中国南方航空
CHINA SOUTHERN AIRLINES

H Share Stock Code: 1055 • A Share Stock Code: 600029

2024
Annual Report

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DEFINITIONS

Unless the context otherwise requires, the following terms should have the following meanings in this report:

Company, CSA, China Southern Airlines	China Southern Airlines Company Limited
Group	China Southern Airlines Company Limited and its controlling subsidiaries
CSAH	China Southern Air Holding Company Limited
Xiamen Airlines	Xiamen Airlines Company Limited
Guizhou Airlines	Guizhou Airlines Company Limited
Zhuhai Airlines	Zhuhai Airlines Company Limited
Shantou Airlines	Shantou Airlines Company Limited
Chongqing Airlines	Chongqing Airlines Company Limited
Henan Airlines	China Southern Airlines Henan Airlines Company Limited
Hebei Airlines	Hebei Airlines Company Limited
Jiangxi Airlines	Jiangxi Airlines Company Limited
Finance Company	China Southern Airlines Group Finance Company Limited
CSA Logistics	China Southern Air Logistics Company Limited
Cargo Company	China Southern Airlines Cargo Co., Ltd.
CSA Leasing	China Southern Air Leasing Company Limited
Nan Lung	Nan Lung Holding Limited
SACC	Shenzhen Air Catering Co., Ltd.
SACM	Southern Airlines Culture and Media Co., Ltd.
American Airlines	American Airlines, Inc.
PRC	the People's Republic of China
CSRC	China Securities Regulatory Commission
NDRC	National Development and Reform Commission
SASAC	State-owned Assets Supervision and Administration Commission of the State Council
CAAC	Civil Aviation Administration of China

IATA	International Air Transport Association
Beijing Daxing Airport	Beijing Daxing International Airport
SSE	Shanghai Stock Exchange
Stock Exchange	The Stock Exchange of Hong Kong Limited
Articles of Association	Articles of Association of China Southern Airlines Company Limited
Listing Rules	The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
Model Code	The Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
Corporate Governance Code	Corporate Governance Code as set out in Part 2 of Appendix C1 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
SFO	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
Available Seat Kilometres or "ASK"	the number of seats made available for sale multiplied by the kilometres flown
Available Tonne Kilometres or "ATK"	the tonnes of capacity available for the transportation multiplied by the kilometres flown
Available Tonne Kilometres – passenger	the tonnes of capacity available for passenger multiplied by the kilometres flown
Available Tonne Kilometres – cargo	the tonnes of capacity available for cargo and mails multiplied by the kilometres flown
Revenue Passenger Kilometres or "RPK"	i.e. passenger traffic volume, the number of passengers carried multiplied by the kilometres flown
Revenue Tonne Kilometres or "RTK"	i.e. total traffic volume, the load (passenger and cargo) in tonnes multiplied by the kilometres flown
Revenue Tonne Kilometres – cargo or "RFTK"	i.e. cargo and mail traffic volume, the load for cargo and mail in tonnes multiplied by the kilometres flown
Revenue Tonne Kilometres – passenger	the load for passenger in tonnes multiplied by the kilometres flown
Aircraft Utilisation Rate	Flight hours that aircraft can serve during specified time
Passenger Load Factor	RPK expressed as a percentage of ASK
Overall Load Factor	RTK expressed as a percentage of ATK
Yield per RPK	revenue from passenger operations divided by RPK
Yield per RTK	revenue divided by RTK
Yield per RFTK	revenue from cargo and mail operations divided by RFTK

CORPORATE PROFILE

The Group is the biggest airline in China with the most developed route network and the largest annual passenger traffic.

The Group is the airline with the most developed route network, and the largest passenger traffic in China. By the end of the reporting period, the Group operated a fleet of 917 passenger and cargo transport aircraft including Boeing 787, 777 and 737 series, Airbus 350, 330 and 320 series, and COMAC C919 and C909, formed a developed route network covering China, and the rest of Asia, and effectively connecting Europe, America, Australia and Africa, and had 22 branches, 9 controlling civil aviation subsidiaries, 5 bases, 22 domestic offices and 52 overseas offices across the world. In January 2024, the Company was honoured with the highest award for flight safety in civil aviation in China, "Flight Safety Diamond 3-Star Award".

In recent years, by focusing on the construction of route network structure with hubs as the core, strategic markets as the key and market development as support, the Company has striven to build hubs in Guangzhou, Beijing and Urumqi, thereby gradually developing a network-based airline. In 2024, the Company continued to deeply cultivate in the Guangdong-Hong Kong-Macao Greater Bay Area. At the same time, the Company insisted to build Beijing hub with high quality, which is the largest main base company.

CORPORATE INFORMATION

Chinese Name:	中國南方航空股份有限公司
Chinese Short Name:	南方航空
English Name:	China Southern Airlines Company Limited
English Short Name:	CSN
Legal Representative:	Ma Xu Lun
Registered Address:	Unit 301, 3/F, Office Tower Guanhao Science Park Phase I, 12 Yuyan Street, Huangpu District, Guangzhou, Guangdong Province, PRC
Address:	China Southern Air Building, 68 Qixin Road, Baiyun District, Guangzhou, Guangdong Province, PRC
Place of Business in Hong Kong:	Unit B1, 9th Floor, United Centre, 95 Queensway, Hong Kong
Website of the Company:	www.csair.com
Telephone:	+86-20-86112480
Fax:	+86-20-86659040
E-mail:	ir@csair.com
Sina Weibo:	http://weibo.com/csair
Service Hotline	+86 95539
Mobile APP:	China Southern Airlines
WeChat Mini Program:	China Southern Airlines
WeChat Official Account:	China Southern Airlines
WeChat QR Code:	
WeChat ID:	CS95539
Place of Listing of A Shares:	SSE

CORPORATE INFORMATION

Short Name of A Shares:	南方航空
Stock Code of A Shares:	600029
A Share Registrar:	China Securities Depository and Clearing Corporation Limited Shanghai Branch 188 South Yanggao Road, Pudong New Area, Shanghai
Place of Listing of H Shares:	The Stock Exchange
Short Name of H Shares:	CHINA SOUTH AIR
Stock Code of H Shares:	01055
H Share Registrar:	Computershare Hong Kong Investor Services Limited Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong
Domestic Legal Adviser:	Beijing Dentons Law Offices, LLP (Guangzhou)
Overseas Legal Adviser:	Jingtian & Gongcheng LLP
Domestic Auditors:	KPMG Huazhen LLP
Overseas Auditors:	KPMG (Registered PIE Auditor under the Accounting and Financial Reporting Council Ordinance)
Controlling Shareholder:	China Southern Air Holding Company Limited
Principal Bankers:	The Export-Import Bank of China Industrial and Commercial Bank of China China Construction Bank China Development Bank Agricultural Bank of China
Designated Website for Information Disclosure (H Shares):	www.hkexnews.hk
Place Where Annual Report is Made Available for Inspection:	The Board Office of China Southern Airlines Company Limited China Southern Air Building, 68 Qixin Road, Baiyun District, Guangzhou, Guangdong Province, PRC

As at 26 March 2025	**Directors**	**Supervisors**
	Ma Xu Lun Han Wen Sheng Pansy Catilina Chiu King Ho Guo Wei Zhang Jun Sheng	Ren Ji Dong Wei Zhen Xing Yang Bin
Secretary to the Board:	Chen Wei Hua	
Joint Company Secretaries:	Chen Wei Hua Liu Wei	
Securities Affairs Representative:	Xu Yang	
Authorised Representatives under the Listing Rules:	Ma Xu Lun Chen Wei Hua	

PRINCIPAL ACCOUNTING INFORMATION AND FINANCIAL INDICATORS

I. PRINCIPAL ACCOUNTING INFORMATION AND FINANCIAL INDICATORS OF THE GROUP AS AT THE END OF THE REPORTING PERIOD

(I) Principal Accounting Information

Unit: RMB million

	2024	2023	Increase/ (decrease) %
Operating revenue	**174,224**	159,929	8.94
Net loss attributable to equity shareholders of the Company	**(1,769)**	(4,140)	(57.27)

	As of 31 December		
	2024	2023	Increase/ (decrease) %
Equity attributable to equity shareholders of the Company	**34,943**	37,071	(5.74)
Total assets	**329,979**	309,596	6.58

(II) Principal Financial Indicators

	2024	2023	Increase/ (decrease) %
Basic loss per share (RMB/share)	**(0.10)**	(0.23)	(56.52)
Diluted loss per share (RMB/share)	**(0.10)**	(0.23)	(56.52)

II. SUMMARY OF OPERATING DATA

	For the year ended 31 December 2024	2023	Increase/ (decrease) (%)
Traffic			
Revenue passenger kilometres (RPK) (million)			
Domestic	**231,264.49**	207,816.73	11.28
Hong Kong, Macau and Taiwan	**2,539.48**	1,809.23	40.36
International	**72,161.96**	37,321.27	93.35
Total:	**305,965.93**	246,947.23	23.90
Revenue tonne kilometres (RTK) (million)			
Domestic	**21,878.49**	19,654.63	11.31
Hong Kong, Macau and Taiwan	**251.43**	183.60	36.95
International	**14,077.87**	9,952.88	41.45
Total:	**36,207.79**	29,791.11	21.54
RTK – passenger (million)			
Domestic	**20,237.75**	18,229.18	11.02
Hong Kong, Macau and Taiwan	**222.02**	157.48	40.99
International	**6,333.06**	3,277.65	93.22
Total:	**26,792.84**	21,664.31	23.67
RTK – cargo (million)			
Domestic	**1,640.74**	1,425.45	15.10
Hong Kong, Macau and Taiwan	**29.41**	26.12	12.60
International	**7,744.80**	6,675.24	16.02
Total:	**9,414.96**	8,126.80	15.85

PRINCIPAL ACCOUNTING INFORMATION AND FINANCIAL INDICATORS

	For the year ended 31 December 2024	2023	Increase/ (decrease) (%)
Passengers carried (thousand)			
Domestic	**145,171.02**	131,571.96	10.34
Hong Kong, Macau and Taiwan	**1,911.60**	1,535.76	24.47
International	**17,649.44**	9,093.37	94.09
Total:	**164,732.05**	142,201.09	15.84
Cargo and mail carried (thousand tonnes)			
Domestic	**945.93**	840.80	12.50
Hong Kong, Macau and Taiwan	**26.86**	23.03	16.61
International	**861.12**	721.09	19.42
Total:	**1,833.91**	1,584.92	15.71
Capacity			
Available seat kilometres (ASK) (million)			
Domestic	**272,957.34**	266,515.67	2.42
Hong Kong, Macau and Taiwan	**3,254.27**	2,441.55	33.29
International	**86,397.43**	47,260.23	82.81
Total:	**362,609.04**	316,217.46	14.67
Available tonne kilometres (ATK) (million)			
Domestic	**30,646.01**	30,348.36	0.98
Hong Kong, Macau and Taiwan	**378.79**	316.95	19.51
International	**19,821.71**	14,233.28	39.26
Total:	**50,846.51**	44,898.59	13.25

	For the year ended 31 December 2024	2023	Increase/ (decrease) (%)
Available tonne kilometres (ATK) – passenger (million)			
Domestic	**24,566.16**	23,986.41	2.42
Hong Kong, Macau and Taiwan	**292.88**	219.74	33.29
International	**7,775.77**	4,253.42	82.81
Total:	**32,634.81**	28,459.57	14.67
Available tonne kilometres (ATK) – cargo (million)			
Domestic	**6,079.85**	6,361.95	(4.43)
Hong Kong, Macau and Taiwan	**85.91**	97.21	(11.63)
International	**12,045.94**	9,979.86	20.70
Total:	**18,211.70**	16,439.02	10.78

	For the year ended 31 December 2024	2023	Increase/ (decrease) percentage point
Load Factor			
Passenger load factor (RPK/ASK) (%)			
Domestic	**84.73**	77.98	6.75
Hong Kong, Macau and Taiwan	**78.04**	74.10	3.93
International	**83.52**	78.97	4.55
Average:	**84.38**	78.09	6.28
Overall load factor (RTK/ATK) (%)			
Domestic	**71.39**	64.76	6.63
Hong Kong, Macau and Taiwan	**66.38**	57.93	8.45
International	**71.02**	69.93	1.10
Average:	**71.21**	66.35	4.86

PRINCIPAL ACCOUNTING INFORMATION AND FINANCIAL INDICATORS

	For the year ended 31 December 2024	2023	Increase/ (decrease) (%)
Yield			
Yield per RPK (RMB)			
Domestic	**0.48**	0.54	(11.11)
Hong Kong, Macau and Taiwan	**0.73**	0.89	(17.98)
International	**0.46**	0.58	(20.69)
Average:	**0.48**	0.55	(12.73)
Yield per RFTK (RMB)			
Domestic	**0.88**	1.06	(16.98)
Hong Kong, Macau and Taiwan	**7.58**	6.31	20.13
International	**2.20**	2.04	7.84
Average:	**1.99**	1.88	5.85
Yield per RTK (RMB)			
Domestic	**5.17**	5.82	(11.17)
Hong Kong, Macau and Taiwan	**8.26**	9.66	(14.49)
International	**3.55**	3.54	0.28
Average:	**4.56**	5.08	(10.24)
Cost			
Main business cost per ATK (RMB)	**3.07**	3.20	(4.06)
Flight Volume			
Kilometres flown (million)	**1,991.76**	1,772.78	12.35
Hours flown (thousand)			
Domestic	**2,524.86**	2,465.30	2.42
Hong Kong, Macau and Taiwan	**28.49**	20.52	38.82
International	**594.17**	356.29	66.77
Total:	**3,147.52**	2,842.11	10.75
Number of flights (thousand)			
Domestic	**1,007.30**	1,000.31	0.70
Hong Kong, Macau and Taiwan	**12.78**	10.42	22.68
International	**115.02**	65.22	76.35
Total:	**1,135.10**	1,075.95	5.50

Note:

Operating data is rounded to two decimal places. Discrepancies between the column sum and the total sum or between the increase/decrease and the total sum are due to rounding of percentage numbers.

III. SUMMARY OF FLEET DATA

As at 31 December 2024, the scale and structure of fleet and the delivery and disposal of aircraft of the Group were as follows:

Unit: number of aircraft

Aircraft Models	Number of aircraft purchased	Number of aircraft under finance lease	Number of aircraft under operating lease	Delivery during the reporting period	Disposal during the reporting period	**Total number of aircraft at the end of the reporting period**
Passenger Aircraft						
A350 Series	6	14	0	0	0	**20**
A330 Series	8	17	3	0	8	**28**
A320 Series	150	76	141	26	19	**367**
B787 Series	12	18	10	1	0	**40**
B777 Series	5	10	0	0	0	**15**
B737 Series	146	65	176	17	16	**387**
EMB190	1	0	0	0	5	**1**
C919	0	3	0	3	0	**3**
C909	7	31	0	9	0	**38**
Freighter						
B777 Series	10	7	0	0	0	**17**
B737 Series	0	0	1	1	0	**1**
Total	345	241	331	57	48	**917**

Note: As at 31 December 2024, the aggregate net book value of the aircraft and engines of the Group was RMB201,499 million.


南方航空
787
CHINA SOUTHERN

Love It
Share It

HIGHLIGHTS OF THE YEAR

JANUARY

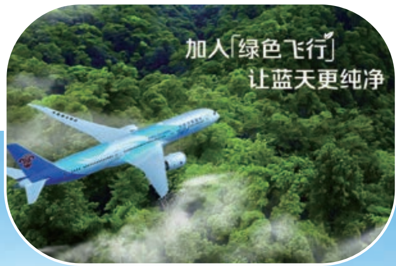
China Southern Airlines officially launched a dedicated pet travel service area at Guangzhou hub, catering to the personalized needs of passengers traveling with their pets on the same flight.

FEBRUARY

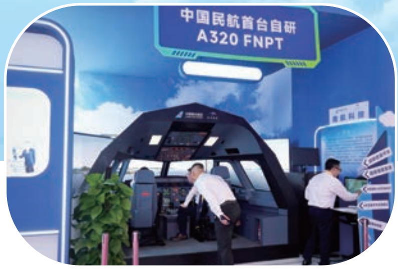
China Southern Airlines adopted multiple measures to upgrade its logistics services, ensuring the safe and efficient delivery of various goods for the Spring Festival to thousands of families.

MARCH

China Southern Airlines led the drafting of the "Domestic Departure Passenger Flights Non-degradable Disposable Plastic Products Replacement Code", which is the first group standard of plastic restriction of China's civil aviation industry.



APRIL



The Civil Aviation Four-Chain Integration And Innovation Development Conference, hosted by the China Air Transport Association and China Southern Airlines, was held in Zhuhai, Guangdong. At the conference, China Southern Airlines unveiled a high-grade simulator with Chinese characteristics.

MAY

China Southern Airlines launched a flight route from Shenzhen to Mexico City, marking the first direct passenger route from China to Latin America.

JUNE

The 2024 Guangzhou International Air Hub High-quality Development Conference, hosted by China Southern Airlines, was successfully held in Guangzhou.

JULY

China Southern Airlines announced a full transition to Urumqi Airport Terminal 4 by 2025, accelerating the development of Urumqi international aviation hub.

AUGUST

On 29 August, the first C919 aircraft of China Southern Airlines landed smoothly at Guangzhou Baiyun International Airport. On 19 September, the first C919 aircraft of China Southern Airlines successfully completed its inaugural flight.

SEPTEMBER

On 19 September, the first commercial flight of China Southern Airlines using sustainable aviation fuel (SAF) as part of a pilot program departed smoothly from Beijing Daxing International Airport, ushering in a new chapter of green development for China Southern Airlines.

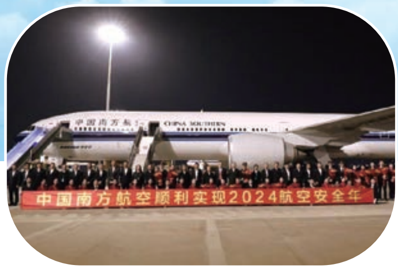
OCTOBER

China Southern Airlines shortened the check-in cut-off time for all domestic flights “China Southern Air Shuttle” departing from Guangzhou from 40 minutes before the scheduled departure time to 30 minutes, signifying that China Southern Airlines was the first to implement this service measure at a hub airport with tens of millions of passengers annually.

NOVEMBER

China Southern Airlines has been awarded the “Best Practice Case of the Board of Directors” by the China Association for Public Companies for two consecutive years.

DECEMBER



China Southern Airlines flight CZ3100 from Beijing Daxing to Guangzhou landed smoothly at Guangzhou Baiyun International Airport, marking the successful completion of China Southern Airlines’ 2024 safe flight year.

Love It

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B-20EH
DREAMLINER
南航物流

MANAGEMENT DISCUSSION AND ANALYSIS

I. BUSINESS REVIEW

(I) Discussion and Analysis of Operations

2024 Business Overview

In 2024, the global economy continued to recover, with an overall rise in trade demand. According to the report of World Economic Outlook published by International Monetary Fund (IMF), the global economic growth rate in 2024 was 3.2%. China's economy achieved an overall stable operation with steady progress, and high-quality development was advancing solidly, with an annual GDP of RMB134.9 trillion, representing a year-on-year increase of 5.0%.

Ma Xu Lun

Chairman

Seven-Time Consecutive Winner
Civil Aviation Passenger Service Evaluation
(CAPSE) "Best Airline of the Year"

Safe Flight
3.148
Million Hours

The First Brand in
Aviation Service Industry in China Brand Power Index
for fourteen consecutive years

Cargo and Mail Transportation Volume
1.83
Million Tonnes

The Top Award for Flight Safety from the CAAC
"Three-Star Diamond Award for Flight Safety"

Passenger Transportation Volume
165
Million Passengers

In 2024, the scale of the transportation and production of China's civil aviation industry continued to grow, with the total annual transportation turnover volume, annual passenger transportation volume and annual cargo and mail transportation volume amounting to 148.52 billion tonne kilometres, 730 million passengers and 8.982 million tonnes, representing a year-on-year increase of 25.0%, 17.9% and 22.1%, respectively. The Group comprehensively coordinated its safety production and operation and actively promoted the implementation of major strategies and key reform tasks. During the reporting period, the Group recorded 3.148 million safe flight hours and carried 165 million passengers and 1.83 million tonnes of cargo and mail. The Group was awarded the "Three-Star Diamond Award for Flight Safety", the top award for flight safety from the CAAC, and has been honoured as the "Best Airline of the Year" by Civil Aviation Passenger Service Evaluation (CAPSE) for seven consecutive years and as the First Brand in Aviation Service Industry in China Brand Power Index for fourteen consecutive years.

1 Safety Management

During the reporting period, the Group launched a three-year initiative to address the root causes of production safety issues, continuously improving safety and quality. We implemented a comprehensive examination of the seven safety systems, standardised the operating procedures for flight crews, promoted the standardisation of aircraft maintenance, and established an operation guarantee system for domestic aircraft; comprehensively promoted the refresher training mechanism for random grouping and route cross-checking of the flight system; promoted the coordination between the dual prevention mechanism and routine work, developed a special program for the management and control of the runway incursion risks and the compliance risks during the rest period for aircrew, as well as a special program for the systematic response to extreme weather, and carried out special remediation and supervision and inspection of major production safety hazards in a deep-going way. During the reporting period, the Group achieved 3.148 million hours of safe flight, maintaining its leading position in China's civil aviation industry in safety on an ongoing basis.

