
| International | 9,979.86 | 9,326.47 | 7.01 |
| | <u> </u> | <u> </u> | <u> </u> |
| Total: | <u>16,439.02</u> | <u>12,375.97</u> | <u>32.83</u> |

| | For the year ended 31 December | | Increase/ (decrease) |
|--|--------------------------------|-----------------------------|-----------------------------|
| | 2023 | 2022 | percentage points |
| Load Factor | | | |
| Passenger load factor (RPK/ASK) (%) | | | |
| Domestic | 77.98 | 66.59 | 11.39 |
| Hong Kong, Macau and Taiwan | 74.10 | 42.66 | 31.44 |
| International | 78.97 | 63.22 | 15.75 |
| | <u> </u> | <u> </u> | <u> </u> |
| Average: | <u>78.09</u> | <u>66.35</u> | <u>11.74</u> |

| | | | |
|--|-----------------------------|-----------------------------|-----------------------------|
| Overall load factor (RTK/ATK) (%) | | | |
| Domestic | 64.76 | 59.44 | 5.32 |
| Hong Kong, Macau and Taiwan | 57.93 | 41.20 | 16.73 |
| International | 69.93 | 67.50 | 2.43 |
| | <u> </u> | <u> </u> | <u> </u> |
| Average: | <u>66.35</u> | <u>62.48</u> | <u>3.87</u> |

| | For the year ended 31 December | | Increase/ (decrease) |
|-----------------------------|--------------------------------|--------------------------|--------------------------|
| | 2023 | 2022 | % |
| Yield | | | |
| Yield per RPK (RMB) | | | |
| Domestic | 0.54 | 0.51 | 5.88 |
| Hong Kong, Macau and Taiwan | 0.89 | 2.66 | (66.54) |
| International | 0.58 | 2.00 | (71.00) |
| | <u> </u> | <u> </u> | <u> </u> |
| Average: | 0.55 | 0.59 | (6.78) |
| | <u><u> </u></u> | <u><u> </u></u> | <u><u> </u></u> |
| Yield per RFTK (RMB) | | | |
| Domestic | 1.05 | 1.31 | (19.85) |
| Hong Kong, Macau and Taiwan | 6.31 | 11.96 | (47.24) |
| International | 2.04 | 3.07 | (33.55) |
| | <u> </u> | <u> </u> | <u> </u> |
| Average: | 1.88 | 2.83 | (33.57) |
| | <u><u> </u></u> | <u><u> </u></u> | <u><u> </u></u> |
| Yield per RTK (RMB) | | | |
| Domestic | 5.82 | 5.33 | 9.19 |
| Hong Kong, Macau and Taiwan | 9.66 | 24.23 | (60.13) |
| International | 3.54 | 4.32 | (18.06) |
| | <u> </u> | <u> </u> | <u> </u> |
| Average: | 5.08 | 4.94 | 2.83 |
| | <u><u> </u></u> | <u><u> </u></u> | <u><u> </u></u> |

| | For the year ended 31 December | | Increase/ (decrease) |
|---|--------------------------------|------------------------|-------------------------|
| | 2023 | 2022 | % |
| Cost | | | |
| Main business cost per ATK (RMB) | <u>3.20</u> | <u>3.93</u> | <u>(18.58)</u> |
| Flight Volume | | | |
| Kilometers flown (million) | <u>1,772.78</u> | <u>994.39</u> | <u>78.28</u> |
| Hours flown (thousand) | | | |
| Domestic | 2,465.30 | 1,373.92 | 79.44 |
| Hong Kong, Macau and Taiwan | 20.52 | 3.17 | 547.93 |
| International | <u>356.29</u> | <u>179.62</u> | <u>98.36</u> |
| Total: | <u>2,842.11</u> | <u>1,556.70</u> | <u>82.57</u> |
| Number of flights (thousand) | | | |
| Domestic | 1,000.31 | 578.26 | 72.99 |
| Hong Kong, Macau and Taiwan | 10.42 | 1.84 | 466.81 |
| International | <u>65.22</u> | <u>21.44</u> | <u>204.26</u> |
| Total: | <u>1,075.95</u> | <u>601.54</u> | <u>78.87</u> |

Note: Operating data are retained to two decimal places, discrepancies between the column and the total sum are due to rounding of numbers.