2 Operation Management

During the reporting period, the Group focused on enhancing the core market competitiveness to facilitate quality and efficiency improvement in operation with all-out efforts. We implemented the strategies of "two matching and two enhancing (i.e. matching capacity with the market, matching volume with rates, enhancing seat control, and enhancing customer base) and maximising the total marginal contribution" to seize opportunities for market recovery; deepened the construction of the customer management system, strengthened the operation of customer segmentation and classification, and adopted various measures to enhance the effect of reach and conversion; deepened the construction of the cost management responsibility system and optimised the management mechanism of strategic, structural and open-source costs; steadily improved the operation capacity of freighter, tabbed into emerging markets such as the Middle East and Central and Eastern Europe, enhanced cooperation with leading express enterprises in China, and was the first enterprise in China to realise the normalised transportation of battery-powered cargo of cross-border e-commerce. During the reporting period, the Company's passenger transportation volume recorded a year-on-year increase of 15.8%, and the cargo and mail transportation volume recorded a year-on-year increase of 15.7%.

3 Operation Service

During the reporting period, the Group overcame the challenges of frequent incidences of severe weather and steadily improved its operation quality, with the continuous improvement of the service brand. We deepened the construction of the mega operation system, optimised the AOC management system and operation decision-making process, and strictly controlled the temporary cancellation of flights; successfully completed the transfer flights, proving flights and commercial operation of domestically produced COMAC C919 aircraft; comprehensively enhanced its "humanized, digitalised, refined, personalised, and convenient" services, built a one-stop full-process service platform, implemented flexible ticket refund and changing rules, adjusted downward 127 charges, optimised the carriage standards for passengers with special needs, optimised the allocation of catering resources, and enhanced the efficiency of guarantee for transportation of transit passengers and baggage. During the reporting period, the Company has been honoured as the "Best Airline of the Year" by CAPSE for seven consecutive years and as the First Brand in Aviation Service Industry in China Brand Power Index for fourteen consecutive years.

4 Implementation of Strategies

During the reporting period, the Group actively served national strategies and continuously explored room for development. We further promoted the adjustment and optimisation of the five major structures, promoted the transformation and optimisation of passenger cabins of narrow-body aircraft, and vigorously revitalised our existing real estate; established a platform of "jointly building Guangzhou hub" with seven parties including the Guangzhou Municipal Government and promoted the integration of the four aspects of the Greater Bay Area, namely, market, network, products and services. We were dedicated to improving the quality of the Beijing hub, with the number of domestic high-frequency routes increased; efficiently promoted the strategic synergies among airline subsidiaries, and significantly increased the number of associated flight segments; constructed an ecosystem traffic entrance with the CSA Mall as the core, steadily progressed the digital transformation, and obtained the Data Security Maturity Level 3 certificate.

5 Reform and Development

During the reporting period, the Group further fulfilled reform tasks to constantly enhance the momentum and vitality. We formulated incentives for technological innovation and the development of strategic and emerging industries, set up major scientific and technological breakthrough projects, and popularised the application of the "Tian Tong (天瞳)" aircraft health monitoring system and the "Tian Ji (天極)" operation control system; deepened the reform of corporate governance on an ongoing basis, optimised the institutional system of decision-making meetings, and promoted the reform of the supervisory committees of our subsidiaries; promoted the expansion of the tenure system and contractual management, and constructed a mechanism for determining the total amount of remuneration based on "coordinated business performance, regulatory efficiency and managed level"; put 29 business platforms into operation, and built a private cloud platform and computing power centre. During the reporting period, the Company was awarded the "Best Practice of the Board of Directors" by China Association for Public Companies.

6 Social Responsibility

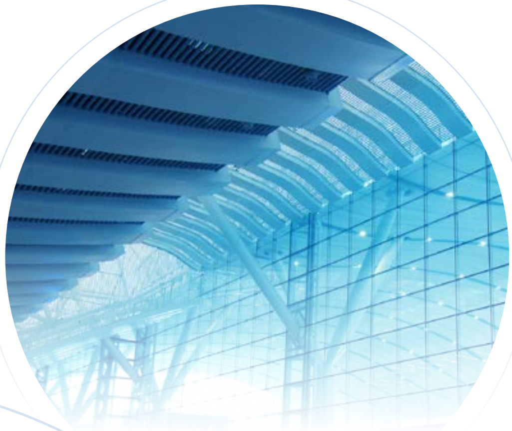
During the reporting period, the Group proactively fulfilled its social responsibilities and promoted sustainable development and rural revitalisation assistance. We took the lead in compiling the first plastic-restricted group standard for civil aviation in China, carried out a pilot project on the application of sustainable aviation fuels, explored the green and cyclic utilisation of aviation materials, received an AA rating from China Reform ESG Rating for its efforts made in sustainable development, and was awarded the "Sky Choice • Travel Awards 2024 – Corporate Sustainability Brand of the Year" by CAAC; promoted the seven assistance models with the characteristics of CSA, set up an assistance industrial park, and made great efforts to promote investment attraction. During the reporting period, the fuel consumption per tonne kilometre of the Company was reduced to 2.572 tonnes/10,000-tonne-kilometres.

(II) Industrial Position of the Company

1. Information of Development of International and Domestic Aviation Industry

(1) Development of International Aviation Industry

According to IATA, in 2024, the global air passenger traffic in terms of RPK increased by 10.4% year on year. In particular, the international air passenger transport increased by 13.6% year on year, setting a new historical record, and the international passenger transport of airlines in the Asia-Pacific region increased by 26.0% year on year, the strongest increase among all regions; the global domestic air passenger transport increased by 5.7% year on year, with both domestic passenger volume and load factors reaching historical highs, showcasing strong performance in China's domestic passenger transport.



Han Wen Sheng

Vice chairman and president

According to IATA, the global air cargo demand rise by 11.3% year on year in 2024, surpassing the records set in 2021, with airlines achieving a new historical peak in cargo volume.

Furthermore, IATA expects that the total revenue of global airlines would be USD965 billion in 2024, representing a year-on-year growth of 6.2%, and the airline industry record a net profit of USD31.5 billion.

(2) Development of China Aviation Industry

According to the data released by CAAC:

In 2024, China's total civil aviation industry achieved a total traffic volume of 148.52 billion tonne-kilometres, a passenger traffic volume of 730 million and a cargo and mail transportation volume of 8.982 million tonnes, representing a year-on-year increase of 25%, 17.9% and 22.1%, respectively. In 2024, China's civil aviation invested more than RMB135 billion in fixed assets, exceeding RMB100 billion for five consecutive years; the total number of transportation airports reached 263, with a total capacity of 1.5 billion passengers. CAAC released the "Action Outline for New Era New Journey on Building a Strong Transportation Nation and Writing a New Chapter for Civil Aviation (《新時代新征程譜寫交通強國建設民航新篇章行動綱要》)" and the "Guiding Opinions on Promoting the Construction of International Aviation Hubs". The C919 aircraft has transported over one million passengers.

2. Features of Aviation Industry

(1) The development level of civil aviation industry is an important display of the comprehensive national strength

The civil aviation industry is an important strategic industry of the national economy. On one hand, its development level reflects the modernisation level, economy structure, openness level and other conditions of a country or a region. On the other hand, it is an important indicator to measure the national or regional economic competitiveness.

(2) Civil aviation industry is featured with commonality

Civil aviation industry plays a role that other transport methods cannot replace in promotion of international communication, providing service for public travel, emergency rescue and disaster relief, and many other social and public services. Aviation passenger transport is the basis for the development of the tourism industry and a safeguard for international political, economic and cultural communications. Aviation transport is routinely used for international transoceanic passenger transport. Aviation cargo transport is a must for the development of trade, logistics, high-tech and many other industries and the basis for the development of courier and postal industry.

(3) Civil aviation industry is featured with high degree of technology content

Civil aviation industry is featured with high degree of technology content, long industry chains and advanced technology-integration. The development of the civil aviation industry provides vast room for the technological innovation of related fields. Especially, the upstream aviation manufacturing industry may drive the development and innovation of material, metallurgy, chemical, mechanical manufacturing, special processing, electronics, information and many other industries. It is a strategic industry and forerunner high-tech industry for a country's economic development and an important symbol of a country's modernization, industrialization, science and technology and comprehensive national strength.

(4) Civil aviation industry is featured with high risks and high investments

On one hand, high risks are reflected in uncertainties in air transport. The unsafe risk sources are very complex and diverse. There are many uncontrollable factors. Once there is any problem, the consequences are unthinkable. On the other hand, high risks are largely affected by political, economic and public health situations. High investments are reflected in that airlines need to make huge investments in fixed assets, including investment in capacity input, infrastructure and technology reconstruction, among which, the cost of purchasing aircraft, flight cost and maintenance cost are huge. Airlines also need to input a huge fund for supporting infrastructure, facility, equipment and technology transformation.

3. Industrial Position

The Group is the airline with the most developed route network, and the largest passenger traffic in China. By the end of the reporting period, the Group operated a fleet of 917 passenger and cargo transport aircraft including Boeing 787, 777 and 737 series, Airbus 350, 330 and 320 series, and COMAC C919 and C909, formed a developed route network covering China, and the rest of Asia, and effectively connecting Europe, America, Australia and Africa, and had 22 branches, 9 controlling civil aviation subsidiaries, 5 bases, 22 domestic offices and 52 overseas offices across the world. In January 2024, the Company was honoured with the highest award for flight safety in civil aviation in China, "Flight Safety Diamond 3-Star Award".

In recent years, by focusing on the construction of route network structure with hubs as the core, strategic markets as the key and market development as support, the Company has striven to build hubs in Guangzhou, Beijing and Urumqi, thereby gradually developing a network-based airline. In 2024, the Company continued to deeply cultivate in the Guangdong-Hong Kong-Macao Greater Bay Area. At the same time, the Company insisted to build Beijing hub with high quality, which is the largest main base company.

(III) The Business of the Company

1. Principal Business

The scope of business of the Company covers: provision of scheduled and non-scheduled domestic, regional and international air transportation services for passengers, cargo, mail and luggage; provision of aircraft repair and maintenance services; acting as agent for other domestic and international airlines; provision of air catering services (operated by branch office only); provision of airline ground services; civil aircraft training (operated by branch office with proper licence); asset leasing; project management and technical consultancy; sales of aviation equipment; travel agency business services; merchandise retail and wholesale; health and medical examination services; Internet sales (except for sale of commodities subject to licensing); insurance and insurance agency business; domestic trade agents; professional design services; Type 1 value-added telecommunication services; Type 2 value-added telecommunication services; advertisement preparation; advertisement publication; advertisement design and agency; Internet data service; Internet information service; information system integration service; IoT technical services; social and economic consulting services; information technology consulting services; information consulting services (except information consulting services subject to licensing). (For all projects subject to approval in accordance with laws, the business activities can only be carried out after obtaining approval from relevant authorities in accordance with the laws.)

2. Operating Model

With building a world-class enterprise as the goal, the Company has determined the overarching approach for quality development featuring “adhering to five concepts of development, implementing five strategies, promoting six campaigns and achieving six transformations”, and the development vision of “14th Five-Year Plan”, which closely focuses on the “building a world-class air transportation enterprise with global competitiveness”. It is clear that by 2025, a synergistic development pattern will be initially established with the main industry of air transportation as the core and the supporting industries as the backbone. The Company has developed an implementation plan for accelerating the construction of a world-class enterprise, launched a special operation entitles “mending shortcomings, improving quality and creating a First-class enterprise”, and clarified the objectives and measures for building a world-class enterprise.

The Company adheres to the “five development” concepts of safety, high quality, innovation, cooperation and sharing; focuses on the “five strategies” in relation to hub network, ecosystem, innovation-driven, lean management and control, and brand management; carries out “six campaigns” on launching a special operation entitles “mending shortcomings, improving quality and creating a First-class enterprise”, accelerating the construction of Beijing Daxing Hub, implementing reforms to deepen and enhance the action, pushing forward the digital transformation with all-out efforts, pushing forward the adjustment and optimisation of the five major structures, and comprehensively creating services that are “optimised in five aspects”; and strives for “six transformations” from speed-oriented to quality-oriented, from comprehensive market expansion to exploring key areas, from a relatively single industry to high relevance and diversified industries, from planning management and control to market operation, from the traditional business model to digitalisation and ecological circle, and from extensive management to refined management.

(IV) Analysis on the Core Competitiveness

With building a world-class enterprise as the goal, the Company has determined the overarching approach for quality development featuring “adhering to five concepts of development, implementing five strategies, promoting six campaigns and achieving six transformations”, and accelerated the building of a world-class air transportation enterprise with global competitiveness. The Company’s five core competitive strengths have begun to take shape, including its powerful and well-rounded scale and network advantages, its network development pattern with Guangzhou-Beijing as its dual core hubs, its resource synergy capabilities combined with integrated operation and matrix management, its influential, high quality brand service and comprehensive leading information technology standards.

1. Powerful and well-rounded scale and network advantages. The Group operated a fleet of over 900 transport aircraft, including the B787, 777 and 737 series, the A350, 330 and 320 series, and the C919 and C909 aircraft. The Group has a dense network by forming a developed route network covering China, and the rest of Asia, and effectively connecting Europe, America, Australia and Africa. With the largest volume of passenger traffic and the most frequent flyer scale, the Company is the first airline in China with its amount of passenger traffic exceeding 100 million. At present, the Company has over 20 branches in Xinjiang, Beijing, Shenzhen, northern cities of China and other cities and 9 civil aviation subsidiaries, including Xiamen Airlines, and has set up multiple regional bases, domestic offices and overseas offices in all continents. The Company has formed a comprehensive sales network with branches, holding subsidiaries, regional marketing centres and offices.

2. Constantly enhanced the network strategy with Guangzhou and Beijing as core hubs. By focusing on the construction of developed route wide and accessible network with hubs as the core, strategic markets as the key and market development as support, CSA has provided sustainable, safe and convenient travel options for your freight and passenger customers, and has striven to build two comprehensive international hubs in Guangzhou and Beijing to achieve two-wheel drive, thereby establishing a new profit model and development mode, and gradually develop a large-scale network-based airline. CSA deeply cultivated in the Guangdong-Hong Kong-Macao Greater Bay Area, endeavored to build the Guangzhou hub into a model of an international aviation hub co-constructed with provinces and cities. Presently, CSA has expedited the restoration of the domestic and international route network of the Guangzhou Hub, making positive contribution to the construction of a world-class city cluster and international technology innovation centre for Guangdong-Hong Kong-Macao Greater Bay Area and the construction of "Belt and Road Initiative". At the same time, CSA insisted to build Beijing hub with high quality. As the largest main base company of Beijing Daxing Airport, CSA fully grasped the new opportunities for development of the industry, the Company's efforts to accelerate the construction of the Beijing Daxing hub, and continued to do a good job in the domestic and international network planning and layout.

3. Constantly improved control and resources interoperability of integrated operation. With its scale of having multiple bases, hubs, and models, the Company has formed an initial control pattern of "headquarters for overall management, branches and subsidiaries, regional marketing centre, offices for execution, matrix unit for construction", enabled more concentrated core resource, powerful coordinated command and timely dynamic responses, so as to enhance efficiency of resources distribution. CSA has strengthened the platform construction and consolidated the support system through a sound management mechanism, and basically formed an integrated operation management framework of "centralised management and control, efficient decision-making, smooth communication, and coordinated system", which has significantly improved flight operation efficiency. CSA continued to formulate the strategy to improve flight regularity from the customer's perspective and optimise the flight capacity adjustment process. CSA continued to deepen its marketing reforms, strengthened capacity matching with the market, and enhanced marketing service quality management and the construction of customer management system, so as to continuously optimise its marketing management and control layout.

4. Striving for the world's first-class brand service. CSA has always taken high-quality safety, services, products, technology, operations, etc. as an important support for the brand, to create the "Guangzhou-Beijing" core hub brand, "affinity and refinement" service brand, "green flight" responsibility brand, and continuously improved service quality, committed to building an international first-class service brand. Its brand influence has continued to increase at home and abroad. With the path of providing "humanised, digitalised, refined, personalised and convenient" air travel quality service, CSA realised "people enjoying traveling, goods delivered smoothly". The flight on-time performance rate of the Company consistently ranked among the top in the country, and the dispatch reliability of its entire fleet consistently ranked among the top in the world. CSA comprehensively performed political and social responsibilities including revitalising rural areas and energy conservation and emission reduction, which strongly demonstrated the positive images of "Sunshine CSA" and "responsible state-owned enterprise".

5. All-rounded leading position of information system. CSA has always adhered to innovative development, with the main focus on promoting the deep integration of digital technology and production and operation. It focuses on the digital construction of five major business areas, namely, core business, industrial sectors, management functions, frontline collaboration, and business decision-making, and constructs a new model of digital operation and management with ubiquitous perception, precise insight, intelligent collaboration, and agile response. Based on the new-generation IT architecture of "cloud platform & dual middle-platform", CSA continued to optimise its information systems in the areas of passenger marketing, operation control, ground services, aviation safety, cargo transport, corporate management and public platforms, which greatly improved operational efficiency, safety quality and service standards. The digitalisation construction focusing on digitalised customer, digitalised employee, digitalised process and digitalised company proceeded steadily. The Group comprehensively promoted the implementation of the "ecosphere strategy", preliminarily set up the operation model of ecosystem-based platforms, and continuously perfected the establishment of supply chains. CSA provided fast travel and ecosystem-based products tailored to the needs of passengers and cargo customers, and continued to build China Southern e-Travel, realising the full coverage of the "a hassle-free journey with one mobile device" function, and leading the industry in key indicators such as the number of social media fans, cumulative downloads and monthly active users.

(V) Safety Assurance Input

During the reporting period, under the guidance of Xi Jinping's Thought on Socialism with Chinese Characteristics for a New Era, the Group earnestly implemented the important instructions of President Xi Jinping on civil aviation safety, adhered to the overall strategy of safety management of "focusing on the long-term, focusing on implementation, and preventing risks", implemented the overarching approach for high-quality development, was committed to the main working themes of the "technical improvement, teams improvement and risks prevention", solidly took a three-year action to address the root causes of workplace accidents and ensure production safety, firmly grasped the initiative in preventing and mitigating safety risks, and deeply carried out the special rectification for major hidden hazards and supervisory inspections in production safety, ensuring the "two absolute safeties".

Firstly, in terms of "technical improvement", the Company promoted ESOP work for Airbus models; improved mechanisms for crew communication and technical standards management for international flights; strengthened the construction of safe work practices by applying the "four forms of comprehensive strict security", quantitative style assessment and other methods; advanced evidence-based training reforms; implemented random pairing during refresher training and cross-checks on routes; enhanced capabilities to prevent turbulence, falls, and "air rage"; leveraged learning platforms such as CRM training, Flight Lectures and Safety Lectures to conduct specialized seminars and training; and strengthened EBT training process and data application management, and improved scientific training concepts and methods.

Secondly, in terms of "teams improvement", the Company resolutely rectified issues related to flight team management, introduced a series of regulations for standardized management of flight teams; established accountability rules for criminal offenses among safety practitioners to prevent societal risks from infiltrating; developed systems for senior co-pilots and pilots transitioning roles due to grounding, and further implemented the "seedling program"; promoted linkage between flight training and safety quality; improved continuous management procedures for dispatch qualifications; conducted standardized training for flight inspectors and instructors; ensured ongoing training and examination for safety management personnel; and organized activities to create safety stories and collected outstanding cases on safety management, promoting safety culture concepts of China Southern Airlines in the new era.

Thirdly, in terms of "risks prevention", the Company specialized control over six major risks, including "five precautions", runway incursions, major mechanical failures and technical capability; strengthened risk management and control capabilities in non-aviation fields; continuously conducted safety system audits to integrate theory and practice, and use audits for training and enhancing effectiveness; and accelerated digital transformation, promoted the construction of intelligent safety management systems, and increased the development and application of QACVR, cabin AI identification and other means of style visualization.

II. 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 RMB1,769 million was recorded in 2024 as compared to the net loss attributable to equity shareholders of the Company of RMB4,140 million in 2023. The Group's total operating revenue increased by RMB14,295 million or 8.94% from RMB159,929 million in 2023 to RMB174,224 million in 2024. Passenger load factor increased by 6.28 percentage points from 78.09% in 2023 to 84.38% in 2024. Yield per RPK decreased by 12.73% from RMB0.55 in 2023 to RMB0.48 in 2024. Yield per RTK decreased by 10.24% from RMB5.08 in 2023 to RMB4.56 in 2024. Operating expenses increased by RMB12,754 million or 8.02% from RMB159,052 million in 2023 to RMB171,806 million in 2024. Operating profit increased by RMB2,770 million from RMB5,557 million in 2023 to RMB8,327 million in 2024.

III. Operating Revenue

	2024		2023		
	Operating revenue RMB million	**Percentage %**	Operating revenue RMB million	Percentage %	**Changes in revenue %**
Traffic revenue	**165,145**	**94.79**	151,445	94.70	**9.05**
Including: Passenger revenue	**146,450**		136,170		**7.55**
– Domestic	**111,601**		112,946		**(1.19)**
– Hong Kong, Macau and Taiwan	**1,855**		1,608		**15.36**
– International	**32,994**		21,616		**52.64**
Cargo and mail revenue	**18,695**		15,275		**22.39**
Other operating revenue	**9,079**	**5.21**	8,484	5.30	**7.01**
Mainly including:					
Commission income	**3,261**		3,164		**3.07**
Cargo handling income	**992**		820		**20.98**
Hotel and tour operation income	**832**		750		**10.93**
Ground services income	**805**		473		**70.19**
Total operating revenue	**174,224**	**100.00**	159,929	100.00	**8.94**
Less: fuel surcharge income	**(12,987)**		(12,143)		**6.95**
Total operating revenue excluding fuel surcharge	**161,237**		147,786		**9.10**

Substantially all of the Group's operating revenue is attributable to airlines transport operations. Traffic revenue accounted for 94.70% and 94.79% of the total operating revenue in 2023 and 2024, respectively. Passenger revenue and cargo and mail revenue accounted for 88.68% and 11.32%, respectively, of the total traffic revenue in 2024. During the reporting period, the Group's total traffic revenue was RMB165,145 million, representing an increase of RMB13,700 million or 9.05% as compared to the same period last year, mainly because of the increase in passenger transport revenue and freight transport revenue.

The increase in operating revenue was primarily due to the increase in revenue generated from passenger transportation from RMB136,170 million in 2023 to RMB146,450 million in 2024, representing an increase of 7.55%. The total number of passengers carried increased by 15.84% to 164.73 million passengers in 2024. RPKs increased by 23.90% from 246,947 million in 2023 to 305,966 million in 2024, mainly due to the increase in production volume.

Domestic passenger revenue, which accounted for 76.20% of the total passenger revenue in 2024, decreased by 1.19% from RMB112,946 million in 2023 to RMB111,601 million in 2024. Domestic passenger traffic in RPKs increased by 11.28%, while passenger capacity in ASKs increased by 2.42%, resulting in an increase in passenger load factor by 6.75 percentage points from 77.98% in 2023 to 84.73% in 2024. Yield per RPK decreased by 11.11% from RMB0.54 in 2023 to RMB0.48 in 2024.

Hong Kong, Macau and Taiwan passenger revenue, which accounted for 1.27% of total passenger revenue, increased by 15.36% from RMB1,608 million in 2023 to RMB1,855 million in 2024. For Hong Kong, Macau and Taiwan flights, passenger traffic in RPKs increased by 40.36%, while passenger capacity in ASKs increased by 33.29%, resulting in an increase in passenger load factor by 3.93 percentage points from 74.10% in 2023 to 78.04% in 2024. Passenger yield per RPK decreased from RMB0.89 in 2023 to RMB0.73 in 2024.

International passenger revenue, which accounted for 22.53% of total passenger revenue, increased by 52.64% from RMB21,616 million in 2023 to RMB32,994 million in 2024. For international flights, passenger traffic in RPKs increased by 93.35%, while passenger capacity in ASKs increased by 82.81%, resulting in an increase in passenger load factor by 4.55 percentage points from 78.97% in 2023 to 83.52% in 2024. Passenger yield per RPK decreased from RMB0.58 in 2023 to RMB0.46 in 2024.

Cargo and mail revenue, which accounted for 11.32% of the Group's total traffic revenue and 10.73% of total operating revenue, increased by 22.39% from RMB15,275 million in 2023 to RMB18,695 million in 2024, mainly due to the rise in demand for international cargo transportation.

Other operating revenue increased by 7.01% from RMB8,484 million in 2023 to RMB9,079 million in 2024, mainly due to the increase of ground service income.

IV. Operating Expenses

Total operating expenses in 2024 amounted to RMB171,806 million, representing an increase of RMB12,754 million or 8.02% comparing to that of 2023. Total operating expenses as a percentage of total operating revenue decreased from 99.45% in 2023 to 98.61% in 2024.

Operating expenses	2024 RMB million	2024 Percentage (%)	2023 RMB million	2023 Percentage (%)
Flight operation expenses	83,046	48.34	76,799	48.29
Mainly including:				
Jet fuel costs	54,989		52,050	
Aircraft operating lease charges	1,613		1,110	
Flight personnel payroll and welfare	12,542		12,428	
Maintenance expenses	14,853	8.65	14,390	9.05
Aircraft and transportation service expenses	31,006	18.05	26,487	16.65
Promotion and selling expenses	6,831	3.98	6,349	3.99
General and administrative expenses	4,435	2.58	4,150	2.61
Depreciation and amortisation	28,341	16.49	27,165	17.08
Reversal of impairment losses on property, plant and equipment and right-of-use assets	(302)	(0.18)	(123)	(0.08)
Hotel and tour operation expense	827	0.48	656	0.41
External air catering service expense	477	0.28	432	0.27
Financial institution charges	173	0.10	139	0.09
Cargo handling expense	519	0.30	552	0.35
Others	1,600	0.93	2,056	1.29
Total operating expenses	171,806	100.00	159,052	100.00

Flight operation expenses, which accounted for 48.34% of total operating expenses, increased by 8.13% from RMB76,799 million in 2023 to RMB83,046 million in 2024, mainly due to the increase of jet fuel costs as a result of the increased flight volume.

Maintenance expenses, which accounted for 8.65% of total operating expenses, increased by 3.22% from RMB14,390 million in 2023 to RMB14,853 million in 2024, mainly due to the increase in aircraft utilization rate with the recovery of the industry.

Aircraft and transportation service expenses, which accounted for 18.05% of total operating expenses, increased by 17.06% from RMB26,487 million in 2023 to RMB31,006 million in 2024. 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 3.98% of total operating expenses, increased by 7.59% from RMB6,349 million in 2023 to RMB6,831 million in 2024, 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 2.58% of the total operating expenses, increased by 6.87% from RMB4,150 million in 2023 to RMB4,435 million in 2024, mainly due to the increase in general corporate expenses.

Depreciation and amortisation, which accounted for 16.49% of the total operating expenses, increased by 4.33% from RMB27,165 million in 2023 to RMB28,341 million in 2024, 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 RMB302 million was recorded in 2024 (2023: RMB123 million).

V. Operating Profit

Operating profit of RMB8,327 million was recorded in 2024 (2023: operating profit of RMB5,557 million). The increase of the operating profit is mainly due to the increase in production volume.

VI. Other Net Income

Other net income increased by RMB1,229 million from RMB4,680 million in 2023 to RMB5,909 million in 2024, mainly due to the aircraft operation compensation obtained by the Group.

VII. Income Tax

Income tax expense decreased by RMB10 million from RMB1,436 million in 2023 to RMB1,426 million in 2024.

VIII. Liquidity, Financial Resources and Capital Structure

As at 31 December 2024, the Group's net current liabilities amounted to RMB100,639 million. For the year ended 31 December 2024, the Group recorded a net cash inflow from operating activities of RMB25,764 million, a net cash outflow from investing activities of RMB16,728 million and a net cash outflow from financing activities of RMB5,589 million, which in total resulted in a net increase in cash and cash equivalents of RMB3,447 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 2024, the Group has obtained credit facilities of RMB342,109 million in aggregate granted by several banks and other financial institute, among which approximately RMB199,641 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 2024 RMB million	31 December 2023 *RMB million*
Lease liabilities	**92,532**	88,493
Borrowings	**130,824**	116,216
Long-term payables	**91**	289
Fixed rate interest-bearing liabilities	**168,681**	148,417
Floating rate interest-bearing liabilities	**54,766**	56,581

Analysis of interest-bearing liabilities by currency

	31 December 2024 RMB million	31 December 2023 RMB million
USD	**39,542**	43,742
RMB	**182,399**	159,084
Others	**1,506**	2,172
Total	**223,447**	204,998

Maturity analysis of interest-bearing liabilities

	31 December 2024 RMB million	31 December 2023 RMB million (restated)
Within 1 year	**92,416**	90,642
1 year but within 2 years	**49,914**	32,421
2 years but within 5 years	**55,252**	60,938
5 years and afterwards	**25,865**	20,997
Total	**223,447**	204,998

Interest expense and net exchange loss

Interest expense decreased slightly by RMB170 million from RMB5,928 million in 2023 to RMB5,758 million in 2024.

Net exchange loss increased by RMB225 million from RMB687 million in 2023 to RMB912 million in 2024, mainly due to the increased depreciation of the RMB against the US dollar.

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

	31 December 2024 RMB million	31 December 2023 *RMB million*	**Change**
Total liabilities	**277,143**	257,229	7.74%
Total assets	**329,979**	309,596	6.58%
Debt ratio	**83.99%**	83.09%	0.90%

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 the end of 2024 remained stable as compared to that as at the end of 2023.

IX. Major Charge on Assets

As at 31 December 2024, the Group's certain aircraft with an aggregate net book value of approximately RMB2,033 million (31 December 2023: nil) were pledged to secure certain bank loans of the Group.

X. Commitments and Contingencies

Commitments

As at 31 December 2024, the Group had capital commitments (excluding investment commitment) of RMB143,387 million (31 December 2023: RMB112,358 million), of which, RMB128,640 million was related to the acquisition of aircraft, engines and related flight equipment (31 December 2023: RMB102,883 million) and RMB14,747 million was related to other projects of the Group (31 December 2023: RMB9,475 million).

The Group had investment commitments as follows:

	31 December 2024 RMB million	31 December 2023 *RMB million*
Authorised and contracted for:		
Share of capital commitments of a joint venture	**8**	19
Capital contributions for acquisition of interest in an associate	**1,027**	2,431
	1,035	2,450
Authorised but not contracted for:		
Share of capital commitments of a joint venture	**15**	46
	1,050	2,496

Pursuant to the agreements signed by the Group with Commercial Aircraft Corporation of China, Ltd. on 30 August 2019, with Airbus S. A. S. on 1 July 2022 and 22 September 2022 and with Commercial Aircraft Corporation of China, Ltd. on 29 April 2024, respectively, as of 31 December 2024, the Group had committed to purchase a total of 2 C909 aircraft, 122 A320NEO series aircraft and 97 C919 series aircraft which are not yet delivered.

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 approximately RMB696 million (31 December 2023: RMB696 million) that can be drawn by the pilot trainees to finance their respective flight training expenses. As at 31 December 2024, total personal bank loans of approximately RMB64 million (31 December 2023: RMB102 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 (2023: RMB0.1 million).

XI. Reconciliation of Differences in Financial Statements Prepared under PRC GAAP and IFRS Accounting Standards

(I) Difference in net loss and equity attributable to equity shareholders of the Company in financial reports disclosed under IFRS Accounting Standards and PRC GAAP

Unit: RMB million

	Net loss attributable to shareholders of the Company		Equity attributable to equity shareholders of the Company	
	2024	2023	31 December 2024	31 December 2023
Amounts under PRC GAAP	(1,696)	(4,209)	34,729	36,784
Adjustments under IFRS Accounting Standards:				
Capitalisation of exchange difference of specific loans (1)	(5)	(3)	6	11
Government grants (2)	1	1	(2)	(3)
Adjustment arising from the Company's business combination under common control (3)	/	/	237	237
Reversal of impairment losses on property, plant and equipment (4)	(126)	126	/	126
Income tax effect of the above adjustments	1	1	/	(1)
Effect of the above adjustments on non-controlling interests	56	(56)	(27)	(83)
Amounts under IFRS Accounting Standards	(1,769)	(4,140)	34,943	37,071

(II) Explanation of differences between PRC GAAP and IFRS Accounting Standards

1. In accordance with the PRC GAAP, exchange difference arising on translation of specific loans and related interest denominated in a foreign currency is capitalised as part of the cost of qualifying assets. Under IFRS Accounting Standards, such exchange difference is recognised in income statement unless the exchange difference represents an adjustment to interest.

2. In accordance with the PRC GAAP, assets related government grants (other than special funds) are deducted from the cost of the related assets. Special funds granted by the government and clearly defined in the approval documents as part of "capital reserve" are accounted for as increase in capital reserve. Under IFRS Accounting Standards, assets related government grants are deducted to the cost of the related assets. The difference is resulted from government grants received in previous years and are recognised in capital reserve under PRC GAAP.

3. In accordance with the PRC GAAP, the Company accounts for the business combination under common control by applying the pooling-of-interest method. Under the pooling-of-interest method, the difference between the historical carrying amount of the acquiree and the consideration paid is accounted for as an equity transaction. Business combinations under common control are accounted for as if the acquisition had occurred at the beginning of the earliest comparative year presented or, if later, at the date that common control was established; for this purpose, relevant comparative figures are restated under PRC GAAP. Under IFRS Accounting Standards, the Company adopts the purchase accounting method for acquisition of business under common control.

4. In accordance with the PRC GAAP, impairment loss of non-current assets cannot be reversed. Under IFRS Accounting Standards, an impairment loss is reversed if there is indication that an impairment loss recognised in prior periods for an asset other than goodwill may no longer exist or may have decreased.

XII. Capital Needs for Maintaining the Existing Business Operation and Completing the Investment Projects under Construction

Commitments	Contractual arrangement	Time schedule	Financing methods
Commitments in respect of aircraft, engines and flight equipment of RMB128,640 million	Authorised and contracted	RMB25,521 million within 1 year (inclusive of 1 year); RMB32,433 million after 1 year but within 2 years (inclusive of 2 years); RMB22,687 million after 2 years but within 3 years (inclusive of 3 years); RMB47,999 million after 3 years	Own funds or debt financing
Investment commitments of RMB1,035 million	Authorised and contracted	RMB1,035 million within 1 year (inclusive of 1 year)	Own funds
Other commitments of RMB7,117 million	Authorised and contracted	Not applicable	Own funds or debt financing

The Group's ability to pay off the payable due liabilities mainly depends on the Group's net inflow of working capital and the ability to obtain external financing. As for future capital commitment and other financing demand, as of 31 December 2024, the Group has obtained a maximum credit line of RMB342,109 million for 2024 and subsequent years from several PRC banks, of which, the unused bank credit lines reached approximately RMB199,641 million. The Group believes that it will be able to obtain such financing.

XIII. Analysis of Operational Information from Industrial Perspective

1. Major information of operations

Models	Average age (years)	Daily utilisation rate (hours)	Passenger load factor (%)	Total load factor (%)
Passenger aircraft				
A350 series	3.3	11.37	81.89	62.23
A330 series	9.5	9.02	83.49	60.80
A320 series	9.2	9.42	82.97	74.17
B787 series	7.8	11.30	84.57	62.11
B777 series	8.2	8.11	85.09	54.16
B737 series	10.5	9.80	86.04	75.74
EMB190	9.2	0.00	0.00	0.00
C919	0.2	6.46	82.90	82.08
C909	2.1	5.11	84.55	82.55
Freighter				
B777 series	9.5	15.33	0.00	75.62
B737 series	18.4	3.98	0.00	47.62
Average	**9.2**	**9.62**	**84.38**	**71.21**

2. Capital arrangement for introducing aircraft and related equipment during the reporting period

Unit: number of aircraft

Models introduced during the reporting period	Capital arrangement			
	Operating lease	Finance lease	Purchased	Number of aircraft introduced during the reporting period
A320 series	12	12	2	26
B787 series	0	0	1	1
B737 series	2	16	0	18
C919	0	3	0	3
C909	0	8	1	9
Total	14	39	4	57

3. New flight routes during the reporting period and future launching plan

During the reporting period, the Company launched new flight routes or destinations: Shenzhen-Mexico City, Guangzhou-Doha, Beijing-Macao, Guangzhou-Langzhong, Nanning-Changchun, Urumqi-Haikou, Fuzhou-Seoul, Harbin-Jinan, Harbin-Nanjing, Harbin-Urumqi, Haikou-Zhengzhou-Changchun, Harbin-Wuhan-Kunming, and Beijing Daxing-Vientiane, etc.

In 2025, the Company will aim to maximise total marginal contribution, increase capacity investment in the domestic market and improve the quality of revenue on international routes. Domestic routes are planned to increase Beijing-Xishuangbanna, Haikou-Yiwu and other routes. International and regional routes are planned to increase Guangzhou-Madrid, Beijing-Xi'an-Doha, Urumqi-Guangzhou-Kuala Lumpur, Shenzhen-Tokyo, Changsha-Tokyo/Singapore and other routes.

XIV. Analysis on Investments

1. Major equity investment

Unit: RMB million

Name of the investee	Principal business	Whether the subject is principally engaged in investment business	Investment method	Investment amount	Shareholding proportion	Whether to consolidate	Item in financial statements (if applicable)	Source of funds	Partners (if applicable)	Investment period (if any)	Progress as at the balance sheet date	Expected revenue (if any)	Effects on current profit or loss	Whether involved in lawsuits	Date of disclosure	Index of disclosure
Sichuan Air lines Company Limited	Air passenger and car-go transportation	No	Capital injection	4,680	39%	No	Long-term equity in vestment	Own funds	/	/	Equivalent to RMB3.744 billion have been fully paid-up	N/A	Investment loss of RMB1,385 million	No	30 December 2023 and 30 April 2024	http://www.sse.com.cn/

2. Major non-equity investment

On 29 April 2024, the Company entered into an agreement with Commercial Aircraft Corporation of China, Ltd. to purchase 100 C919 aircrafts from Commercial Aircraft Corporation of China, Ltd.. For details, please refer to the announcement disclosed by the Company on the website of the Stock Exchange on 29 April 2024 and the circular of the Company dated 24 June 2024.

3. Financial assets carried at fair value

Unit: RMB million

Asset class	Opening balance	Changes in fair value for the current period	Total fair value change recorded in equity	Impairment for the current period	Amount of purchase for the current period	Amount of disposal/ redemption for the current period	Other changes	Ending balance
Shares	573	(87)	334	/	/	(55)	/	431
Derivative instruments	4	3	/	/	19	(8)	/	18
Others	6,253	172	191	/	/	(923)	/	5,502
Total	6,830	88	525	/	19	(986)	/	5,951

(1) Securities investment

Unit: RMB million

Security type	Security code	Security abbreviation	Initial investment cost	Sources of funds	Beginning book value	Gains or losses from changes in fair value during the reporting period	Accumulated fair value changes included in equity	Amount purchased during the reporting period	Amount sold during the reporting period	Profit and loss from investment during the reporting period	Closing book value	Accounting item
Shares	000099	Citic Offshore Helicopter Co., Ltd.	9	/	26	29	35	/	55	(6)	0	Other non-current financial assets
Other	N/A	China Air Service Ltd.	2	/	1	/	(1)	/	/	/	1	Other non-current financial assets
Other	N/A	Aviation Data Communication Corporation	1	/	30	2	23	/	/	4	32	Other non-current financial assets
Shares	00696	Travelsky Technology Limited	33	/	547	(116)	299	/	/	11	431	Other investments in equity securities
Total	/	/	45	/	604	(85)	356	/	55	9	464	/

(2) Private equity investment

Nil.

(3) Derivative investment

Unit: RMB million

Type of derivative investment	Initial investment amount	Beginning book value	Gains or losses from changes in fair value during the reporting period	Accumulated fair value changes included in equity	Amount purchased during the reporting period	Amount sold during the reporting period	Closing book value	Proportion of closing book value in the Company's closing net assets (%)
Crude oil forward contracts	0	4	4	0	/	(8)	0	0
Total	0	4	4	0	/	(8)	0	0

Remarks on whether there have been material changes in the accounting policy and accounting measurement principles for the hedging business during the reporting period as compared with the previous reporting period	At initial recognition, the Group recognises crude oil forward contracts as financial assets or financial liabilities measured at fair value through profit or loss based on the business model for managing financial instruments and the contractual cash flow characteristics of the financial instruments. After initial recognition, such financial instruments were subsequently measured at fair value, with gains or losses included in profit or loss. There were no material changes as compared to the previous reporting period.
Remarks on actual profit or loss during the reporting period	During the reporting period, the Group closed out part of its aviation fuel hedging contracts with a value of approximately RMB8 million and recognised an investment gain of RMB8 million. As at 31 December 2024, all aviation fuel hedging contracts held by the Group had been closed out and there were no new hedging contracts during the year.
Remarks on the effects of hedging	Based on the comparison on major terms, the target on hedging has been achieved.
Source of fund for derivative investment	Credit facilities from financial institutions and its own funds.
Remarks on risk analysis and management of derivative positions during the reporting period (including but not limited to market risk, liquidity risk, credit risk, operational risk and legal risk)	During the reporting period, derivative positions were exposed to market, liquidity, credit, policy and other types of risks. Following the hedging principles, the Company selected derivatives with simple structure, high liquidity and recognisable risks, established and improved the derivative business management system, strengthened counterparty management and appraisal and adopted other measures to actively manage and control risks.
Changes in market price or product fair value of invested derivatives during the reporting period, where specific methods and relevant assumptions and parameters used shall be disclosed in the analysis of derivatives' fair value	As at the end of 2024, there is no aviation fuel hedging contracts and interest rate hedging contracts. During the reporting period, a gain or loss of RMB4 million was recognised on the gross fair value change of aviation fuel hedging contracts. The fair value of aviation fuel hedging contracts is mainly calculated based on the corresponding lock up period of aviation fuel futures prices.
Lawsuits involved (if applicable)	N/A
Disclosure date of announcement of the board on approving derivative investment (if any)	On 27 March 2024, the Company held the nineteenth meeting of the 9th session of the Board of the Company to consider and approve the hedging plan and proposal of the Company for 2024.
Disclosure date of announcement of the general meeting on approving derivative investment (if any)	N/A

XV. Major Assets and Shareholding Disposal

During the reporting period, there was no disposal of any major assets or equity investments by the Company.

XVI. Analysis on Major Subsidiaries and Joint Ventures and Associates

1. Fleet and operational data of major holding companies of the Company:

Name of subsidiary	Number of aircraft	Proportion (%)	Number of passengers carried (thousand)	Proportion (%)	Cargo and mail carried (tonne)	Proportion (%)	RTK (million)	Proportion (%)	RPK (million)	Proportion (%)
Xiamen Airlines	217	23.66	43,144.96	26.19	224,396.7	12.24	7,062.78	19.51	73,774.90	24.11
Shantou Airlines	26	2.84	4,137.36	2.51	16,655.8	0.91	520.01	1.44	5,653.98	1.85
Zhuhai Airlines	16	1.74	3,146.55	1.91	11,276.3	0.61	456.86	1.26	5,057.79	1.65
Guizhou Airlines	20	2.18	4,197.07	2.55	25,109.8	1.37	576.41	1.59	6,140.73	2.01
Chongqing Airlines	30	3.27	6,071.49	3.69	26,487.1	1.44	860.56	2.38	9,319.05	3.05
Henan Airlines	29	3.16	5,970.13	3.62	41,722.9	2.28	811.72	2.24	8,567.09	2.80

Note: The operational information of Xiamen Airlines includes operational information of its subsidiaries, Hebei Airlines and Jiangxi Airlines.