MANAGEMENT DISCUSSION AND ANALYSIS

I. FINANCIAL PERFORMANCE

Part of the financial information presented in this section below is derived from the Group's audited consolidated financial statements that have been prepared in accordance with IFRS Accounting Standards.

The net loss attributable to equity shareholders of the Company of RMB4,140 million was recorded in 2023 as compared to the net loss attributable to equity shareholders of the Company of RMB32,699 million in 2022. The Group's total operating revenue increased by RMB72,870 million or 83.70% from RMB87,059 million in 2022 to RMB159,929 million in 2023. Passenger load factor increased by 11.74% percentage points from 66.35% in 2022 to 78.09% in 2023. Yield per RPK decreased by 6.78% from RMB0.59 in 2022 to RMB0.55 in 2023. Yield per RTK increased by 2.83% from RMB4.94 in 2022 to RMB5.08 in 2023. Operating expenses increased by RMB43,790 million or 37.99% from RMB115,262 million in 2022 to RMB159,052 million in 2023. Operating profit of RMB5,557 million was recorded in 2023 as compared to operating loss of RMB22,542 million in 2022.

II. OPERATING REVENUE

| | 2023 | | 2022 | | Changes in revenue % |
|---|-------------------------------------|-----------------|-------------------------------------|-----------------|----------------------------|
| | Operating revenue RMB million | Percentage % | Operating revenue RMB million | Percentage % | |
| Traffic revenue | 151,445 | 94.70 | 80,901 | 92.93 | 87.20 |
| Including: Passenger revenue | 136,170 | | 60,017 | | 126.89 |
| – Domestic | 112,946 | | 49,723 | | 127.15 |
| – Hong Kong, Macau and Taiwan | 1,608 | | 466 | | 245.06 |
| – International | 21,616 | | 9,828 | | 119.94 |
| Cargo and mail revenue | 15,275 | | 20,884 | | (26.86) |
| Other operating revenue | 8,484 | 5.30 | 6,158 | 7.07 | 37.77 |
| Mainly including: | | | | | |
| Commission income | 3,164 | | 2,073 | | 52.63 |
| Cargo handling income | 820 | | 1,123 | | (26.98) |
| Hotel and tour operation income | 750 | | 497 | | 50.91 |
| Ground services income | 473 | | 282 | | 67.73 |
| General aviation income | – | | 431 | | Not Applicable |
| Total operating revenue | <u>159,929</u> | <u>100.00</u> | <u>87,059</u> | <u>100.00</u> | 83.70 |
| Less: fuel surcharge income | <u>(12,143)</u> | | <u>(6,054)</u> | | 100.58 |
| Total operating revenue excluding fuel surcharge | <u>147,786</u> | | <u>81,005</u> | | 82.44 |

Substantially all of the Group's operating revenue is attributable to airlines transport operations. Traffic revenue accounted for 92.93% and 94.70% of the total operating revenue in 2022 and 2023, respectively. Passenger revenue and cargo and mail revenue accounted for 89.91% and 10.09%, respectively, of the total traffic revenue in 2023. During the reporting period, the Group's total traffic revenue was RMB151,445 million, representing an increase of RMB70,544 million or 87.20% from prior year, mainly because of the increase in passenger revenue. The other operating revenue of the Group is mainly derived from commission income, cargo handling income, hotel and tour operation income and ground services income.

The increase in operating revenue was primarily due to an increase in passenger revenue by 126.89% from RMB60,017 million in 2022 to RMB136,170 million in 2023. The total number of passengers carried increased by 127.02% to 142.20 million passengers in 2023. RPKs increased by 141.92% from 102,078 million in 2022 to 246,947 million in 2023, mainly due to an increase of traffic volume with recovery of industry.