2. Analysis on operations of major controlling companies of the Company

	Xiamen Airlines	Shantou Airlines	Zhuhai Airlines	Guizhou Airlines	Chongqing Airlines	Henan Airlines	CSA Logistics
Establishment date	August 1984	July 1993	May 1995	June 1998	May 2007	September 2013	June 2018
Legal representative	Xie Bing	Li Quan	Chen Peiyi	Yi Honglei	Xu Dequan	Lu Zhongjian	Li Xiao
Registered capital (RMB100 million)	140	2.8	2.5	22.81	12	60	18.18
Shareholding	55%	100%	60%	60%	60%	60%	55%

In 2024, Xiamen Airlines achieved operating revenue of RMB36,438 million, an increase of 8.57% year-on-year, and net profit of RMB569 million, a decrease of 5.64% year-on-year. As at 31 December 2024, the total assets of Xiamen Airlines amounted to RMB63,934 million and its net assets amounted to RMB20,910 million.

In 2024, CSA Logistics achieved operating revenue of RMB19,653 million, an increase of 18.36% year-on-year, and net profit of RMB4,186 million, an increase of 72.33% year-on-year. As at 31 December 2024, the total assets of CSA Logistics amounted to RMB21,205 million and net assets amounted to RMB17,866 million.

3. Information of other major joint ventures and associates

Name of investee companies	Major business	Registered capital	Proportion of shares held at the investee companies (%)	
			Direct	Indirect
1. Joint ventures				
Guangzhou Aircraft Maintenance Engineering Co., Ltd.	Aircraft repair and maintenance services	USD65,000,000	50	0
MTU Maintenance Zhuhai Co., Ltd.	Aircraft repair and maintenance services	USD163,100,000	50	0
2. Associates				
Finance Company	Financial services	RMB2,000,000,000	41.81	6.78
SACM	Advertising agency services	RMB200,000,000	40	0

XVII. Industry Landscape and Trend

(1) Development trend of international civil aviation industry

According to IATA, the global passenger traffic and air cargo demand both showed growth in 2024. IATA expects that global airline industry revenue will exceed USD1 trillion in 2025, representing a year-on-year increase of 4.4%. Passenger traffic is expected to reach 5.2 billion, reflecting a year-on-year growth of 6.7%, with passenger revenue anticipated to reach USD705 billion. However, IATA also pointed out that the aviation industry will continue to face challenges related to supply chain issues, geopolitical tensions, and economic uncertainties.

(2) Development trend of China's civil aviation industry

Looking ahead to 2025, China's civil aviation industry improved generally. It is expected that the total traffic volume will reach 161 billion tonne-kilometers, with a passenger traffic volume of 780 million and cargo and mail transportation volume of 9.5 million tonnes. China's total aviation population is expected to reach 470 million, making it the country with the largest aviation population in the world. The growth in national income and the increase in statutory holidays will further stimulate public enthusiasm for air travel.

XVIII. Development Strategy of the Company

With building a world-class enterprise as the goal, the Company has determined the overarching approach for quality development featuring "adhering to five concepts of development, implementing five strategies, promoting six campaigns and achieving six transformations", and the development vision of "14th Five-Year Plan", which closely focuses on the "building a world-class air transportation enterprise with global competitiveness". It is clear that by 2025, a synergistic development pattern will be initially established with the main industry of air transportation as the core and the supporting industries as the backbone. The Company has developed an implementation plan for accelerating the construction of a world-class enterprise, launched a special operation entitles "mending shortcomings, improving quality and creating a First-class enterprise", and clarified the objectives and measures for building a world-class enterprise.

The Company adheres to the "five development" concepts of safety, high quality, innovation, cooperation and sharing; focuses on the "five strategies" in relation to hub network, ecosystem, innovation-driven, lean management and control, and brand management; carries out "six campaigns" on launching a special operation entitles "mending shortcomings, improving quality and creating a First-class enterprise", accelerating the construction of Beijing Daxing Hub, implementing reforms to deepen and enhance the action, pushing forward the digital transformation with all-out efforts, pushing forward the adjustment and optimisation of the five major structures, and comprehensively creating services that are "optimised in five aspects"; and strives for "six transformations" from speed-oriented to quality-oriented, from comprehensive market expansion to exploring key areas, from a relatively single industry to high relevance and diversified industries, from planning management and control to market operation, from the traditional business model to digitalisation and ecological circle, and from extensive management to refined management.

XIX. Business Plan for 2025

Looking ahead to 2025, as global inflation continues to decline and the uncertainty in various countries' economic policy rises, global economic growth will be unstable due to several factors. Global economic growth rate in 2025 is projected to be 3.3%, according to the IMF.

In 2025, the supporting conditions and basic trend of China's economy with a stable foundation, multiple advantages, strong resilience, great potential and long-term positive outlook remain unchanged. China will adhere to the general principle of seeking progress while maintaining stability, implement more proactive and promising macropolicies, expand domestic demand, stabilise expectations, and stimulate vitality, so as to promote a sustained economic upturn.

In the face of more complex and severe domestic and international situations, the Group will continue to enhance its core competitiveness, implement the overarching approach for quality development to ensure sustainable and high-quality safety, enhance and improve operational standards, continuously improve the quality of operation and service, accelerate the implementation of major strategies, deepen and improve 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 and quality

The Group will deepen the construction of the seven safety systems and promote the integration of the seven systems into the entire chain of safety management. We will continue to make efforts in the qualification and capability building for key positions, strengthen the management of the entire career cycle of professional teams, and comprehensively improve the qualifications and capabilities of key personnel; implement the standards for determining major safety hazards, and form a closed-loop risk prevention and control system of identifying, evaluating, implementing and verifying risks, so as to guard against the risks of extreme weather; create a technology-supported and data-driven safety management mode, speed up the iterative upgrading and popularisation of the "Tian Tong (天瞳)" and "Tian Ji (天極)" systems, and empower safety management through scientific and technological means. In 2025, the Group will continue to maintain the stable trend of safety operation.

2. Enhancing market operation capability and consolidating and improving operation standard

The Group will actively explore the market and carry out lean cost control. We will focus on improving the daily utilisation rate of aircraft, strengthening capacity allocation, and enhancing the flight scheduling optimisation capability; strengthening the matching of capacity with market, volume and rates, conducting market analysis, and implementing the refined management of rates for the whole market and all routes; further enhancing the cargo operation capability, and vigorously developing cross-border e-commerce platform customers and high-end manufacturing customers; strengthening the integrated application of digital intelligence technology in multiple scenarios of aviation logistics, and enhancing digital intelligence capabilities such as network booking and whole-process cargo tracking; enhancing the efficiency of cost control, and carrying out the full life-cycle management of cost management projects.

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

The Group will improve its operation and management capabilities, strengthen the construction of service capabilities, and improve the brand management system. We will improve the flight scheduling process and rules, and deepen the capacity building of operational risk prevention and control, operational resource management, etc.; improve the operation decision-making model to promote operational intelligence; optimise the whole chain of service experience from the perspective of passengers, and improve the stability and consistency of our services; enhance the level of service management and control, and solve the sore points and difficulties that are of concern to passengers; and improve the characteristic brand management system of CSA to continuously enhance our international influence.

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

The Group will further promote high-quality development and endeavour to enhance quality and efficiency. We will vigorously promote hub construction, strengthen hub design, optimise the flight wave structure of Guangzhou hub, and construct Beijing hub and Urumqi hub with high quality; solidly pushing forward the adjustment and optimisation of the five major structures; vigorously develop strategic and emerging industries highly relevant to civil aviation, optimise the industrial layout, and enhance the specialisation and marketisation level of strategic and emerging industries; push forward the digital transformation with all our strength, strengthen the application of decision-making models in key business areas, and, and enhance the ability to accurately grasp the market and quickly respond with digital means.

5. Promoting reform and deepening improvement and continuing to strengthen the foundation of development

The Group will endeavour to carry out the functional and mission-oriented reform and the reform of systems and mechanisms. We will strengthen the research of key technologies and promote the output of practical results from major scientific and technological research projects; further promote the development of strategic and emerging industries in accordance with the overarching approach of "professional competence, market-oriented development, high-end transformation and modern governance"; complete the reform of the supervisory committee, and improve the operation of the boards of directors of the subsidiaries and the management system of the directors; enhance the quality of tenure system and contractual management, and improve the remuneration incentive mechanism based on market-oriented operation; scientifically prepare the "Fifteenth Five-Year Plan", and strengthen the four-tier strategic planning system; carry out optimisation of flight efficiency, ground energy saving and carbon reduction, energy green transformation and other activities in a deep-going way, and strengthen carbon asset management.

From 2025 to 2027, the delivery and disposal plan of aircraft of the Group will be as follows:

Unit: number of aircraft

	2024	2025			2026			2027		
Aircraft Models	**Number of aircraft at the end of the period**	**Delivery**	**Disposal**	**Estimated number at the end of the period**	**Delivery**	**Disposal**	**Estimated number at the end of the period**	**Delivery**	**Disposal**	**Estimated number at the end of the period**
Passenger Aircraft										
Airbus										
A350 Series	20	0	0	20	3	0	23	4	0	27
A330 Series	28	0	3	25	0	0	25	0	0	25
A320 Series	367	51	11	407	44	9	442	25	7	460
Boeing										
B787 Series	40	3	6	37	6	6	37	0	0	37
B777 Series	15	0	0	15	0	0	15	0	0	15
B737 Series	387	19	15	391	30	21	400	32	5	427
Other										
EMB190	1	0	1	0	0	0	0	0	0	0
C919	3	12	0	15	8	0	23	10	0	33
C909	38	2	0	40	0	0	40	0	0	40
Passenger Aircraft Sub-total	899	87	36	950	91	36	1,005	71	12	1,064
Freighter										
B777 Series	17	2	0	19	0	0	19	0	0	19
B737 Series	1	0	0	1	0	0	1	0	0	1
Freighter Sub-total	18	2	0	20	0	0	20	0	0	20
Total	**917**	**89**	**36**	**970**	**91**	**36**	**1,025**	**71**	**12**	**1,084**

Note: The introduction and disposal plan of the fleet of the Company may be subject to adjustment based on future agreements and delivery of aircraft.

XX. Risk Factors Analysis

(I) Macro Environment Risks

(1) Risks of Fluctuation in Macro Economy

The degree of prosperity of the civil aviation industry is closely linked to the status of the development of the domestic and international macro economy. Macro economy has a direct impact on the economic activities, the disposable income of the residents and the import and export trade volume, which in turn affects the demand of the air passenger and air cargo, and further affects the business and operating results of the Group.

(2) Risks of Macro Policies

Macroeconomic policies made by the government, in particular the adjustment in the cyclical macro policies, such as credit, interest rate, exchange rate and fiscal expenditure, have a direct or indirect impact on the air transportation industry. In addition, the establishment of the new airlines, the opening of aviation rights, routes, air ticket fares and other aspects are regulated by the government, and the fuel surcharges pricing mechanism is also formulated by the government. The changes in the relevant policies will have a potential impact on the operating results and the future development of the business of the Company.

(II) Force Majeure Risks such as Serious Pandemics and Natural Disasters

The aviation industry is subject to a significant impact from the external environment, abrupt public health emergencies, such as serious pandemics, natural disasters such as floods, typhoons and volcanic eruptions, terrorist attacks, international political turmoil and other factors. These risks will affect the normal operation of the airlines, and thus bringing unfavourable effect to the results and long-term development of the Company.

(III) Industry Risks

(1) Risks of Intensifying Competition in the Industry

Faced with ever-changing markets, if the Company fails to effectively enhance its ability to predict and adopt flexible sales strategies and pricing mechanisms, this may have an impact on the Company's goal of achieving expected returns. With regard to the introduction of transportation capacity, if the Company fails to establish a corresponding capacity introduction and exit mechanism, it may have a material adverse effect on the Company's operating efficiency. In terms of exploring the international market, if the Company fails to further improve the operational quality of international routes, it may affect the Company's operating income and profit levels.

(2) Risks of Competition from Other Modes of Transportation

There is certain substitutability in short to medium range routes transportation among air transport, railway transportation and road transportation. With the improving high speed rails network, if the Company fails to develop an effective marketing strategy to deal with high-speed rail competition, it may affect the Company's operating efficiency.

(IV) Risks of the Company Management

(1) Safety Risks

Flight safety is the prerequisite and foundation for the normal operation of the airlines. Adverse weather, mechanical failure, human error, aircraft defects as well as other force majeure incidents may have effect on the flight safety. With big size of aircraft fleet and large amount of cross-location, overnight or international operations, the Company was confronted with certain challenges in its safety operation. In case of any flight accident, it will have an adverse effect on the normal production and operation and reputation of the Company.

(2) Information Safety Risks

The information safety situation is becoming more and more severe. If the Company fails to manage the information safety affairs at company level or a higher level, increase input of information safety resources, and strengthen the information safety management, the Company's safety, production, operation, marketing, service, etc. may be affected, as a result of which the Company may be affected and suffer losses.

(3) Risks of High Capital Expenditure

The major capital expenditure of the Company is to purchase aircraft. In recent years, the Company has been optimising the fleet structure and reducing the operational cost through introducing more advanced models, disposing obsolete models and streamlining the number of models. Due to the high fixed costs for the operation of aircraft, if the operation condition of the Company suffered from a severe downturn, it may lead to the significant drop in the operating profit, facing financial distress and other problems.

(V) Financial Risks of the Company

(1) Risks of Fluctuation in Foreign Currency

Renminbi is not freely convertible into foreign currencies. All foreign exchange transactions involving Renminbi must take place either through the People's Bank of China ("**PBOC**") or other institutions authorised to buy and sell foreign exchange or at a swap centre. Substantially all of the Group's lease liabilities are denominated in foreign currencies, principally US dollars, Euro and Japanese Yen. Depreciation or appreciation of Renminbi against foreign currencies therefore affects the Group's results significantly. In particular, fluctuations in exchange rate of US dollar against Renminbi will have a material impact on the Group's finance expense. Assuming risks other than exchange rate remain unchanged, the net profit and shareholders' equity of the Group will increase (or decrease) by RMB289 million during the reporting period in the case of each and every 1% increase (or decrease) of the exchange rate of RMB to US dollar at 31 December 2024.

(2) Risks of Fluctuation in Jet Fuel Price

The jet fuel cost is the most major expenditure for the Group. Both the fluctuation in the international crude oil prices and the adjustment of domestic fuel prices by the NDRC has big impact on the cost of the Group. Although the Group has adopted various fuel saving measures to decrease the fuel consumption volume, provided there is significant fluctuation in the international oil prices, the operating results of the Group may be significantly affected. Assuming that the fuel oil consumption remains unchanged, in the case of each and every 10% increase or decrease on average in fuel price during the reporting period, the Group's operating expenses would increase or decrease by RMB5,499 million for the reporting period.

In addition, the Group is required to procure a majority of its jet fuel domestically at PRC spot market prices. There is currently no effective means available to manage the Group's exposure to the fluctuations of domestic jet fuel prices. However, according to a "Notice on Questions about Establishing Linked Pricing Mechanism for Fuel Surcharges of Domestic Routes and Jet Fuel" jointly published by the NDRC and the CAAC in 2009, airlines may, within a prescribed scope, determine the standard of fuel surcharges for domestic routes. The linked pricing mechanism, to a certain extent, reduces the Group's exposure to fluctuation in jet fuel price.

(3) Risks of Fluctuation in Interest Rate

Since the civil aviation industry is featured with high investments, the gearing ratio of the airlines is generally high. Therefore, the interest rate fluctuation resulting from the change of capital in the market has a relatively greater influence on the Group's financial expense, so as to further affect the Group's operating results. During the reporting period, assuming all other risk variables other than interest rate remained constant, 100 basis point increase (or decrease) of the Group's comprehensive capital cost would decrease (or increase) the net profit and shareholders' equity of the Group by the amount of RMB292 million during the reporting period. As at 31 December 2024, the gearing ratio (defined as total borrowings divided by total equity) of the Company was 248%.

REPORT OF DIRECTORS

The Board of the Company hereby presents this annual report and the audited financial statements for the year ended 31 December 2024 of the Group to the shareholders of the Company.

Business Review

The Group is principally engaged in airlines operations. The Group also operates certain airlines related businesses, including provision of aircraft maintenance and air catering services. The Group is the airline with the most developed route network and the largest annual passenger traffic volume in China. For the business conditions of the Group in 2024 and major risks faced by the Group as well as the business plan of the Group in 2025, please refer to the section headed “Management Discussion and Analysis” in this annual report. The Group has prepared the financial statements for the year ended 31 December 2024 in accordance with IFRS Accounting Standards. Please refer to pages 133 to 247 of this annual report for details. For the key financial indicators of the Group, please refer to the sections headed “Principal Accounting Information and Financial Indicators” and “Summary of Operating Data” in this annual report.

Dividends

The Directors did not propose any final dividend in respect of the years ended 31 December 2024 and 2023.

Five-Year Financial Summary

A summary of the results and of the assets and liabilities of the Group for the five-year period ended 31 December 2024 (prepared under IFRS Accounting Standards) are set out on page 252 of this annual report.

Bank Loans and Other Borrowings

Details of the bank loans and other borrowings of the Group are set out in note 36 to the financial statements prepared under IFRS Accounting Standards.

Interest Capitalisation

For the year ended 31 December 2024, interest expense of RMB682 million (2023: RMB672 million) was capitalised as the cost of construction in progress and property, plant and equipment in the financial statements prepared under IFRS Accounting Standards.

Property, Plant and Equipment

Property, plant and equipment of the Group and movements of property, plant and equipment during the year ended 31 December 2024 are set out in note 19 to the financial statements prepared under IFRS Accounting Standards.

Major Customers and Suppliers

The Group’s aggregate revenue from the top five customers was RMB5,721 million, accounting for 3.28% of the Group’s total revenue in 2024. No sales to the top five customers were made to related parties.

The Group's purchases from the largest supplier were RMB13,852 million, representing 14.80% of the Group's total purchases in 2024. The purchases from the top five suppliers were RMB38,006 million in total, representing 40.59% of the total purchases in 2024, of which purchases from related parties were RMB7,171 million, representing 7.66% of the total purchases in 2024. During the year, none of the directors, their closed associates or any shareholder of the Company (which, to the knowledge of the Directors, owns more than 5% of the total issued shares of the Company) had any interest in these top five suppliers.

Relationships with Customers and Suppliers

The Group understands that it is important to maintain good relationship with its suppliers and customers to fulfil its long-term goals and maintain the leading position in the market.

The Group overcame the challenges of frequent incidences of severe weather and steadily improved its operation quality, with the continuous improvement of the service brand. We deepened the construction of the mega operation system, optimised the AOC management system and operation decision-making process, and strictly controlled the temporary cancellation of flights; successfully completed the transfer flights, proving flights and commercial operation of domestically produced COMAC C919 aircraft; comprehensively enhanced its "humanized, digitalised, refined, personalised, and convenient" services, built a one-stop full-process service platform, implemented flexible ticket refund and changing rules, adjusted downward 127 charges, optimised the carriage standards for passengers with special needs, optimised the allocation of catering resources, and enhanced the efficiency of guarantee for transportation of transit passengers and baggage. During the reporting period, the Company has been honoured as the "Best Airline of the Year" by CAPSE for seven consecutive years and as the First Brand in Aviation Service Industry in China Brand Power Index for fourteen consecutive years.

The Group continued to explore how to improve its supplier management mechanisms. Since 2018, the Group has issued the Measures for Supplier Management to promote classification and hierarchical management of suppliers, established and improved the supplier assessment system, strengthened the contract performance management and standardised procurement documents including the Notice on the Restricted Supplier List System, the Letter of Commitment to Integrity for Bidders, and the Engagement Letter on Clean Cooperation, so as to standardise cooperation with suppliers from the aspects of operation, society and environment and encourage suppliers to actively assume social responsibilities. Meanwhile, through the communication with suppliers, the Group took the advice and suggestion of suppliers to better improve its work.

During the reporting period, there had been no material or significant dispute between the Group and its suppliers and/or customers.

For the year ended 31 December 2024, the Group had following major customers and suppliers:

Unit: RMB million

Name of customers	Operating revenue	Percentage as total operating revenue (%)
Customer 1	3,128	1.80
Customer 2	683	0.39
Customer 3	652	0.37
Customer 4	650	0.37
Customer 5	607	0.35
Total	5,720	3.28

Unit: RMB million

Name of suppliers	Purchase	Percentage as total purchase (%)
China National Aviation Fuel Group	13,852	14.80
South China Blue Sky Aviation Fuel Co., Ltd	13,102	13.99
China Aviation Fuel (Beijing) Airport Aviation Oil Co., Ltd	3,881	4.14
MTU Maintenance Zhuhai Co., Ltd	3,905	4.17
Guangzhou Aircraft Maintenance Engineering Co., Ltd	3,266	3.49
Total	38,006	40.59

Based on the nature of the Group's business, the Group has not relied on major suppliers or customers. For details of the customer services of the Group, please refer to the analysis on market and service under "Management Discussion and Analysis" section in this annual report.

Taxation

Details of taxation of the Group are set out in notes 16 and 29 to the financial statements prepared under IFRS Accounting Standards.

Enterprise Income Tax of Overseas Non-Resident Enterprises

In accordance with the relevant tax laws and regulations in the PRC, the Company is obliged to withhold and pay PRC enterprise income tax on behalf of non-resident enterprise shareholders at a tax rate of 10% when the Company distributes any dividends to non-resident enterprise shareholders. As such, any H Shares of the Company which are not registered in the name(s) of individual(s) (which, for this purpose, includes shares registered in the name of HKSCC Nominees Limited, other nominees, trustees, or other organisations or groups) shall be deemed to be H Shares held by non-resident enterprise shareholder(s), and the PRC enterprise income tax shall be withheld from any dividends payable thereon. Non-resident enterprise shareholders may wish to apply for a tax refund (if any) in accordance with the relevant requirements, such as tax agreements (arrangements), upon receipt of any dividends.

Individual Income Tax of Overseas Individual Shareholders

In accordance with the relevant tax laws and regulations in the PRC, when non-foreign investment companies of the mainland which are listed in Hong Kong distribute dividends to their shareholders, the individual shareholders in general will be subject to a withholding tax rate of 10% without making any application for the entitlement for the above-mentioned tax rate. However, the Company is a foreign investment company and, as confirmed by the relevant tax authorities, according to the Circular on Certain Issues Concerning the Policies of Individual Income Tax (Cai Shui Zi [1994] No. 020) (《關於個人所得税若干政策問題的通知》(財税字[1994]020號)) promulgated by the Ministry of Finance and the State Administration of Taxation on 13 May 1994, overseas individuals are, as an interim measure, exempted from the PRC individual income tax for dividends or bonuses received from foreign investment enterprises.

Investors of Northbound Trading

For investors of the Stock Exchange (including enterprises and individuals) investing in the A shares of the Company listed on the SSE (the "**Northbound Trading**"), the Company will withhold and pay income taxes at the rate of 10% on behalf of those investors and will report to the tax authorities for the withholding. For investors of Northbound Trading who are tax residents of other countries and whose country of domicile is a country which has entered into a tax treaty with the PRC stipulating a dividend tax rate of lower than 10%, those enterprises and individuals may, or may entrust a withholding agent to, apply to the competent tax authorities of the Company for the entitlement of the rate under such tax treaty. Upon approval by the tax authorities, the paid amount in excess of the tax payable based on the tax rate according to such tax treaty will be refunded.

Investors of Southbound Trading

Pursuant to the relevant requirements under the "Notice on the Tax Policies Related to the Pilot Program of the Shanghai Hong Kong Stock Connect (Cai Shui [2014] No. 81)" (《關於滬港股票市場交易互聯互通機制試點有關税收政策的通知(財税[2014]81號)》), for dividends received by domestic individual investors from investing in H shares listed on the Hong Kong Stock Exchange through Shanghai-Hong Kong Stock Connect, the company of such H shares shall withhold and pay individual income tax at the rate of 20% on behalf of the investors. For dividends received by domestic securities investment funds from investing in shares listed on the Hong Kong Stock Exchange through Shanghai-Hong Kong Stock Connect, the tax payable shall be the same as that for individual investors. The company of such H shares will not withhold and pay the income tax of dividends for domestic enterprise investors and those domestic enterprise investors shall report and pay the relevant tax themselves.

Reserves

Movements in the reserves of the Group during the year are set out in the consolidated statement of changes in equity in the financial statements prepared under IFRS Accounting Standards.

Subsidiaries

Details of the major subsidiaries of the Company are set out in note 23 to the financial statements prepared under IFRS Accounting Standards.

Purchase, Sale and Redemption of Shares

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any shares of the Company during the year ended 31 December 2024.

Pre-emptive Rights

There is no specific provision under the PRC laws or the Articles of Association regarding Pre-emptive rights, which requires the Company to offer new shares to existing shareholders in proportion to their existing shareholdings when there is issuance of shares.

Permitted Indemnity Provision

The Company did not have any arrangement with a term providing for indemnity against liability incurred by the Directors or the Supervisors or directors or supervisors of any subsidiary during their tenure.

The Company has purchased insurance to protect Directors and senior management against legal actions arising from corporate activities.

Audit and Risk Management Committee

The Audit and Risk Management Committee of the Company has reviewed and confirmed the audited financial statements of the Group for the year ended 31 December 2024.

Compliance with Laws and Regulations

Laws and regulations that have a significant impact on the operations of the Group include: Civil Aviation Law of the People's Republic of China, Opinions of the State Council on Promoting the Development of the Civil Aviation Industry, Regulation on the Civil Airport Administration, Regulation of the People's Republic of China on Civil Aviation Security, Provisions on the Administration of Flight Procedures and Minimum Operation Standards for Civil Airports, Provisions of the CAAC on the Administration of the Transport of Dangerous Goods by Air, Provisions of China's Civil Aviation Business Permits for Domestic Routes and Provisions on the Business Licence for Public Air Transport Enterprises.

For the year ended 31 December 2024, the Group strictly followed the laws and regulations mentioned above to ensure safe operation of the Company, and to secure its slots execution rate and flight punctuality rate to reach the standard. The Company applied new routes and slots according to laws and returned back in a timely manner any unused traffic rights. No punishment was imposed on the Group by any regulatory authorities which caused material impact on the operation of the Group.

For the year ended 31 December 2024, the Group had complied with laws and regulations that had material effect on the operation of the Group.

Management Contracts

For the year ended 31 December 2024, no contracts concerning the management or administration of the whole or any substantial part of business of the Company were entered into or existed.

Contract of Significance

Save as disclosed in the section headed "Connected Transactions" below, during the year ended 31 December 2024, none of the Company or any of its subsidiaries entered into any contract of significance with the controlling shareholder or any of its subsidiaries other than the Group, and there was no contract of significance for the provision of services between the Group and its controlling shareholder or any of its subsidiaries other than the Group.

Directors' and Supervisors' Interests in Transaction, Arrangement or Contract of Significance

Save as disclosed in the section headed "Connected Transactions" below, none of the Directors, Supervisors or entities connected with the Directors or Supervisors had a material interest, either directly or indirectly, in any transaction, arrangement or contract of significance to the business of the Group subsisting at any time during the year ended 31 December 2024 or at the end of the year to which the Company, its holding company, or any of its subsidiaries was a party.

Directors' and Supervisors' Rights to Acquire Shares or Debentures

During the year ended 31 December 2024, neither the Company nor any of its subsidiaries was a party to any arrangement that would enable the Directors or Supervisors to acquire benefits through acquiring shares or debentures of the Company or any other body corporate, and none of the Directors or Supervisors or any of their spouses or children under the age of 18 were granted any right to subscribe for the equity or debt securities of the Company or any other body corporate or had exercised any such right.

Directors' and Supervisors' Interest in Competing Business

As at 31 December 2024, none of the Directors, Supervisors or any of their respective associates had engaged in or had any interest in any business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

Sufficiency of Public Float

According to the information publicly available to the Company, and within the knowledge of the Directors as at the latest practicable date prior to the publication of this annual report, the Company had maintained sufficient public float as required by the Listing Rules throughout the year ended 31 December 2024.

Connected Transactions

The Company entered into certain connected transactions with CSAH (the controlling shareholder of the Company) and other connected persons from time to time. Details of the connected transactions of the Company subsisted or conducted in 2024 which are required to be disclosed herein under the Listing Rules, are as follows:

(1) De-merger Agreement

The De-merger Agreement dated 25 March 1995 (such agreement was amended by the Amendment Agreement No.1 dated 22 May 1997) was entered into between CSAH and the Company for the purpose of defining and allocating the assets and liabilities between CSAH and the Company. Under the De-merger Agreement, CSAH and the Company have agreed to indemnify the other party against claims, liabilities and expenses incurred by such other party relating to the businesses, assets and liabilities held or assumed by CSAH or the Company pursuant to the De-merger Agreement.

Neither the Company nor CSAH has made any payments in respect of such indemnification obligations from the date of the De-merger Agreement up to the date of this annual report.

(2) Continuing Connected Transactions between the Group and CSAH (or their subsidiaries)

A. SACM, which is 60% owned by CSAH

(a) The Company entered into the Media Services Framework Agreement on 28 December 2021 with SACM (the "**Media Services Framework Agreement**"), to renew the media services provided by SACM to the Group under the original Media Services Framework Agreement entered into by the Company and SACM with a term of three years on 27 December 2018, for a further term of three years from 1 January 2022 to 31 December 2024.

Pursuant to the Media Services Framework Agreement, SACM agrees to continue to provide the Group with (i) agency services for collecting, editing and distribution for the Group's internal publicity media and platforms; (ii) exclusive advertising agency services for the Company and advertising agency services for the Company's wholly-owned or controlled subsidiaries; (iii) agency services for the planning, procurement and production of entertainment content in the application software of the Group's in-flight entertainment system; (iv) supply services for CSA Mall; (v) recruitment public relations services; (vi) newspaper placement services; and (vii) other media services. The service fees for media services provided by the SACM and its subsidiaries to members of the Group are determined by reference to market prices after arms-length negotiations between the parties. The market prices are determined in the following order: (a) the prices then charged by independent third parties providing similar services under normal trading conditions in or in the vicinity of the place where such services are provided; or (b) the prices then charged by independent third parties providing similar services under normal trading conditions within the PRC. The Company will assign staff to check prices and terms offered by independent third parties for similar products or services (usually through online price comparison tools).

Pursuant to the Media Services Framework Agreement, the annual caps for each of the financial years ending 31 December 2022, 2023 and 2024 are RMB240 million, RMB261 million and RMB282 million (excluding tax), respectively. For details, please refer to the announcement of the Company dated 28 December 2021 in relation to the Media Services Framework Agreement.

For the year ended 31 December 2024, the transaction amount of the Group for media services was RMB126 million.

(b) On 27 December 2024, the Company and SACM entered into the new media services framework agreement (the "**New Media Services Framework Agreement**") to renew the transactions contemplated under the Media Services Framework Agreement for a term of three years from 1 January 2025 to 31 December 2027.

Under the New Media Services Framework Agreement, SACM agreed to continue to provide the Group with (i) agency services for collecting, editing and distribution for the Group's internal publicity media and platforms; (ii) exclusive advertising agency services for the Company and advertising agency services for the Company's wholly-owned or controlled subsidiaries; (iii) agency services for the planning, procurement and production of entertainment content in the application software of the Group's in-flight entertainment system; (iv) supply services for CSA Mall; (v) recruitment public relations services; (vi) newspaper placement services; and (vii) other media services.

The service fees for media services provided by the SACM Group to members of the Group are determined by reference to market prices after arms-length negotiations between the parties. The market prices are determined in the following order: (a) the prices then charged by independent third parties providing similar services under normal trading conditions in or in the vicinity of the place where such services are provided; or (b) the prices then charged by independent third parties providing similar services under normal trading conditions within the PRC.

The proposed annual caps for the New Media Services Framework Agreement for the three years ending 31 December 2027 are RMB180 million, RMB190 million and RMB200 million respectively.

For details, please refer to the announcement of the Company dated 27 December 2024.

B. Finance Company, which is 51.416% owned by CSAH

On 28 October 2022, the Company entered into a Financial Services Framework Agreement (the "**Financial Services Framework Agreement**") with the Finance Company, in order to renew the financial services provided by the Finance Company to the Group under original financial services framework agreement entered into by the Company and the Finance Company on 27 August 2019 for a term of three years. The term of the Financial Services Framework Agreement is three years, starting from 1 January 2023 to 31 December 2025.

According to the Financial Services Framework Agreement, the financial services provided by the Finance Company to the Group include deposit services, loan services and other financial services. The parties agreed that (1) the Finance Company would accept deposits from the Group at rates no less favorable than those prescribed by the People's Bank of China from time to time for deposits of the same maturity. In order to control the risk, the Finance Company will then deposit the entire amount with certain state-owned commercial banks and listed commercial banks. The Finance Company will ensure that the Group can access the funds at any time; (2) the Finance Company agrees that upon application by the Company within the term of the Financial Services Framework Agreement, the Finance Company shall provide loans or credit facilities to the Group and enter into individual loan agreements, and the interest rate levied by the Finance Company shall not be higher than the interest rate stipulated by the People's Bank of China for similar loans, and the total amount of loans from the Finance Company to CSAH and its subsidiaries other than the Group shall not exceed the sum of the Finance Company's share capital, provident fund and deposits of other companies other than the Group; (3) upon the request of the Company, the Finance Company is also required to enter into separate agreements to provide other financial services to the Group, including guarantee business, financial and financing advisory, credit authentication and other related advisory and agency services, as well as other business that the Finance Company may operate with the approval of the China Banking and Insurance Regulatory Commission. If the Company is approved to issue bonds, the Finance Company may accept the Company's engagement to provide bond issuance or underwriting services, subject to individual agreements. The handling fees charged by the Finance Company for the provision of other financial services shall be determined in accordance with the amount of fees that should be charged by regulatory authorities such as People's Bank of China or the China Banking and Insurance Regulatory Commission. According to the above principles, the fees charged will be equal to or lower than the fees charged by the Finance Company to independent third parties for similar financial services.

Pursuant to the Financial Services Framework Agreement, the maximum daily deposit balance (including the relevant accrued interest) deposited by the Group and the maximum outstanding loan amount (including the relevant accrued interest payable) provided by the Finance Company to the Group at any particular date shall not exceed RMB20 billion, RMB21 billion, and RMB22 billion for each of the three years ending 31 December 2023, 2024 and 2025 respectively. As at 31 December 2024, the deposits placed by the Group with Finance Company were RMB14,580 million and did not exceed RMB21 billion at any date during the year ended 31 December 2024.

The provision of loan facilities to the Group by the Finance Company constitutes financial assistance by a connected person for the benefit of the Group on normal commercial terms or better commercial terms and such loans are not secured by the assets of the Group and therefore the provision of loan facilities to the Group by the Finance Company is exempted from all reporting, annual review, announcement and shareholders' approval requirements under Rule 14A.90 of the Listing Rules.

For other financial services provided by the Finance Company to the Group, the Company expects that the total fees payable by the Group to the Finance Company for each of the three years ending 31 December 2025 will not exceed RMB7.5 million, which is less than the minimum exemption limit set out in Rule 14A.76 of the Listing Rules. Therefore, the provision of other financial services by the Finance Company to the Group is also exempted from the requirements of the Listing Rules Regarding reporting, annual review, announcement and shareholder approval.

C. SACC, which is 50.1% owned by CSAH

(a) The Company entered into the new Catering Services Framework Agreement (the "**Catering Services Framework Agreement**") on 28 December 2021 with SACC to renew the catering services provided by SACC to the Group under the original Catering Services Framework Agreement entered into by the Company and SACC with a term of three years on 27 December 2018, for a term of three years, commencing from 1 January 2022 to 31 December 2024.

The service fees for the continuing connected transactions contemplated under the Catering Services Framework Agreement mainly comprise four parts, i.e. meal fees, service fees, in-flight supply service fees and storage management fees. The meal fees, being the main part, are determined with reference to raw material costs, labour costs, management fees, tax and reasonable profit rate in the corresponding proportions of 38%, 38%, 12% and 12%, respectively. The reasonable profit rate will be determined based on the recovery of business from the pandemic and the industry environment. Other parts of the service fees are determined based on, where applicable, rental costs, labour costs, facilities depreciation costs and management fees. The labour costs will be determined with reference to the average wage of the preceding year published by the Shenzhen Municipal Government. The relevant departments of the Company will set upper price limit for meals according to the local price level and the consumer price index in Shenzhen, and with reference to the catering standards of similar routes and the catering prices of similar routes of other airlines. The final meal fees shall not exceed the upper price limit set by the Company.

Pursuant to the Catering Services Framework Agreement, the annual caps for each of the three financial years ending 31 December 2022, 2023 and 2024 are RMB200 million, RMB230 million and RMB265 million, respectively. For details, please refer to the announcement of the Company dated 28 December 2021 in relation to the Catering Services Framework Agreement.

For the year ended 31 December 2024, the service fee paid by the Group pursuant to the Catering Services Framework Agreement was RMB161 million.

(b) On 27 December 2024, the Company and SACC entered into the new catering services framework agreement (the "**New Catering Services Framework Agreement**") to renew the transactions contemplated under the Catering Services Framework Agreement for a term of three years from 1 January 2025 to 31 December 2027.

Under the New Catering Services Framework Agreement, SACC agreed to provide (i) the ordering, preparation, supply, recycling, storage and loading services for the in-flight meal and supply; (ii) supply services of meal and service supplies in the two-class lounges; and (iii) other relevant services, for the arrival and departure flights designated by the Group at the airport where SACC is located.

The service fees for the continuing connected transactions contemplated under the New Catering Services Framework Agreement shall follows the principles of fairness and reasonableness and shall be determined based on national or local fee regulations and the fair market price. SACC commits that the transaction price shall not exceed the prices or fee standards set by independent third parties.

The service fees for the continuing connected transactions contemplated under the New Catering Services Framework Agreement mainly comprise four parts, i.e. meal fees, service fees, in-flight supply service fees and storage management fees. The meal fees, being the main part, are determined with reference to raw material costs, labor costs, management fees and tax in as to the corresponding proportions of 38%, 38%, 12% and 12%, respectively, and the profit rate depends on the industry environment. Other parts of the service fees are determined based on, where applicable, rental costs, labor costs, facilities depreciation costs and management fees. The labor costs above-mentioned will be determined with reference to the average wage of the preceding year published by the Shenzhen Municipal Government.

The proposed annual caps for the New Catering Services Framework Agreement for the three years ending 31 December 2027 are RMB234 million, RMB255 million and RMB270 million respectively.

For details, please refer to the announcement of the Company dated 27 December 2024.

(3) Trademark Licence Agreement

The Company and CSAH entered into a ten year trademark licence agreement dated 22 September 1997. Pursuant to which CSAH acknowledges that the Company has the right to use the name "南方航空 (China Southern)" and "中國南方航空 (China Southern Airlines)" in both Chinese and English, and grants the Company a renewable and royalty free licence to use the kapok logo on a worldwide basis in connection with the Company's airlines and airlines-related businesses. Unless CSAH gives a written notice of termination three months before the expiration of the agreement, the agreement will be automatically renewed for another ten-year term. In May 2017, the trademark licence agreement entered into by the Company and CSAH was automatically renewed for ten years.

(4) Leases

The Group (as lessee) and CSAH or its associates (as lessor) entered into lease agreements as follows:

A. The Company and CSAH entered into an indemnification agreement dated 22 May 1997 in which CSAH had agreed to indemnify the Company against any loss or damage caused by or arising from any challenge of, or interference with, the Company's right to use certain lands and buildings.

B. The Company and CSAH entered into the Asset Lease Framework Agreement (the "**Asset Lease Framework Agreement**") on 27 December 2023 to review the asset lease transactions contemplated under the original Asset Lease Framework Agreement entered into by the Company and CSAH for a term of two years from 1 January 2024 to 31 December 2025.

   Pursuant to the Asset Lease Framework Agreement, CSAH agreed to (i) lease certain properties located in various cities such as Nanyang, Wuhan, Changsha, Urumqi, Guangzhou, Hengyang and Haikou, parking lots and equipment assets such as machinery equipment, transportation equipment and electronic equipment held by CSAH or its subsidiaries to the Company for the purposes of civil aviation and related businesses of the Company; and (ii) lease certain lands located in Nanyang, Wuhan and Guangzhou by leasing the land use rights of such lands to the Company for the purposes of civil aviation and related businesses of the Company.

   The annual aggregate amount of rent payable by the Company to CSAH under the Asset Lease Framework Agreement for each of the two years ending 31 December 2024 and 2025 is RMB334.9348 million, which was determined with reference to the Rental Assessment Results. For the year ended 31 December 2024, the rent incurred by the Group amounted to RMB297 million pursuant to the Asset Lease Framework Agreement.

   According to IFRS 16 – *Leases*, the Group, as the lessee, shall recognise a lease as a right-of-use asset and a lease liability in the consolidated statement of financial position of the Group. As such, the proposed lease transactions contemplated under the Asset Lease Framework Agreement shall be regarded as an acquisition of asset under the definition of transaction set out in Rule 14.04(1)(a) of the Listing Rules. The aggregate value of the right-of-use asset recognised under the proposed lease transactions contemplated under the Asset Lease Framework Agreement is RMB617,075,500.

   For details, please refer to the announcement of the Company dated 27 December 2023.

C. On 28 December 2022, the Company entered into a new Property and Land Lease Framework Agreement (the "**Property and Land Lease Framework Agreement**") with CSAH to renew the property and land lease transactions under the original Property and Land Lease Framework Agreement entered into by the Company and CSAH with a term of three years on 30 December 2019 for a term commencing from 1 January 2023 to 31 December 2025. Pursuant to the Property and Land Lease Framework Agreement, CSAH agreed to (i) lease certain properties, facilities and other infrastructure located in various cities such as Beijing, Shenyang, Chaoyang, Dalian, Changchun, Harbin, Jilin, Urumqi and overseas locations held by CSAH or its subsidiaries to the Company for office use related to the civil aviation business development; and (ii) lease certain lands located in Shenyang, Chaoyang, Dalian, Changchun, Harbin and Urumqi by leasing the land use rights of such lands to the Company for the purposes of civil aviation and related businesses of the Company. The annual rental is determined after arm's length negotiation between the parties, based on the fair market rental of the relevant properties, facilities, infrastructure and lands. In addition, CSAH agreed that the annual rental shall not be higher than the prevailing market rental for properties, facilities, infrastructure and lands located at similar locations. The annual aggregate amount of rent payable by the Company to CSAH under the Property and Land Lease Framework Agreement for each of the three years ending 31 December 2023, 2024 and 2025 is RMB105.40 million, which was determined with reference to the Rental Assessment Results. For the year ended 31 December 2024, the rental incurred by the Group amounted to RMB74 million pursuant to the Property and Land Lease Framework Agreement.

According to IFRS 16 – *Leases*, the Group, as the lessee, shall recognise a lease as a right-of-use asset and a lease liability in the consolidated statement of financial position of the Group. As such, the proposed lease transactions contemplated under the Property and Land Lease Framework Agreement should be regarded as an acquisition of asset under the definition of transaction set out in Rule 14.04(1)(a) of the Listing Rules. The aggregate value of the right-of-use asset recognised under the proposed lease transactions contemplated under the Property and Land Lease Framework Agreement is RMB281,086,012.70.

D. On 28 October 2022, the Company entered into the 2023–2025 Financing and Leasing Services Framework Agreement with CSA Leasing, an associate of CSAH, to renew the transactions under the 2020–2022 Financing and Leasing Services Framework Agreement for a period of three years from 1 January 2023 to 31 December 2025.

CSA Leasing agreed to continue to provide financial leasing services to the Company for leasing aircraft, leasing aircraft-related assets and leasing aviation-related equipment, and operating leasing services to the Company for certain aircraft, helicopters and engines, as the Company deems appropriate and in the interests of the Company and its shareholders as a whole, in accordance with the terms and conditions of the 2023–2025 Financial and Leasing Services Framework Agreement and the related implementation agreements formulated thereunder.