Domestic passenger revenue, which accounted for 82.94% of the total passenger revenue in 2023, increased by 127.15% from RMB49,723 million in 2022 to RMB112,946 million in 2023. Domestic passenger traffic in RPKs increased by 114.27%, while passenger capacity in ASKs increased by 82.98%, resulting in an increase in passenger load factor by 11.39 percentage points from 66.59% in 2022 to 77.98% in 2023. Yield per RPK increased by 5.88% from RMB0.51 in 2022 to RMB0.54 in 2023.

Hong Kong, Macau and Taiwan passenger revenue, which accounted for 1.18% of total passenger revenue, increased by 245.06% from RMB466 million in 2022 to RMB1,608 million in 2023. For Hong Kong, Macau and Taiwan flights, passenger traffic in RPKs increased by 933.54%, while passenger capacity in ASKs increased by 494.97%, resulting in an increase in passenger load factor by 31.44 percentage points from 42.66% in 2022 to 74.10% in 2023. Passenger yield per RPK decreased from RMB2.66 in 2022 to RMB0.89 in 2023.

International passenger revenue, which accounted for 15.87% of total passenger revenue, increased by 119.94% from RMB9,828 million in 2022 to RMB21,616 million in 2023. For international flights, passenger traffic in RPKs increased by 659.17%, while passenger capacity in ASKs increased by 507.79%, resulting in an increase in passenger load factor by 15.75 percentage points from 63.22% in 2022 to 78.97% in 2023. Passenger yield per RPK decreased from RMB2.00 in 2022 to RMB0.58 in 2023.

Cargo and mail revenue, which accounted for 10.09% of the Group's total traffic revenue and 9.55% of total operating revenue, decreased by 26.86% from RMB20,884 million in 2022 to RMB15,275 million in 2023 mainly due to the decrease of freight unit price.

Other operating revenue increased by 37.77% from RMB6,158 million in 2022 to RMB8,484 million in 2023 mainly due to the increase in commission income, hotel and tour operation income and ground services income.

III. OPERATING EXPENSES

Total operating expenses in 2023 amounted to RMB159,052 million, representing an increase of RMB43,790 million or 37.99% comparing to that of 2022. Total operating expenses as a percentage of total operating revenue decreased from 132.40% in 2022 to 99.45% in 2023.

| Operating expenses | 2023 | | 2022 | |
|--|-----------------------|-----------------------|-----------------------|-----------------------|
| | <i>RMB million</i> | <i>Percentage (%)</i> | <i>RMB million</i> | <i>Percentage (%)</i> |
| Flight operation expenses | 76,799 | 48.29 | 51,241 | 44.46 |
| Mainly including: | | | | |
| Jet fuel costs | 52,050 | | 32,669 | |
| Aircraft operating lease charges | 1,110 | | 791 | |
| Flight personnel payroll and welfare | 12,428 | | 10,602 | |
| Maintenance expenses | 14,390 | 9.05 | 11,224 | 9.74 |
| Aircraft and transportation service expenses | 26,487 | 16.65 | 17,506 | 15.19 |
| Promotion and selling expenses | 6,349 | 3.99 | 4,355 | 3.78 |
| General and administrative expenses | 4,150 | 2.61 | 3,511 | 3.05 |
| Depreciation and amortisation | 27,165 | 17.08 | 24,266 | 21.05 |
| (Reversal of)/provision for impairment losses on property, plant and equipment and right-of-use assets | (123) | (0.08) | 449 | 0.39 |
| Hotel and tour operation expense | 656 | 0.41 | 418 | 0.36 |
| External air catering service expense | 432 | 0.27 | 343 | 0.30 |
| Financial institution charges | 139 | 0.09 | 72 | 0.06 |
| Cargo handling expense | 552 | 0.35 | 537 | 0.46 |
| Others | 2,056 | 1.29 | 1,340 | 1.16 |
| Total operating expenses | <u>159,052</u> | <u>100.00</u> | <u>115,262</u> | <u>100.00</u> |

Flight operation expenses, which accounted for 48.29% of total operating expenses, increased by 49.88 % from RMB51,241 million in 2022 to RMB76,799 million in 2023, mainly due to the increase of jet fuel costs as a result of the increased flight volume.