(a) The subject matter of the financial leasing transactions under the 2023–2025 Financial and Leasing Services Framework Agreement includes the lease of aircraft, the lease of simulators and the lease of aviation related equipment (including some of the aircraft, simulators and aviation-related equipment that the Company plans to introduce from 1 January 2023 to 31 December 2025, which is subject to adjustment from time to time). The total principal amount of the finance leasing transaction shall not exceed 100% of the consideration for the purchase of the subject matter (including aircraft, simulators and aviation-related equipment). The applicable interest rate will be further determined and negotiated by the Company and CSA Leasing, with reference to the results of the invitation bidding or inquiry of the Company for financing of aircraft, simulators and aviation-related equipment, and certain preconditions shall be met. The rent is the repayment of the principal and interest of the subject matter under the finance lease transaction.

The lease terms of the subject matter under the 2023–2025 Financial and Leasing Services Framework Agreement will be agreed upon when the separate finance lease agreements are entered into. Based on similar transactions in the past, the lease terms of the leased aircraft under the different finance lease agreements will be ten years. According to the practice of the aviation industry, the lease term of the simulator will be ten years. The respective handling fees for each of the leased aircraft, the leased simulators and the leased aviation related equipment which is not more than 1% of the principal of each leased aircraft, leased simulators and leased aircraft related equipment, respectively will be paid by the Company to CSA Leasing before the commencement of their respective delivery dates or on the agreed dates after each the respective delivery date.

On the assumption that (i) the maximum aggregate transaction amount (including the principal, interest payable and handling fee) of the aircraft finance lease transactions shall not exceed 60% of the aggregate amount (including the principal, interest payable and handling fee) of all the aircraft planned to be introduced under the Company’s introduction plan from 2023 to 2025; and (ii) the maximum aggregate transaction amount of the finance lease of the simulators and the aviation related equipment shall not exceed total amount of the simulators and the aviation related equipment to be introduced under the Company’s introduction plan from 2023 to 2025, the proposed total rental amount (including principal and interest) and handling fee under the finance lease transactions for the three years ending 31 December 2023, 2024 and 2025 are US$4,133.27 million (or the equivalent amount in RMB), US$4,132.98 million (or equivalent amount in RMB) and US$3,628.68 million (or equivalent amount in RMB). Under IFRS 16, the Company (including wholly-owned or controlled subsidiaries of the Company or its wholly-owned or controlled subsidiaries) as lessee under the 2023–2025 Financing and Leasing Services Framework Agreement, whose finance lease transactions will be recognised as right-of-use assets. For the years ending 31 December 2023, 2024 and 2025, the proposed finance lease caps under the 2023–2025 Financing and Leasing Services Framework Agreement are US$3,361 million (or equivalent amount in RMB), US$3,331 million (or equivalent amount in RMB) and US$2,896 million (or equivalent amount in RMB).

For the year ended 31 December 2024, the total rental amount (including principal and interest) and handling fee for the finance lease transactions in relation to leasing aircraft and other flight equipment under the 2023–2025 Financing and Leasing Services Framework Agreement amounted to RMB5,820 million. The right-of-use assets calculated by discounting the above total rental amount (including principal and interest) and handling fee were RMB5,248 million.

(b) The subject matter of the operating leasing transactions under the 2023–2025 Financing and Leasing Services Framework Agreement includes aircraft (including brand new aircraft and middle-aged and old aircraft disposed of by the Company by way of sale and leaseback), engines and aviation related equipment under the introduction program borrowed by the Company under operating leases from 1 January 2023 to 31 December 2025. The rental rates will be further determined and negotiated between the Company and CSA Leasing, subject to the results of the Company's invitation to bid or request for quotations for the leasing of aircraft, engines and aviation related equipment, and subject to the satisfaction of certain conditions.

During the lease period, CSA Leasing owns the aircraft, engines and aviation-related equipment and the Company has the right to use the aircraft, engines and aviation-related equipment. Upon the expiration of the lease term, the Company shall return the aircraft, engines and aviation-related equipment to CSA Leasing.

On the assumption (i) that the total transaction cap (including principal, interest and handling fee) for aircraft operating lease transactions will not exceed 50% of the total amount of all aircraft planned to be introduced under the introduction plan; and (ii) the total transaction cap for operating leases of engines and aviation-related equipment will not exceed the total amount of engines and aviation-related equipment planned to be introduced under the Company's introduction plan from 2023 to 2025, the proposed maximum annual rental expense under operating lease transactions for the three years ending 31 December 2023, 2024 and 2025 are US$197 million (or equivalent amount in RMB), US$356 million (or equivalent amount in RMB) and US$486 million (or equivalent amount in RMB), respectively. The total proposed maximum rental under operating lease transactions for the three years ending 31 December 2023, 2024 and 2025 are US$1,524 million (or equivalent amount in RMB), US$1,436 million (or equivalent amount in RMB) and US$1,119 million (or equivalent amount in RMB), respectively. Pursuant to IFRS 16, the operating lease transactions by the Company as lessee under the 2023–2025 Finance and Lease Service Framework Agreement will be recognised as right-of-use assets, the proposed caps for the Operating Lease for the years ending 31 December 2023, 2024 and 2025 under the 2023–2025 Finance and Lease Service Framework Agreement are US$1,262 million (or the equivalent amount in RMB), US$1,174 million (or the equivalent amount in RMB) and US$916 million (or the equivalent amount in RMB), respectively.

For the year ended 31 December 2024, the Company paid the rental fees (namely actual amount of rental fees payable to CSA Leasing by the Company each year, including twelve-month rental fees for current aircraft, helicopters and engines as well as newly added aircraft, helicopters and engines during the year) of RMB583 million in the operating lease transactions under the 2023–2025 Financing and Leasing Services Framework Agreement. For the year ended 31 December 2024, the total rental amount for new aircraft and helicopters (leased by the Company from CSA Leasing on an annual basis under operating leases for a period of two to twelve years) and the right-of-use assets calculated by discounting the aforementioned rental amount were nil.

(6) Share Issuance in 2020

On 27 December 2019, the Company's 2019 second extraordinary shareholders' meeting, the 2019 first class meeting for holders of A shares, and the 2019 first class meeting for holders of H shares considered and approved the resolution to issue to CSAH not more than 2,453,434,457 A shares (including 2,453,434,457 A shares) ("**2020 A Share Issuance**") and to enter into the A shares subscription agreement with CSAH and the resolution to issue not more than 613,358,614 H shares (including 613,358,614 H shares) to Nan Lung (a wholly-owned subsidiary of CSAH) ("**2020 H Share Issuance**") and to enter into the H shares subscription agreement with Nan Lung. The proceeds from the 2020 A Share Issuance shall be utilised in the procurement of aircraft and the repayment of the Company's borrowings, and the proceeds from the 2020 H Share Issuance shall be utilised to supplement the general working capital of the Company.

On 15 April 2020, the Company issued 608,695,652 H shares in total to Nan Lung at the issue price of HK$5.75 per H share pursuant to the subscription agreement dated 30 October 2019 entered into between Nan Lung and the Company. The net price of each new H share issued under the 2020 H Share Issuance was HK$5.74 per H share. The gross proceeds and the net proceeds raised from the 2020 H Share Issuance was HKD3,499,999,999 and RMB3,175,094,454.53 respectively. As at 31 December 2022, all proceeds raised from the 2020 H Share Issuance has been utilised. The use of proceeds utilised was consistent with the intended use of proceeds as previously disclosed.

On 18 June 2020, the Company issued 2,453,434,457 A Shares in total to CSAH at the issue price of RMB5.21 per A Share pursuant to the subscription agreement dated 30 October 2019 entered into between the Company and CSAH. The net price of each new A Share issued under the 2020 A Share Issuance was RMB5.21 per A Share. The use of proceeds utilised was consistent with the intended use of proceeds as previously disclosed.

Gross proceeds and the use of proceeds from 2020 A Shares Issuance are as follows:

Gross proceeds from the 2020 A Share Issuance (RMB)	Intended use of the proceeds as previously disclosed	Utilised proceeds as of 31 December 2024 (RMB)	Unutilised proceeds as of 31 December 2024 (RMB)	Expected timeline for the use of unutilised proceeds
12,782,393,520.97	Procurement of aircraft	8,581,879,615.94	694,205,697.48	On or before 30 June 2025
	Repayment of the Company's borrowings	3,500,000,000.00	0	N/A

Note: The total amounts of funds raised from 2020 Non-public Issuance of A Shares was RMB12,782,393,520.97. After deducting the underwriting expenses of RMB2,000,000.00 (including VAT), the net cash subscription amount actually received was RMB12,780,393,520.97. After deducting other issuance expenses of RMB4,308,207.55 (including VAT) paid by the Company from the net cash subscription amounts, the actual net proceeds raised was RMB12,776,085,313.42.

(7) A Share Convertible Bonds Issuance

On 14 May 2020, the thirteenth meeting of the eighth session of the Board of the Company considered and approved, among others, the relevant resolutions on the issuance plan of the convertible corporate bonds in the total amount of not more than RMB16 billion (including RMB16 billion) which are convertible into new A shares and proposed to be issued by the Company within the PRC (the "**A Share Convertible Bonds**") and the possible subscription for the A Share Convertible Bonds by CSAH.

On 15 October 2020, the Company has completed the public issuance of 160 million A Share Convertible Bonds in the total amount of RMB16 billion with a nominal value of RMB100 each and the initial conversion price of RMB6.24 per share, out of which CSAH subscribed for 101,027,580 A Share Convertible Bonds. The A Share Convertible Bonds were listed on the SSE on 3 November 2020.

On 21 April 2021, the conversion of the A Share Convertible Bonds was commenced, with the initial conversion price being RMB6.24 per share and the conversion period being from 21 April 2021 to 14 October 2026. With effect from 28 November 2022, the conversion price was adjusted to RMB6.17 per share.

The use of proceeds utilised was consistent with the intended use of proceeds as previously disclosed.

Gross proceeds and the use of proceeds from the issuance of the A Share Convertible Bonds are as follows:

Gross proceeds from the A Shares Convertible Bonds issuance (RMB)	Intended use of the proceeds as previously disclosed	Utilised proceeds as of 31 December 2024 (RMB)	Unutilised proceeds as of 31 December 2024 (RMB)	Expected timeline for the use of unutilised proceeds
16,000,000,000.00	Purchasing aircraft and aviation material, aviation equipment and maintenance projects	9,763,047,014.98	780,328,393.02	On or before 31 December 2025 (Note 1)
	Introduction of spare engines	636,228,511.72	0	Not applicable
	Supplementing working capital	4,800,000,000.00	0	Not applicable

Notes: 1. The expected timeline for the use of un-utilised proceeds is determined based on the expected time for the Group's purchasing of aviation material and aircraft maintenance as at the date of this report.

2. The total amount of funds raised from 2020 Public Issuance of A Share Convertible Bonds was RMB16,000,000,000.00. After deducting the underwriting expenses of RMB17,691,726.00 (including VAT), the net cash subscription amount actually received was RMB15,982,308,274.00. After deducting other issuance expenses of RMB2,704,354.28 (including VAT) paid by the Company from the net cash subscription amount, the actual net proceeds raised was RMB15,979,603,919.72.

As of 31 December 2024, the A Share Convertible Bonds with a nominal value of RMB5,896,285,000 were outstanding. If the outstanding A Share Convertible Bonds were fully converted during the reporting period based on the conversion price of RMB6.17 per share, the Company would have issued approximately 955,637,763 A shares and the total issued shares of the Company would have increased to approximately 19,076,549,267 shares, while the shares held by the controlling shareholder of the Company, CSAH, would have decreased to approximately 63.18% of the total issued shares of the Company. The A Share Convertible Bonds may be conditionally redeemed by the Company during the conversion period. It is expected that the full redemption of the outstanding A Share Convertible Bonds during the reporting period would not have material adverse impact on the financial and liquidity position of the Company. Please refer to note 18 and note 27 to the financial statements for the dilution impact on loss per share may be brought by the full conversion of the outstanding A Share Convertible Bonds during the reporting period and other details of the A Share Convertible Bonds.

Annual Confirmations

The Company has confirmed that the execution and enforcement of the implementation agreements under the continuing connected transactions above for the year ended 31 December 2024 has followed the pricing principles of such continuing connected transactions.

The independent non-executive Directors of the Company have confirmed to the Board that they have reviewed all non-exempt continuing connected transactions and are of the view that:

(a) those transactions were conducted in the ordinary and usual course of business of the Group;

(b) those transactions were entered into on normal commercial terms or better; and

(c) those transactions were conducted in accordance with the relevant agreement governing them on terms that were fair and reasonable and in the interests of the shareholders of the Company as a whole.

The Company's auditor was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued their unmodified letter containing the auditor's findings and conclusions in respect of the continuing connected transactions disclosed by the Group in the Annual Report in accordance with Rule 14A.56 of the Listing Rules. The Company's auditor has indicated that:

(a) nothing has come to their attention that causes them to believe that the disclosed continuing connected transactions have not been approved by the Company's board of directors.

(b) for transactions involving the provision of goods or services by the Group, nothing has come to their attention that causes them to believe that the disclosed continuing connected transactions were not, in all material respects, in accordance with the pricing policies of the Group.

(c) nothing has come to their attention that causes them to believe that the disclosed continuing connected transactions were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions.

(d) with respect to the aggregate amount of each of the aforementioned continuing connected transactions, nothing has come to their attention that causes them to believe that the disclosed continuing connected transactions have exceeded the annual cap as set by the Company.

Save as disclosed above, none of the other related party transactions as disclosed in note 50 to the financial statements prepared under IFRS Accounting Standards constituted connected transactions or continuing connected transactions which are required to be disclosed in accordance with the Listing Rules. The Company has complied with the disclosure requirements of Chapter 14A of Listing Rules in respect of the connected transactions and continuing connected transactions.

Donations

For the year ended 31 December 2024, the Group made donations for charitable purposes with an amount of RMB200,000.

Designated Deposits and Overdue Time Deposits

As of 31 December 2024, the Group's deposits placed with financial institutions or other parties did not include any designated deposits, or overdue time deposits for which the Group failed to receive repayments.

Material Litigation

As at 31 December 2024, the Group was not involved in any material litigation.

Subsequent Events

From the end of the reporting period to the issue date of this report, there are no subsequent events that have significant impact on the Group.

Auditors

A resolution is to be proposed at the forthcoming annual shareholders' meeting of the Company for the appointment of KPMG Huazhen LLP to provide professional services to the Company for its domestic financial reporting and internal control reporting and the appointment of KPMG to provide professional services to the Company for its Hong Kong financial reporting for the year 2025. There has been no change in the Company's auditors in the past three years.

By order of the Board
Ma Xu Lun
Chairman

Guangzhou, the PRC
26 March 2025

CHANGES IN THE SHARE CAPITAL, SHAREHOLDERS' PROFILE AND DISCLOSURE OF INTERESTS

I. CHANGE IN SHARE CAPITAL

(I) Changes in Shareholdings

1. Changes in Shareholdings

Unit: Share

	31 December 2023		Increase/decrease during the year 2024 (+,-)		31 December 2024	
	Number	Percentage (%)	Number	Subtotal	Number	Percentage (%)
I. Shares subject to restrictions on sales	803,571,428	4.43	0	0	803,571,428	4.43
1. Shares held by state-owned legal persons	803,571,428	4.43	0	0	803,571,428	4.43
II. Shares not subject to restrictions on sales	17,317,335,378	95.57	4,698	4,698	17,317,340,076	95.57
1. RMB ordinary shares	12,673,338,070	69.94	4,698	4,698	12,673,342,768	69.94
2. Overseas listed foreign shares	4,643,997,308	25.63	0	0	4,643,997,308	25.63
III. Total number of shares	18,120,906,806	100.00	4,698	4,698	18,120,911,504	100.00

2. Description of Change in Shares

The Company publicly issued RMB16 billion Convertible Bonds with the bond abbreviation of "Nanhang Convertible Bonds (南航轉債)" on 15 October 2020. During the reporting period, the total number of shares being converted by the holders of "Nanhang Convertible Bonds (南航轉債)" was 4,698 shares.

3. Other Information Considered to be Disclosable by the Company or Required to be Disclosed by the Securities Regulatory Authorities

Nil.

(II) Changes in Shares Subject to Trading Restrictions

Unit: Share

Name of shareholders (in full)	Number of shares subject to lock-up at the beginning of the year	Number of shares unlocked during the year	Increase in number of shares subject to lock-up during the year	Number of shares subject to lock-up at the end of the year	Reasons for lock-up	Date of unlocking
China Southern Air Holding Company Limited	803,571,428	0	0	803,571,428	Non-public Issuance of shares subject to trading restrictions	24 November 2025
Total	803,571,428	0	0	803,571,428	/	/

II. Particulars of Shareholders and De Facto Controller

(I) Total Number of Shareholders

As at the end of the reporting period, total number of ordinary shareholders of the Company was 134,652. As of 28 February 2025, total number of ordinary shareholders of the Company was 154,144.

(II) Particulars of Shareholdings

1. Particulars of the top ten shareholders

Unit: Share

Particulars of the top ten shareholders							
Name of the shareholders (in full)	Increase/ (decrease) during the reporting period	Total number of shares held at the end of reporting period	Shareholding percentage (%)	Number of shares subject to trading restrictions	Status of pledged, marked or frozen shares: Status of shares	Status of pledged, marked or frozen shares: Number	Capacity of shareholders
China Southern Air Holding Company Limited	0	9,404,468,936	51.90	803,571,428	Nil	0	Stated-owned legal entity
Nan Lung Holding Limited	0	2,612,124,036	14.41	0	Nil	0	Stated-owned legal entity
HKSCC Nominees Limited	112,000	1,751,035,727	9.66	0	Unknown	–	Overseas legal entity
Hong Kong Securities Clearing Company Limited	29,461,279	646,414,808	3.57	0	Nil	0	Overseas legal entity
China Securities Finance Corporation Limited	0	320,484,148	1.77	0	Nil	0	Stated-owned legal entity
American Airlines, Inc.	0	270,606,272	1.49	0	Nil	0	Overseas legal entity
China National Aviation Fuel Group Corporation	0	261,685,354	1.44	0	Nil	0	Stated-owned legal entity
Spring Airlines Co., Ltd.	235,200	140,531,561	0.78	0	Nil	0	Domestic non-stated-owned legal entity
Industrial and Commercial Bank of China Limited – HuataiPineBridge CSI 300 Traded Open-end Index Securities Investment Fund	52,893,408	93,153,349	0.51	0	Nil	0	Other
China Construction Bank Corporation – E FUND CSI 300 Trading Open Index Sponsored Securities Investment Fund	49,156,458	64,208,922	0.35	0	Nil	0	Other

2. Particulars of the top ten shareholders not subject to trading restrictions

Unit: Share

Particulars of the top ten shareholders not subject to trading restrictions			
	Number of tradable shares not subject to trading restrictions	Type and number of shares	
Name of the shareholders		Type of shares	Number
China Southern Air Holding Company Limited	8,600,897,508	RMB ordinary shares	8,600,897,508
Nan Lung Holding Limited	2,612,124,036	Overseas listed foreign shares	2,612,124,036
HKSCC Nominees Limited	1,751,035,727	Overseas listed foreign shares	1,751,035,727
Hong Kong Securities Clearing Company Limited	646,414,808	RMB ordinary shares	646,414,808
China Securities Finance Corporation Limited	320,484,148	RMB ordinary shares	320,484,148
American Airlines, Inc.	270,606,272	Overseas listed foreign shares	270,606,272
China National Aviation Fuel Group Corporation	261,685,354	RMB ordinary shares	261,685,354
Spring Airlines Co., Ltd.	140,531,561	RMB ordinary shares	140,531,561
Industrial and Commercial Bank of China Limited – HuataiPineBridge CSI 300 Traded Open-end Index Securities Investment Fund	93,153,349	RMB ordinary shares	93,153,349
China Construction Bank Corporation – E FUND CSI 300 Trading Open Index Sponsored Securities Investment Fund	64,208,922	RMB ordinary shares	64,208,922
Description of special repurchase account among the top ten shareholders	N/A		
Description of the voting rights entrusted by the above shareholders, the voting rights the above shareholders are entrusted with, the voting rights the above shareholders abstained from	N/A		
Explanation of the related party relationship or concert party relationship of the above shareholders	CSAH held aggregate 2,648,836,036 H shares of the Company through its wholly-owned subsidiaries in Hong Kong, namely Nan Lung and Perfect Lines (Hong Kong) Limited. The Company is not aware of any other related party relationship between other shareholders.		
Description of holders of preference shares with voting rights restored and the number of shares held	N/A		

3. Particulars of the top ten shareholders subject to trading restrictions and the conditions of trading restrictions

Unit: Share

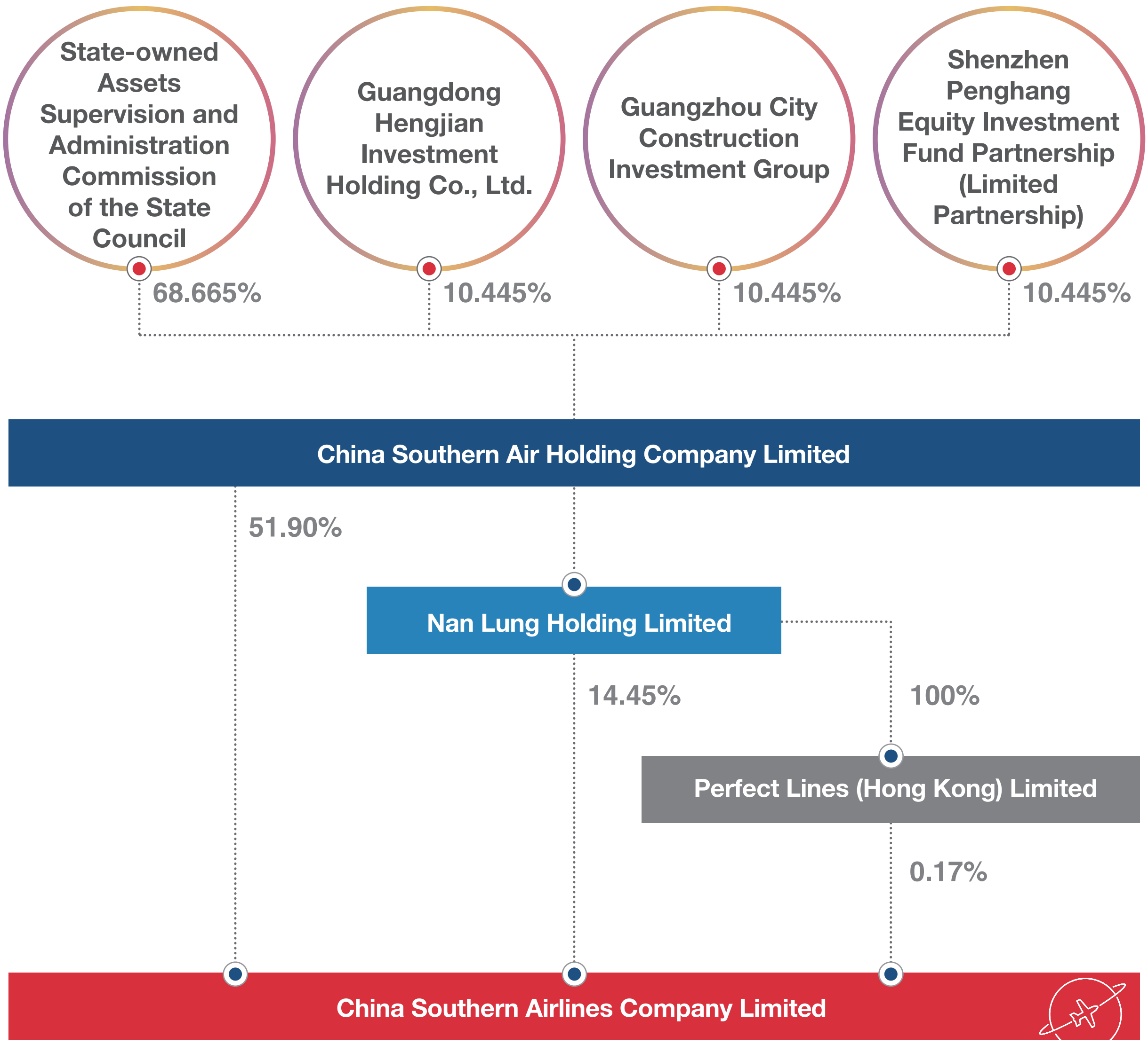
No.	Name of the shareholders	Number of shares held subject to trading restrictions	Listing status of shares which are subject to trading restrictions: Eligible listing time	Number of new listed shares	Conditions for trading restrictions
1	China Southern Air Holding Company Limited	803,571,428	24 November 2025	803,571,428	Non-public Issuance of shares subject to trading restrictions
Explanation of the related party relationship or concert party relationship of the above shareholders	CSAH held aggregate 2,648,836,036 H shares of the Company through its wholly-owned subsidiaries in Hong Kong, namely Nan Lung and Perfect Lines (Hong Kong) Limited.				

4. Strategic investors or general legal entities becoming one of the top ten shareholders of the Company as a result of placing of new shares

Nil.

III. The Controlling Shareholders or De Facto Controllers

The chart below indicates the ownership and controlling relationship between the Company and de facto controllers:



IV. Disclosure of Interests

As at 31 December 2024, to the best knowledge of the Directors, chief executive and Supervisors of the Company, the following persons (other than the Directors, chief executive or Supervisors of the Company) had interests or short positions in the shares (the "**Shares**") or underlying shares of the Company which are required to be recorded in the register of the Company required to be kept under section 336 of the SFO:

Name of shareholders	Capacity	Types of Shares	Number of Shares held	Approximate % of the total issued A Shares (Note 5)	Approximate % of the total issued H Shares (Note 5)	Approximate % of the total issued share capital of the Company (Note 5)
CSAH	Beneficial owner	A Shares	9,404,468,936 (L) (note 1)	69.78%	–	51.90%
	Interest of controlled corporations	H Shares	2,648,836,036 (L) (note 2)	–	57.04%	14.62%
		Subtotal	12,053,304,972 (L)	–	–	66.52%
Nan Lung	Beneficial owner and interest of controlled corporations	H Shares	2,648,836,036 (L) (note 3)	–	57.04%	14.62%
American Airlines Group Inc. (note 4)	Interest of controlled corporations	H Shares	270,606,272 (L)	–	5.83%	1.49%

Notes:

1. As at 31 December 2024, CSAH was directly interested in 9,404,468,936 A Shares of the Company.

2. As at 31 December 2024, CSAH was indirectly interested in 2,648,836,036 H Shares of the Company through its controlled corporations Nan Lung and Perfect Lines (Hong Kong) Limited, a wholly-owned subsidiary of Nan Lung.

3. As at 31 December 2024, Nan Lung was interested in 2,648,836,036 H Shares of the Company, which included the indirect interests in the 31,150,000 H Shares held through Perfect Lines (Hong Kong) Limited, its wholly-owned subsidiary, and the direct interests in the 2,617,686,036 H Shares.

4. American Airlines Group Inc. was deemed to be interested in 270,606,272 H Shares by virtue of its 100% control over American Airlines.

5. The percentage was calculated according to the relevant total issued A Shares of 13,476,914,196 A Shares, total issued H Shares of 4,643,997,308 H Shares and the total issued Shares of 18,120,911,504 Shares of the Company as at 31 December 2024.

Save as disclosed above, as at 31 December 2024, so far as was known to the Directors, chief executive and Supervisors of the Company, no other person (other than the Directors, chief executive or Supervisors of the Company) had an interest or a short position in the shares or underlying shares of the Company recorded in the register of the Company required to be kept under section 336 of the SFO.

DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

I. Directors, Supervisors, Senior Management

(I) Changes in the Number of Shares held by Directors, Supervisors and Senior Management and their Remuneration

Name	Position (note)	Gender	Age	Appointment date for the term of office	Expiry date for the term of office	Number of shares held as at the beginning of the year	Number of shares held as at the end of the year	Increase or decrease of shares during the year	The total remuneration before tax received from the Company during the reporting period (RMB0'000)	Had received remuneration from related party of the Company
Ma Xu Lun	Chairman	Male	60	21 December 2020	up to date	0	0	0	0	Yes
	Executive Director			8 May 2019	up to date					
Han Wen Sheng	Executive Director	Male	58	8 May 2019	up to date	0	0	0	0	Yes
	Vice Chairman			22 June 2021	up to date					
	President			22 June 2021	up to date					
*Luo Lai Jun	Executive Director	Male	53	28 December 2022	21 March 2025	0	0	0	0	Yes
Pansy Catilina Chiu King Ho	Independent Non-executive Director	Female	62	3 August 2023	up to date	0	0	0	20	No
Guo Wei	Independent Non-executive Director	Male	62	30 April 2021	up to date	0	0	0	20	No
Zhang Jun Sheng	Independent Non-executive Director	Male	49	29 July 2024	up to date	0	0	0	8.33	No
*Gu Hui Zhong	Independent Non-executive Director	Male	68	20 December 2017	29 July 2024	0	0	0	11.67	No
*Cai Hong Ping	Independent Non-executive Director	Male	70	28 December 2022	29 July 2024	0	0	0	11.67	No
Ren Ji Dong	Chairman of Supervisory Committee	Male	60	28 December 2021	up to date	0	0	0	0	Yes
	Supervisor			28 December 2021	up to date					
Wei Zhen Xing	Supervisor	Male	46	29 July 2024	up to date	0	0	0	47.11	No
Yang Bin	Supervisor	Male	56	24 November 2021	up to date	0	0	0	104.12	No
*Lin Xiao Chun	Supervisor	Male	53	8 May 2019	29 July 2024	0	0	0	0	Yes
*Wu Ying Xiang	Executive Vice President	Female	51	29 June 2020	18 February 2025	0	0	0	0	Yes
*Yao Yong	Executive Vice President	Male	55	20 April 2021	29 April 2024	0	0	0	0	Yes
	Chief Accountant									
	Chief Financial Officer									
Gao Fei	Executive Vice President	Male	48	28 February 2023	up to date	0	0	0	0	Yes
Qu Guang Ji	Executive Vice President	Male	55	29 August 2023	up to date	0	0	0	0	Yes
*Wu Rong Xin	Executive Vice President	Male	53	30 August 2022	18 February 2025	0	0	0	0	Yes

Name	Position (note)	Gender	Age	Appointment date for the term of office	Expiry date for the term of office	Number of shares held as at the beginning of the year	Number of shares held as at the end of the year	Increase or decrease of shares during the year	The total remuneration before tax received from the Company during the reporting period (RMB0'000)	Had received remuneration from related party of the Company
Chen Dong	Executive Vice President Chief Accountant Chief Financial Officer	Male	50	24 May 2024	up to date	0	0	0	0	Yes
Zeng Yong Chao	Executive Vice President	Male	53	18 February 2025	up to date	0	0	0	0	Yes
Chen Wei Hua	Chief Legal Adviser Secretary to the Board	Male	58	16 June 2004 22 September 2022	up to date up to date	0	0	0	0	Yes
*Li Shao Bin	Chief Training Officer	Male	60	21 June 2019	24 May 2024	0	0	0	40.28	No
Xie Bing	Chief Economist	Male	51	22 September 2022	up to date	0	0	0	0	No
*Wang Ren Jie	Chief Pilot	Male	60	28 February 2023	27 December 2024	0	0	0	188.36	No
Li Mian Song	Chief Service Officer	Male	56	26 June 2023	up to date	0	0	0	100.46	No
Li Zhi Gang	Chief Engineer	Male	56	30 August 2022	up to date	0	0	0	95.54	No
*Li Ye	Chief Security Officer	Male	52	28 February 2023	24 May 2024	0	0	0	58.57	No
Chen Zhe	Chief Security Officer Chief Pilot	Male	51	29 July 2024	18 February 2025	0	0	0	118.48	No
Ding An Ning	Chief Operation Officer	Male	52	27 December 2024	up to date	0	0	0	0	No
Cai Qi	Chief Security Officer	Male	48	18 February 2025	up to date	0	0	0	0	No
Total	/	/	/	/	/	0	0	0	824.59	/

Notes:

1. According to performance appraisal plans of the Company, partial remuneration of some Directors, Supervisors and senior management of the Company shall be delayed based on evaluation results, total remuneration set out above includes such delayed remuneration;

2. Mr. Wang Ren Jie, Mr. Li Ye and Mr. Chen Zhe serve as pilots, so their remunerations are inclusive of crew allowance;

3. Mr. Zhang Jun Sheng remuneration has been paid as an independent non-executive director of the Company since July 2024, and Mr. Gu Hui Zhong and Mr. Cai Hong Ping ceased to be an independent non-executive director of the Company since July 2024; Mr. Lin Xiao Chun ceased to be a supervisor of the Company since July 2024;

4. Mr. Chen Dong's remuneration has been paid by CSAH since May 2024, Mr. Zeng Yong Chao's remuneration has been paid by CSAH since February 2025, Mr. Xie Bing's remuneration has been paid by Xiamen Airlines since September 2022, Mr. Chen Zhe's remuneration has been paid as Chief Security Officer of the Company since July 2024 and as Chief Pilot of the Company since February 2025, Mr. Ding An Ning's remuneration has been paid as Chief Operation Officer of the Company since December 2024, and Mr. Cai Qi's remuneration has been paid as Chief Security Officer since February 2025;

5. Mr. Li Shao Bin retired in May 2024, and Mr. Wang Ren Jie retired in December 2024;

6. *represents personnel who have already resigned as of the date of this report.

As of 31 December 2024, none of the Directors, Chief Executive or Supervisors of the Company had interests or short positions in the shares, underlying shares and/or debentures (as the case may be) of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to the SFO (including interests or short positions which are taken or deemed to have under such provisions of the SFO), or which were required to be recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code as set out in Appendix C3 to the Listing Rules.

(II) Changes of Information of Directors or Supervisors and Chief Executive Officer under Rule 13.51B(1) of the Listing Rules

Below is other information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

Ma Xu Lun was appointed as a member of the 13th session of Guangdong Province Committee of Communist Party of China.

Pansy Catilina Chiu King Ho was appointed as President of the Advisory Committee of the Asian Cultural Heritage Protection Alliance, Co-President of China-International Entrepreneurs Federation, and Director of Zhongqing Boyuan Integrated Marketing Consulting Co., Ltd..

Guo Wei was appointed as Chairman of Tongming Zhiyun (Beijing) Technology Co., Ltd., Chairman of 2035 Technology Laboratory (Shenzhen) Co., Ltd., Chairman of Beijing Shenzhou New Energy Co., Ltd., Chairman of Smart Cloud Information Technology Co., Ltd., Chairman of Shenqi Digital Co., Ltd., and Chairman of Hefei Muxi Intelligent Technology Co., Ltd..

Zhang Jun Sheng was appointed as Independent Director of Poly Development and Holdings Group Co., Ltd..

Yang Bin was appointed as a member of the Civil Aviation Workers' Union Finance Audit Committee, and ceased to serve on the Financial and Audit Committee of the China Air Transport Association.

Save as disclosed above, to the best of the knowledge, information and belief of the Company after making all reasonable enquiries, there is no other information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

(III) Remuneration of Directors, Supervisors and Senior Management

The Directors, Supervisors and Senior Management of the Company received remuneration annually. Remuneration of Directors and Supervisors are adjusted and paid pursuant to Administrative Measures on Remuneration of Directors of China Southern Airlines Company Limited and Administrative Measures on Remuneration of Supervisors of China Southern Airlines Company Limited approved at the general meeting. Remuneration of Senior Management are adjusted and paid pursuant to Administrative Measures on Annual Remuneration of China Southern Airlines Company Limited after approval of the Board.

During the reporting period, the total remuneration before tax received from the Company by Directors, Supervisors and senior management amounted to RMB8.2459 million (including such delayed remuneration) (2023: RMB11.5762 million).

The emolument policy of the Directors and senior management of the Company are recommended by the Remuneration and Assessment Committee to the Board, having regard to the Group's operating results, individual performance and comparable market statistics in accordance with the Administrative Measures on Remuneration of Directors and Administrative Measures on Annual Remuneration of China Southern Airlines Company Limited of the Group.

Details of the remuneration of the Directors, Supervisors and senior management of the Company are set out in notes 50 and 58 to the financial statements prepared under IFRS Accounting Standards.

Details of other employees' pension scheme and housing benefits are set out in notes 13 and 51 to the financial statements prepared under IFRS Accounting Standards.

Remuneration Band	**Number of Senior Management**	
HK$	**2024**	2023
0-500,000	**10**	9
500,001-1,000,000	**1**	1
1,000,001-1,500,000	**3**	2
1,500,001-2,000,000	**0**	0
2,000,001-2,500,000	**1**	3
Total	**15**	15

(IV) Service Contracts of the Directors and Supervisors

None of the Directors or Supervisors has entered or proposed to enter into any service contracts with the Company or its subsidiaries which are not determinable by the Company or its subsidiaries within one year without payment of compensation, other than statutory compensation.

During the year ended 31 December 2024, none of the Directors or Supervisors has any material interests in any significant contract to which the Company or its subsidiaries was a party.

(V) Profiles of Current Directors, Supervisors and Senior Management

Directors

Ma Xu Lun, male, born in July 1964 (aged 60), graduated from the School of Mechanical Science & Engineering of Huazhong University of Science & Technology, majoring in industrial engineering. He has a master's degree of engineering and is a certified public accountant and a member of the Chinese Communist Party. He started his career in August 1984. He has been the Vice President of China National Materials Storage and Transportation Corporation, the Deputy Director General of the Finance Department of the CAAC, the Vice President and a member of the Standing Committee of the CPC of Air China Corporation Limited. He was appointed as the Vice President of general affairs and Deputy Secretary of the Party Committee of Air China Corporation Limited in October 2002; and served as a director, the President and Deputy Secretary of the Party Committee of Air China Limited in September 2004. He served as a member of the Party Leadership Group of China National Aviation Holding Company from December 2004, and the Vice President and a member of the Party Leadership Group of China National Aviation Holding Company from February 2007. In December 2008, he was appointed as Deputy Secretary of the Party Leadership Group of China Eastern Air Holding Company and the President and Deputy Secretary of the Party Leadership Group of China Eastern Airlines Corporation Limited. He served as the Secretary of the Party Leadership Group of and the Vice President of China Eastern Air Holding Company and the President of China Eastern Airlines Corporation Limited in October 2011. In November 2016, he served as a Director, the President and Deputy Secretary of the Party Leadership Group of China Eastern Air Holding Company, and the Vice Chairman, the President and Deputy Secretary of the Party Committee of China Eastern Airlines Corporation Limited in December 2016. In January 2019, he served as a Director and Deputy Secretary of the Party Leadership Group of China Southern Air Holding Company Limited. In February 2019, he served as the President of China Southern Air Holding Company Limited. In March 2019, he acted as the President of China Southern Airlines Company Limited. In May 2019, he acted as the Vice Chairman of China Southern Airlines Company Limited. Since December 2020, he has served as the Chairman and Secretary of the Party Leadership Group of China Southern Air Holding Company Limited and Chairman and President of China Southern Airlines Company Limited. In June 2021, he was appointed as the Chairman and Secretary of the Party Leadership Group of China Southern Air Holding Company Limited and the Chairman of of China Southern Airlines Company Limited. Currently, he also acts as the member of the thirteenth Guangdong Provincial Committee of the Communist Party of China, vice chairman of China Chamber of International Commerce and member of China Council for the Promotion of International Trade.

Han Wen Sheng, male, born in January 1967 (aged 58), graduated from the Management Department of Tianjin University, majoring in engineering management, with qualification of a master's degree, a member of the Chinese Communist Party. He obtained a master's degree of Engineering and is an economist. He began his career in August 1987. He served as the Deputy Director General of Cadre Training centre of China Southern Airlines Company Limited, the Director of the Research Bureau of the Company, the General Manager of the Labour Department and the Secretary of the CPC General Committee of the Company, the Deputy Director General and a member of Party Committee of the Commercial Steering Committee, the General Manager as well as Deputy Secretary of the Party Committee of the Sales and Marketing Department of the Company, and the General Manager and Deputy Secretary of the Party Committee of Shanghai base. He acted as Deputy Secretary of the Party Committee and the Deputy Director General of the Commercial Steering Committee of China Southern Airlines Company Limited since December 2009 and the Secretary of the Party Committee and the Deputy Director General of the Commercial Steering Committee of China Southern Airlines Company Limited since October 2011. He served as the Vice President and a member of the Party Leadership Group of China Southern Air Holding Company Limited from October 2016. From November 2017, he served as the Vice President and a member of the Party Committee of China Southern Airlines Company Limited. He was appointed as a Director and Deputy Secretary of the Party Leadership Group of China Southern Air Holding Company Limited and the Vice President of China Southern Airlines Company Limited in November 2018. From December 2018, he served as Deputy Secretary of the Party Committee of China Southern Airlines Company Limited. Since January 2019, he has served as a Director and Deputy Secretary of the Party Leadership Group of China Southern Air Holding Company Limited. Since May 2019, he has served as a Director of China Southern Airlines Company Limited. Since June 2021, he has served as the President and Vice Chairman of China Southern Airlines Company Limited. Since July 2021, he has served as the President of China Southern Air Holding Company Limited. Currently, he also acts as the deputy to the 14th National People's Congress.

Pansy Catilina Chiu King Ho, female, born in August 1962 (aged 62), graduated from the Santa Clara University in California, the United States with a Bachelor's degree in Marketing and International Business Management. Ms. Ho is a standing committee member of the Chinese People's Political Consultative Conference and the Vice Chairman of All-China Federation of Industry and Commerce. Currently, Ms. Ho serves as the Executive Chairman and Managing Director of Shun Tak Holdings Limited; the Chairman and Executive Director of MGM China Holdings Limited; the Chairman of Occasions Asia Pacific Holdings Company Limited; the Chairman of Macau Tower Convention & Entertainment Centre; the Director of Macau Tourism and Amusement Company Limited; the Non-Executive Director and Vice Chairman of the board of Phoenix Media Investment (Holdings) Limited and etc. Ms. Ho was bestowed the Medal of Merit-Tourism by the Government of Macau in 2019; and the Grand Bauhinia Medal by the Government of the Hong Kong Special Administrative Region in 2020. Ms. Ho is the Bearer of Red Flag March 8 and was awarded the Bearer of Red Flag March 8 Medal by Beijing Government. Ms. Ho was bestowed the Legion of Honour Officer Medal by the Government of France in 2022. Ms. Ho has been serving as an Independent Non-executive Director of China Southern Airlines Company Limited since August 2023.

Guo Wei, male, born in February 1963 (aged 62), holds a Master's degree. He graduated from the University of Science and Technology of China. Mr. Guo is a senior engineer and a member of the Chinese Communist Party. He began his career in 1988. Mr. Guo served as Executive Director and the Senior Vice President of the Lenovo Group. Currently, he is the Chairman of the Board of Directors, Chief Executive Officer and Executive Director of Digital China Holdings Limited, the Chairman of Digital China Group Co., Ltd and the Chairman of Digital China Information Service Co., Ltd. In addition, Mr. Guo also served in a number of positions, such as a member of the Eleventh and Twelfth National Committee of the Chinese People's Political Consultative Conference, a member of the Fourth Committee of the Advisory Committee for State Informatisation, the first President of China Strategic Alliance of Smart City Industrial and Technology Innovation, the Vice President of Digital China Industry Alliance and the Vice President of the Society of Management Science of China. Mr. Guo was an Independent Non-executive Director of China Southern Airlines Company Limited from June 2015 to December 2017. He has been serving as an Independent Non-executive Director of China Southern Airlines Company Limited since April 2021.