Maintenance expenses, which accounted for 9.05% of total operating expenses, increased by 28.21% from RMB11,224 million in 2022 to RMB14,390 million in 2023 due to the increase in aircraft utilization rate with the recovery of the industry.

Aircraft and transportation service expenses, which accounted for 16.65% of total operating expenses, increased by 51.30% from RMB17,506 million in 2022 to RMB26,487 million in 2023. The increase was primarily due to the increase in landing and navigation fee as a result of the increase in the amounts of take-off and landing.

Promotion and selling expenses, which accounted for 3.99% of total operating expenses, increased by 45.79% from RMB4,355 million in 2022 to RMB6,349 million in 2023, mainly due to the increase in sales commissions and computer reservation services expenses as a result of the increased flight volume.

General and administrative expenses, which accounted for 2.61% of the total operating expenses, increased by 18.20% from RMB3,511 million in 2022 to RMB4,150 million in 2023, mainly due to increase in general corporate expenses.

Depreciation and amortisation, which accounted for 17.08% of the total operating expenses, increased by 11.95% from RMB24,266 million in 2022 to RMB27,165 million in 2023 mainly due to the increase in depreciation and amortisation of aircraft and engines as a result of the increased number of aircraft and flight hours, respectively.

Reversal of impairment losses on property, plant and equipment and right-of-use assets of RMB123 million was recorded in 2023. (2022: Provision for impairment losses on property, plant and equipment and right-of-use assets of RMB449 million).

IV. OPERATING PROFIT

Operating profit of RMB5,557 million was recorded in 2023 (2022: Operating loss of RMB22,542 million). The increase of the operating profit is mainly due to an increase of traffic volume with recovery of industry.

V. OTHER NET INCOME

Other net income decreased by RMB981 million from RMB5,661 million in 2022 to RMB4,680 million in 2023, mainly due to a decrease of government subsidies.

VI. INCOME TAX

Income tax expense decreased by RMB730 million from RMB2,166 million in 2022 to RMB1,436 million in 2023, mainly due to a decreased profit in profit making subsidiaries.

VII. LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 31 December 2023, the Group's current liabilities exceeded its current assets by RMB101,497 million. For the year ended 31 December 2023, the Group recorded a net cash inflow from operating activities of RMB34,107 million, a net cash outflow from investing activities of RMB17,898 million and a net cash outflow from financing activities of RMB26,592 million, which in total resulted in a net decrease in cash and cash equivalents of RMB10,383 million.

The Group is dependent on its ability to maintain adequate cash inflow from operations, its ability to maintain existing external financing, and its ability to obtain new external financing to meet its debt obligations as they fall due and to meet its committed future capital expenditures. The Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term. As at 31 December 2023, the Group has obtained credit facilities of RMB396,794 million in aggregate granted by several banks and other financial institute, among which approximately RMB266,766 million was unutilised. The Directors of the Company believe that sufficient financing will be available to the Group when and where needed.

The analyses of the Group's total interest-bearing liabilities are as follows:

Composition of interest-bearing liabilities

| | 31 December 2023 <i>RMB million</i> | 31 December 2022 <i>RMB million</i> |
|--|---|--|
| Lease liabilities | 88,493 | 94,762 |
| Borrowings | 116,216 | 119,780 |
| Long-term payables | 289 | 531 |
| Fixed rate interest-bearing liabilities | 148,417 | 158,809 |
| Floating rate interest-bearing liabilities | 56,581 | 56,264 |

Analysis of interest-bearing liabilities by currency

| | 31 December 2023 <i>RMB million</i> | 31 December 2022 <i>RMB million</i> |
|--------|---|--|
| USD | 43,742 | 41,271 |
| RMB | 159,084 | 171,176 |
| Others | 2,172 | 2,626 |
| Total | 204,998 | 215,073 |

Maturity analysis of interest-bearing liabilities

| | 31 December 2023 <i>RMB million</i> | 31 December 2022 <i>RMB million</i> |
|----------------------------|---|--|
| Within 1 year | 85,144 | 107,377 |
| 1 year but within 2 years | 32,421 | 31,768 |
| 2 years but within 5 years | 66,436 | 53,924 |
| 5 years and afterwards | 20,997 | 22,004 |
| Total | 204,998 | 215,073 |

Interest expense and net exchange loss

Interest expense decreased slightly by RMB78 million from RMB6,006 million in 2022 to RMB5,928 million in 2023.

Net exchange loss decreased by RMB2,932 million from RMB3,619 million in 2022 to RMB687 million in 2023, mainly due to a lower degree of depreciation of Renminbi against the U.S. dollar in 2023.

The Group's capital structure at the end of the year is as follows:

| | 31 December 2023 | 31 December 2022 | Change |
|-------------------|-----------------------------|---------------------|--------------------------|
| | <i>RMB million</i> | <i>RMB million</i> | |
| Total liabilities | 257,229 | 256,887 | 0.13% |
| Total assets | 309,596 | 312,246 | (0.85%) |
| | | | Increased by |
| Debt ratio | 83.09% | 82.27% | 0.82 percentage point |

The Group monitors capital on the basis of debt ratio, which is calculated as total liabilities divided by total assets. The debt ratio as at 31 December 2023 remained stable as compared to that as at 31 December 2022.

VIII. MAJOR CHARGE ON ASSETS

As at 31 December 2023, no property, plant and equipment of the Group (31 December 2022: nil) were mortgaged for bank borrowings.

IX. COMMITMENTS AND CONTINGENCIES

Commitments

As at 31 December 2023, the Group had capital commitments (excluding investment commitment) of RMB112,358 million (31 December 2022: RMB106,644 million). Of which, RMB102,883 million was related to the acquisition of aircraft, engines and related flight equipment (31 December 2022: RMB97,329 million) and RMB9,475 million was related to other projects of the Group (31 December 2022: RMB9,315 million).

The Group had investment commitments as follows:

| | 31 December 2023 | 31 December 2022 |
|--|-----------------------------|---------------------|
| | <i>RMB million</i> | <i>RMB million</i> |
| Authorised and contracted for: | | |
| Share of capital commitments of a joint venture | 19 | 52 |
| Capital contributions for acquisition of interest in an associate | <u>2,431</u> | <u>171</u> |
| | <u>2,450</u> | <u>223</u> |
| Authorised but not contracted for: | | |
| Share of capital commitments of a joint venture | <u>46</u> | <u>14</u> |
| | <u><u>2,496</u></u> | <u><u>237</u></u> |

Contingent liabilities

- (a) The Group leased certain properties and buildings from CSAH which were located in Guangzhou, Wuhan, Haikou, etc. Although such properties and buildings were used by CSAH before being leased to the Group, as known to the Group, such properties and buildings lack adequate documentation evidencing CSAH's rights thereto. Pursuant to the indemnification agreement dated 22 May 1997 entered into between the Group and CSAH, CSAH has agreed to indemnify the Group against any loss or damage arising from any challenge of the Group's right to use the aforementioned properties and buildings.
- (b) The Group entered into certain agreements with CSAH in prior years to acquire certain land use right and buildings from CSAH. The change of business registration of such land use right and buildings are still in progress. CSAH issued letters of commitment to the Company, committing to indemnify the Group against any claims from third parties to the Group, or any loss or damage in the Group's operation activities due to lack adequate documentation of the certain properties and buildings, without recourse to the Group.
- (c) The Company issued an undertaking to China Southern Airlines General Aviation Limited ("General Aviation Limited") in prior years that the Company has injected the relevant assets and liabilities into General Aviation Limited on 1 July 2016 and General Aviation Limited has received all the assets and actually owned, controlled and used. In the event that any third party claims rights against General Aviation Limited due to defective land use rights and property rights or General Aviation Limited suffers losses due to defective land use rights and property rights affecting the normal business operations of General Aviation Limited, such losses shall be borne by the Company and the contributed assets may be replaced in an appropriate manner if necessary.

- (d) The Company and its subsidiary, Xiamen Airlines, entered into agreements with certain pilot trainees and certain banks to provide guarantees on personal bank loans amounting to RMB696 million (31 December 2022: RMB696 million) that can be drawn by the pilot trainees to finance their respective flight training expenses. As at 31 December 2023, total personal bank loans of RMB102 million (31 December 2022: RMB143 million), under these guarantees, were drawn down from the banks. During the year, RMB0.1 million has been made by the Group due to the default of payments of certain pilot trainees (2022: RMB0.2 million).

SUBSEQUENT EVENTS

Since the end of the reporting period to the date of publication of this results announcement, no subsequent event has occurred which had a material impact on the Group.

CHANGES IN SHARE CAPITAL STRUCTURE

Unit: Share

| | 31 December 2022 | | Increase in 2023 Number of Shares | 31 December 2023 | |
|---|---------------------|----------------|---|---------------------|----------------|
| | Number of Shares | Percentage (%) | | Number of Shares | Percentage (%) |
| I. subject to restrictions on sales | | | | | |
| 1. RMB ordinary shares | 3,257,005,885 | 17.97 | (2,453,434,457) | 803,571,428 | 4.43 |
| Total | 3,257,005,885 | 17.97 | (2,453,434,457) | 803,571,428 | 4.43 |
| II. Shares not subject to restrictions on sales | | | | | |
| 1. RMB ordinary shares | 10,219,889,517 | 56.40 | 2,453,448,553 | 12,673,338,070 | 69.94 |
| 2. Foreign listed shares | 4,643,997,308 | 25.63 | – | 4,643,997,308 | 25.63 |
| Total | 14,863,886,825 | 82.03 | 2,453,448,553 | 17,317,335,378 | 95.57 |
| III. Total number of shares | 18,120,892,710 | 100.00 | 14,096 | 18,120,906,806 | 100.00 |

PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any shares during the year ended 31 December 2023.

PRE-EMPTIVE RIGHTS

There is no specific provision under the articles of association of the Company regarding pre-emptive rights, which does not require the Company to offer new shares to existing shareholders in proportion to their existing shareholdings when there is issuance of shares.

AUDIT AND RISK MANAGEMENT COMMITTEE

The Audit and Risk Management Committee of the Company has reviewed the audited consolidated financial statements of the Group for the year ended 31 December 2023.

COMPLIANCE WITH THE MODEL CODE

Having made specific enquiries, all Directors and Supervisors of the Company confirmed that they had complied with the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix C3 to the Rules (the “Listing Rules”) Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) for the year ended 31 December 2023. The code of conduct adopted by the Company regarding securities transactions by the Directors and Supervisors is no less stringent than the Model Code.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Board considers that the Group has complied with the code provisions of the Corporate Governance Code as set out in Part 2 of Appendix C1 to the Listing Rules for the year ended 31 December 2023.

DIVIDENDS

Considering that the Company suffered an operating loss for year of 2023, which does not meet the conditions for profit distribution as required under the Articles of Association of the Company, the Board did not recommend any payment of cash dividend or conversion of capital reserve into share capital or other profit distribution of the Company for the year of 2023. The proposal in relation to the profit distribution plan is still subject to the consideration and approval of the shareholders’ general meeting of the Company.

2024 OUTLOOK

Looking ahead into 2024, with global inflation steadily declining and China’s economic recovery accelerating, the global economy will confront various challenges due to the impacts of tightening monetary policies and geopolitical conflicts. According to the International Monetary Fund’s projection, global economic growth is expected to be 3.1% in 2024.

In 2024, as the fundamentals of China’s economy, which is resilient, promising, dynamic and long-term positive, remain unchanged, China is expected to consolidate and boost the momentum of economic recovery and continuously promote the effective improvement in quality and reasonable expansion in quantity of its economy.

Facing the complex and severe domestic and international situation, the Group will be prepared to respond to various risks and challenges, comprehensively advance high-quality development to ensure sustainable and high-quality safety. It will enhance and improve operational standards, fully strengthen service control, accelerate the implementation of significant strategies, practically facilitate the deepening and improvement of reform and constantly stride forward towards the goal of building the Group into a world-class aviation transportation enterprise.

1. Firmly guarding the safety bottom line and continuously improving safety quality

The Group will coordinate development and safety, establish the concept of “big safety” and utilize the seven safety systems to improve the safety governance capability. We will promote the deep integration of system functions and digital technology with safety production and operation and achieve the comprehensive optimization of safety management procedures; we will conduct strict management on safety officer team and enhance the members’ capabilities on safe duty performance; we will carry out strict management on the qualifications of flight teams and regularly organize performance appraisal in a scientific manner; we will strictly respond to flight safety, adverse weather and other traditional risks and attach great importance to non-traditional safety factors and risks; we will facilitate the digital transformation of safety work and enhance the risk prevention capabilities through technological means. In 2024, the Group will continue to maintain the stable trend of safety operation.

2. Reinforcing core market competitiveness and improving operation

The Group will comprehensively improve the core market competitiveness, solve key constraints and focus on quality and efficiency improvement. We will strengthen the connection and coordination of core hubs and network and vigorously advance complete access to the network; we will facilitate the implementation of the customer management system and develop customer operation capabilities covering all the online and offline touchpoints; we will refine the establishment of product systems and diversify product portfolios for personalized demands; we will deepen the building of ecosystems and expand the cooperation with industrial segments; we will reinforce the core competitiveness in cargo transport and transform the Company towards a provider of logistic services covering the whole value chain. We will boost support to the digital transformation and focus on the development in digital marketing, intelligent logistics and digital operation; we will improve the efficiency of cost management and refined management.

3. Continuously improving the operation quality to create a top service brand

The Group will continue to improve operational efficiency, comprehensively enhance service quality and further advance brand building. We will further promote the integrated operation, optimize the business structure of operation control and improve the appraisal model on the value of management work; we will enhance the aircraft utilization rate, further explore the potential of fuel saving and improve the level of refined operation and management; we will deepen the integration of services with marketing and operation and perfect the closed-loop management mechanism covering the full lifecycle of services and products; we will establish the characteristic brand management system of CSA and continuously build the core hub brand, the “affinity and refinement” service brand and the “Green Flight” responsibility brand.

4. Accelerating the implementation of strategies and continuously expanding the development space

The Group will maintain strategic focus, implement strategic targets on high-quality development and explore and invest in strategic and emerging industries. We will build the Beijing hub with high quality, make every effort to secure the release of time slots at Daxing Airport and improve the transit capability; we will enhance the market control in the Guangdong-Hong Kong-Macao Greater Bay Area and expand the remote coverage of networks; we will further promote the optimization of the five major structures, intensify the lean management of the fleet and facilitate the adjustment of the industrial structure; we will further promote the digital transformation, speed up the construction of IT R&D ecology and platform, establish the route operation management system and realize whole-process resource management and efficient collaboration from scheduling to execution of flight plans.

5. Promoting the deepening and improvement of reform and stimulating impetus and vitality

The Group will deepen and improve reform and vigorously promote the reform of systems and mechanisms. We will continue to improve the modern corporate governance of state-owned enterprises with Chinese characteristics and optimize relevant systems of the board of directors and management; we will improve the market-oriented operation mechanism, promote the tenure system and contractual management to the Group's subsidiaries and facilitate the refined management of total salary and labor costs; we will step up efforts in achieving breakthroughs in significant technological innovation, speed up the transformation of technological achievements and advance the professional integration of businesses; we will establish high-quality supply chain management systems and accelerate the standardization of aircraft maintenance covering all fields such as production operation and engineering technology.

PUBLICATION OF ANNUAL REPORT ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

The 2023 annual report of the Company, which contains consolidated financial statements for the year ended 31 December 2023, with an unmodified auditor's report, and all other information required under Appendix D2 to the Listing Rules will be despatched to the shareholders of the Company and published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.csair.com) in due course.

By order of the Board
China Southern Airlines Company Limited
Chen Wei Hua and Liu Wei
Joint Company Secretaries

Guangzhou, the People's Republic of China
27 March 2024

As at the date of this announcement, the Directors include Ma Xu Lun, Han Wen Sheng and Luo Lai Jun as executive Directors; and Pansy Catilina Chiu King Ho, Gu Hui Zhong, Guo Wei and Cai Hong Ping as independent non-executive Directors.