Zhang Jun Sheng, male, born in December 1975 (aged 49), graduated from Xiamen University with a doctoral degree in management, is a member of the Chinese Communist Party. He served as an Independent Non-executive Director of BGI Genomics, Hang Seng Qianhai Fund and etc. He is currently the dean, professor and doctoral supervisor of the School of Management of Sun Yat-sen University, an Independent Non-executive Director of Poly Developments and Holdings Group Co., Ltd., a member of the China National MPAcc Education Steering Committee, editor in chief of China Journal of Accounting Research. His main research interests are financial accounting and auditing, corporate finance and governance. Mr. Zhang has been serving as an Independent Non-executive Director of China Southern Airlines Company Limited since July 2024.

Supervisors

Ren Ji Dong, male, born in January 1965 (aged 60), Bachelor of Engineering, graduated from Power Engineering Department of Nanjing University of Aeronautics and Astronautics with a bachelor's degree, majoring in Aircraft Engine Design and obtained an Executive Master of Business Administration (EMBA) degree from Tsinghua University School of Economics and Management, and he is a senior engineer and a member of the Chinese Communist Party. Mr. Ren began his career in August 1986. He served as the Deputy Director (deputy general manager) and a member of the Standing Committee of the CPC of Urumqi Civil Aviation Administration (Xinjiang Airlines) and the Deputy General Manager and a member of the Party Committee of the CPC of Xinjiang Airlines. He acted as the Secretary of the Party Committee and Deputy General Manager of CSAH Xinjiang Company from June 2004, the Secretary of the Party Committee and Deputy General Manager of Xinjiang Branch of China Southern Airlines Company Limited from January 2005, a member of the Standing Committee of the CPC of China Southern Airlines Company Limited from February 2005, Deputy General Manager and a member of the Standing Committee of the CPC of China Southern Airlines Company Limited from March 2005, a member of the Standing Committee of the CPC of China Southern Airlines Company Limited and the General Manager and Deputy Secretary of the Party Committee of Xinjiang Branch from January 2007, a member of the Standing Committee of the CPC of China Southern Airlines Company Limited from April 2009, Deputy General Manager and a member of the Standing Committee of the CPC of China Southern Airlines Company Limited from May 2009, the Executive Vice President of China Southern Airlines Company Limited from July 2018, and the Chairman of the Labour Union of China Southern Air Holding Company Limited and China Southern Airlines Company Limited since August 2021; He served as the employees' representative director of China Southern Air Holding Company Limited since November 2021 and Chairman of the Supervisory Committee of China Southern Airlines Company Limited since December 2021. Currently, he also acts as a member of the seventh National Committee and the Standing Committee of China Civil Aviation Trade Union, Vice Director General of Guangdong Lingnan Fund (廣東省嶺南基金會) and a member of Guangdong Federation of Trade Unions Committee.

Wei Zhen Xing, male, born in November 1978 (aged 46), graduated from Wuhan University Law School, majoring in civil and commercial law with a master's degree in law. He is a member of the Chinese Communist Party. He started his career in August 2004. He was the manager of comprehensive risk management of the Legal Department of China Southern Airlines Company Limited. In September 2014, he was appointed as the deputy general manager of the Legal Department of China Southern Airlines Company Limited. In April 2017, he was appointed as the deputy general manager and member of the Party Committee of Zhuhai Airlines Company Limited. In September 2017, he was also appointed as the chairman of the Labour Union of Zhuhai Airlines Company Limited. In May 2019, he was appointed as the deputy general manager, chairman of the Labour Union and member of Party Committee of China Southern Airlines General Aviation Company Limited. In December 2022, he was appointed as the deputy general manager and member of the Party Committee of China Southern Airlines General Aviation Company Limited. Since May 2023, he has been the general manager of the Legal Standards Department of China Southern Air Holding Company Limited and the general manager of the Legal Standards Department of China Southern Airlines Company Limited. He has been serving as the Supervisor of China Southern Airlines Company Limited since July 2024. Currently, he also acts as an arbitrator at the Shenzhen International Arbitration Court and the Shanghai Arbitration Commission.

Yang Bin, male, born in September 1968 (aged 56), Master of Business Administration. He is a qualified senior accountant and a member of the Chinese Communist Party. He began his career in November 1991. He had been the Deputy General Manager and the General Manager of the Finance Department of China Southern Airlines Company Limited, the General Manager of the Finance Department in China Southern Air Holding Company Limited, the General Manager of Hunan Branch of China Southern Airlines Company Limited. He served as the General Manager of Audit Department in China Southern Air Holding Company Limited and China Southern Airlines Company Limited from August 2021. He served as a Supervisor of China Southern Airlines Company Limited since November 2021. Currently he also serves as a Supervisor of Xiamen Airlines Company Limited, Director of the eighth China Institute of Internal Audit, the Vice Chairman of Guangzhou Internal Audit Association, and a member of the Financial Review Committee of the Civil Aviation Trade Union.

Senior management

Gao Fei, male, born in August 1976 (aged 48), graduated from Flying College of Beihang University majoring in Wingmanship and obtained a Master of Business Administration degree from Lingnan College Sun Yat-Sen University. He subsequently obtained a Master of Science degree from Massachusetts Institute of Technology in the United States and is a member of the Chinese Communist Party. Mr. Gao began his career in July 1998 and successively served as Deputy General Manager of Flight Management Division of the Company; Deputy General Manager and a member of the Party Committee of Shenzhen branch of the Company; Deputy General Manager of Safety Supervision Division of China Southern Air Holding Company Limited and of the Company. From October 2018, he has been General Manager of Safety Supervision Division of China Southern Air Holding Company Limited and of the Company. In December 2020, he was appointed as Head and Deputy Secretary of the Party Committee of Fleets Division of the Company. Since January 2023, he has served as Executive Vice President and a member of the Party Leadership Group of China Southern Air Holding Company Limited, and Head and Deputy Secretary of the Party Committee of Fleets Division of the Company. From February 2023, he served as a Deputy General Manager and a member of the Party Leadership Group of China Southern Air Holding Company Limited and a Deputy General Manager of the Company.

Qu Guang Ji, male, born in February 1970 (aged 55), graduated from the Department of Economics and Statistics of Xi'an Institute of Statistics with a bachelor's degree in Statistics, obtained a master's degree in Economics from Dongbei University of Finance and Economics, and achieved an Executive Master of Business Administration (EMBA) degree from Tsinghua University, French National School of Bridges and Roads and National School of Civil Aviation when he was on the job. He is an economist and a member the Chinese Communist Party. Mr. Qu started his career in July 1993. Mr. Qu once served as the General Manager and Deputy Secretary of the CPC General Committee of the Transportation Network Department of the Marketing Committee, the General Manager and Deputy Secretary of the CPC General Committee of the Network Revenue Department of the Marketing Committee, the Deputy Director General and a member of the Party Committee of the Marketing Committee, etc. Mr. Qu acted as the President and Deputy Secretary of the Party Committee of Hubei Branch of the Company in April 2017, the Standing Vice President and Deputy Secretary of the Party Committee of Xinjiang Branch of the Company in March 2019, the President and Deputy Secretary of the Party Committee of Xinjiang Branch of the Company in July 2019, the President and Deputy Secretary of the Party Committee of Shenzhen Branch of the Company in August 2021, and a member of the Party Leadership Group of China Southern Air Holding Company Limited in July 2023. Since August 2023, Mr. Qu has been serving as the Executive Vice President and a member of the Party Leadership Group of China Southern Air Holding Company Limited, and the Deputy General Manager of China Southern Airlines Company Limited. Currently, He is also a Vice Chairman of the seventh Council of the China Communications and Transportation of Association, a Vice Chairman of the fifth Council of the China Air Transport Association, and a Non-executive Director of TravelSky Technology Limited.

Chen Dong, male, born in December 1974 (aged 50), graduated from the Department of International Economics and Trade of Shanghai Maritime University, majoring in Transport Economics (International Finance), and obtained a degree of Master of Economics in Economics of Shanghai University of Finance and Economics. He is a member of the Chinese Communist Party. He started his career in July 1998, and served as assistant to director of Accounting and Finance Department of China Shipping (Group) Company. He served as deputy director of the Finance and Accounting Department of China Shipping (Group) Company since May 2014; deputy general manager of Finance and Management Department of China COSCO Shipping Corporation Limited since February 2016; general manager of Finance and Management Department of China COSCO Shipping Corporation Limited in September 2016. Since April 2024, he became a member of the Party Group of China Southern Air Holding Company Limited, and since May 2024, he became the chief accountant of China Southern Air Holding Company Limited, and deputy general manager, chief accountant and chief financial officer of China Southern Airlines Company Limited.

Zeng Yong Chao, male, born in September 1971 (aged 53), graduated from the Business Administration Department of Beijing Institute of Machinery with a bachelor's degree, majoring in industrial accounting. He obtained an Executive Master of Business Administration (EMBA) degree from the School of Management of Fudan University, and is a member of the Chinese Communist Party. Mr. Zeng started his career in July 1994, and served as Deputy Director of the Price Department of Planning and Development Division of Civil Aviation Administration of China. He served as a member of the Party Committee and Deputy General Manager of Commercial Steering Committee of China Eastern Airlines Company Limited in May 2009; a member of the Party Committee and Standing Deputy General Manager of Commercial Steering Committee of China Eastern Airlines Company Limited in December 2011; a member of the Party Committee and responsible person for administrative and Party affairs of Commercial Committee of China Eastern Airlines Company Limited in December 2017; General Manager and Party Secretary of Commercial Committee of China Eastern Airlines Company Limited in March 2018; General Manager and Deputy Party Secretary of Commercial Committee of China Eastern Airlines Company Limited in March 2019, he concurrently served as Director of China United Airlines Company Limited in February 2020; Director, CEO and Deputy Party Secretary of China United Airlines Company Limited in March 2020; Chairman and Party Secretary of China United Airlines Company Limited in July 2024; a member of the Party Leadership Group of China Southern Air Holding Company Limited in January 2025; deputy general manager of China Southern Airlines Company Limited since February 2025; deputy general manager and a member of the Party Leadership Group of China Southern Air Holding Company Limited since March 2025. Currently, he also acts as a member of the sixth Political Consultative Conference of Daxing District, Beijing.

Chen Wei Hua, male, born in October 1966 (aged 58), graduated from Peking University Law School with a bachelor's degree, majoring in Law and obtained an Executive Master of Business Administration (EMBA) degree from Tsinghua University School of Economics and Management. He is an economist, a qualified lawyer in the PRC, a qualified corporate legal counselor and a member of the Chinese Communist Party. Mr. Chen began his career in July 1988. He successively served as Deputy Director of Legal Department of China Southern Airlines (Group) Corporation, Deputy Director of the Office (Director of the Legal Division) of China Southern Airlines Company Limited and China Southern Airlines (Group) Corporation. Mr. Chen was the Chief Legal Adviser of China Southern Airlines Company Limited and Director of the Legal Division of China Southern Airlines Company Limited from June 2004. Mr. Chen has been the Chief Legal Adviser and General Manager of the Legal Division of China Southern Airlines Company Limited since October 2008. He has served as Chief Legal Adviser of China Southern Airlines Company Limited since April 2017. Mr. Chen has been the Chief Legal Adviser and Secretary to the Board of China Southern Airlines Company Limited since September 2022; He has served as Chief Compliance Officer of China Southern Air Holding Company Limited, Chief Legal Adviser and Secretary to the Board of China Southern Airlines Company Limited since December 2022. From March 2023, he served as Chief Compliance Officer and Secretary of the Board of Directors of China Southern Air Holding Company Limited, Chief Legal Adviser and Secretary of the Board of directors of China Southern Airlines Company Limited. From May 2023, he served as Chief Compliance Officer, Chief Legal Adviser and Secretary of the Board of Directors of China Southern Air Holding Company Limited, and Chief Legal Adviser and Secretary of the Board of Directors of China Southern Airlines Company Limited. Currently, he also acts as a Director of Xiamen Airlines Company Limited, a Member Representative of the Standing Board of the China Association for Public Companies and Vice Chairman of the Sixth Session of the Council of the Listed Companies Association of Guangdong.

Xie Bing, male, born in September 1973 (aged 51), graduated from Nanjing University of Aeronautics and Astronautics, majoring in Civil Aviation Management. He subsequently received a master's degree of business administration from the Management School of Jinan University, a master's degree of business administration (international banking and finance) from the University of Birmingham, Britain and a MBA, an Executive Master of Business Administration (EMBA) degree from Tsinghua University, respectively. Mr. Xie is a Senior Economist. Mr. Xie is a fellow member and FCS of The Hong Kong Chartered Governance Institute and a member of the Chinese Communist Party. From December 2009, Mr. Xie has been the Secretary to the Board and Director of the Secretary Office of China Southern Airlines Company Limited. From April 2017, he has been the Chairman and Party Secretary of China Southern Airlines Group Capital Holding Co., Ltd, and the Chairman of Southern Airlines International Financial Leasing Company in December 2017. From September 2022, he has been the Chief Economist of China Southern Airlines Company Limited. For now, he also acts as the Legal Representative, Vice Chairman, Deputy Secretary of the Party Committee and General Manager of Xiamen Airlines Co. Ltd., a Deputy to the 14th People's Congress of Fujian Province; and Deputy President of Central Enterprises Overseas Students Sodality (中央企業留學人員聯誼會).

Li Mian Song, male, born in November 1968 (aged 56), graduated from the Department of Chinese Language and Literature of Sun Yat-Sen University majoring in Chinese Language and Literature, and obtained a university degree. He holds a Master of Public Administration (MPA) degree from Peking University School of Government and an Executive Master of Business Administration (EMBA) degree from Tsinghua University School of Economics and Management. He is a senior expert of political science and a member of the Chinese Communist Party. He began his career in July 1990. He served as Secretary of the discipline inspection committee and a member of the Party Committee of Beijing branch of the Company, Secretary of the Party Committee and Deputy General Manager of the Cabin Service Department of the Company in July 2014, Director of the Human Resources Department of China Southern Air Holding Company Limited in February 2017, Director of the Organisation and Personnel Department (Office of the Party Group) of China Southern Air Holding Company Limited and Director of the Organisation and Personnel Department (Office of the Party Group) of the Company in April 2017, and Deputy Secretary of the Party Committee of headquarter offices of China Southern Air Holding Company Limited in June 2019. Since June 2023, he has been serving as the Chief Service Officer of China Southern Airlines Company Limited.

Li Zhi Gang, male, born in May 1968 (aged 56), graduated from the China Civil Aviation Institute with a master's degree, majoring in thermal power machinery and equipment. He also obtained a master's degree of Business Administration from Northeastern University and an Executive Master of Business Administration (EMBA) degree from Tsinghua University and is a member of the Chinese Communist Party. Mr. Li began his career in July 1990. He has been the Director of Aircraft Maintenance Base (Aircraft Engineering Department) in Northern Branch of China Southern Air Holding Company Limited. From June 2006, he has been the Deputy General Manager and a member of the Party Committee of Aircraft Engineering Department and the Director of Shenyang Maintenance Base of China Southern Airlines Company Limited. From February 2007, he has been the Deputy General Manager of Aircraft Engineering Department, Director and Deputy Secretary of the Party Committee of Shenyang Aircraft Maintenance Base of China Southern Airlines Company Limited. From April 2009, he has been the Deputy General Manager and a member of the Party Committee in Shenzhen Branch of China Southern Airlines Company Limited. From December 2016, he has been the General Manager and Deputy Secretary of the Party Committee of Aircraft Engineering Department of China Southern Airlines Company Limited. From March 2021, he has been the Secretary of the Party Committee and Deputy General Manager of the Northern Branch of China Southern Airlines Company Limited. From August 2022, he has served as Chief Engineer of China Southern Airlines Company Limited. For now, he is also a member of the board of directors of the Aircraft Competitiveness Innovation Centre and a member of the National Academy for Outstanding Engineers of Nanjing University of Aeronautics and Astronautics.

DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

Chen Zhe, male, born in January 1974 (aged 51), graduated from Aircraft Piloting Department of Civil Aviation Flight University of China, majoring in Transport Aircraft Piloting, with a bachelor's degree. He is a Second Class Pilot and a member of the Chinese Communist Party. He began his career in July 1995. He served as Manager of B737/757 Fleet of Guangzhou Flight Department of China Southern Airlines Company Limited. In March 2013, he served as Deputy General Manager and a member of the Party Committee of Guizhou Airlines Company Limited. In April 2017, he served as Deputy General Manager and Deputy Secretary of the Party Committee of Zhuhai Xiang Yi Aviation Technology Company Limited. In July 2017, he was appointed as General Manager and Deputy Secretary of the Party Committee of Zhuhai Xiang Yi Aviation Technology Company Limited. In September 2021, he served as Executive Deputy General Manager and Deputy Secretary of the Party Committee of Hunan Branch of China Southern Airlines Company Limited. In May 2022, he served as General Manager and Deputy Secretary of the Party Committee of Hunan Branch of China Southern Airlines Company Limited. In May 2024, he served as General Manager of the Safety Supervision Division of China Southern Air Holding Company Limited and General Manager of the Safety Supervision Division of China Southern Airlines Company Limited. He has been serving as Chief Security Officer of the Company, General Manager of the Safety Supervision Division of China Southern Air Holding Company Limited, and General Manager of the Safety Supervision Division of the Company in July 2024. He has been serving as Chief Pilot of China Southern Airlines Company Limited since February 2025. Currently, he also acts as a member of the IATA Security Advisory Council, Director of the fifth Council of the China Air Transport Association, and a member of the China Air Transport Association Aviation Safety Committee.

Ding An Ning, male, born in November 1972 (aged 52), graduated from the Department of Space Physics and Electronic Information of Wuhan University, majoring in Radio Electronics, and obtained a degree of Master of Business Administration from the Business Administration Department of South China University of Technology. He is a member of the Chinese Communist Party. He started his career in July 1993, and served as Manager of Operation Control Department of Operation Command Center of the Company, Deputy General Manager and a member of Party Committee of Operation Command Center of the Company, Deputy Director of the Office of the Company and Manager of Secretary Office of the Office of the Company, Secretary to General Manager of Administrative Office of China Southern Air Holding Company Limited, Secretary of the CPC General Committee and Deputy General Manager of Transportation Network Department of the Marketing Committee of the Company and etcIn August 2011, he became Secretary of the Party Committee and Deputy General Manager of the Cabin Service Department of the Company. In July 2014, he was appointed to be Secretary of the Party Committee and Deputy General Manager of Hubei Branch of the Company. In April 2017, he became General Manager and Deputy Secretary of the Party Committee of Operation Command Center of the Company, and became General Manager and Deputy Secretary of the Party Committee of Xinjiang Branch of the Company in August 2021. Since December 2024, he has been acting as Chief Operation Officer of China Southern Airlines Company Limited.

Cai Qi, male, born in April 1976 (aged 48), graduated from the Flying College of Beihang University, majoring in transport aircraft piloting, and obtained his bachelor's degree. Mr. Cai is a Second Class pilot and a member of the Chinese Communist Party. Mr. Cai started his career in September 1998, and served as Secretary of Flight Department of Hunan Branch of the Company, Manager of Flight Department of Shanghai Branch of the Company. He served as Deputy General Manager and a member of the Party Committee of Shanghai Branch of the Company in August 2019; Secretary of the Party Committee and Deputy General Manager of Heilongjiang Branch of the Company in January 2022; General Manager and Vice Secretary of the Party Committee of Heilongjiang Branch of the Company in September 2023; Secretary of the Party Committee and Deputy General Manager of Shenzhen Branch of the Company in April 2024; and Chief Security Officer of China Southern Airlines Company Limited since February 2025.

Liu Wei, male, aged 67, graduated from the Northwest University of China, the China University of Political Science and Law and the University of Cambridge with a bachelor's degree in Chinese literature, a master's degree in law and a Ph. D. in Law, respectively. Dr. Liu Wei also completed his Common Professional Examination (CPE) with the Manchester University in England, as well as the Postgraduate Certificate in Laws (PCLL) with the University of Hong Kong. Dr. Liu Wei has PRC lawyer qualification and is a solicitor qualified to practice law in Hong Kong and in England. Dr. Liu Wei is currently a partner of Jingtian & Gongcheng LLP and has extensive experience in providing effective and commercially-valuable legal services for large-scale market-leading enterprises relating to corporate finance, listing, regulatory and compliance matters. During the period from 26 November 2007 to 20 July 2015 and since 22 September 2022, Dr. Liu Wei acted as a Joint Company Secretary.

Save as disclosed above, none of the above Directors, Supervisors or senior management of the Company has any relationship with any Directors, Supervisors, senior management or substantial shareholders of the Company.

II. Staff of the Company and Major Subsidiaries

As of 31 December 2024, the Group had an aggregate of 102,597 employees (31 December 2023: 99,468).

Number of current staff in the Company (by person)	Number of current staff in major subsidiaries (by person)	Total number of current staff (by person)
67,303	35,294	102,597

1. Professions Composition

Categories by profession	Number of professionals (by person)
Flight	12,442
Service	37,323
Administration	6,711
Navigation matter	1,471
Maintenance	12,419
Information	1,695
Marketing	4,776
Comprehensive	19,008
Function	6,752
Total	102,597

2. Educational Level

Categories by education levels	Number (by person)
Postgraduates	5,284
Undergraduates	59,107
Junior college	26,821
Technical School or below	11,385
Total	102,597

3. Emolument Policy of Employees

During the reporting period, in order to achieve high-quality development, the Company continued to deepen the management of total salary, adhered to the coordinated business performance, and improved the control mechanism, and continued to promote the downward penetration of total salary. At the same time, the Company increased incentives for key positions and key groups, pursued the more accurate deployment of remuneration resources, and encouraged employees to strive for excellence; adhered to the principle that remuneration distribution and salary adjustment mechanism is closely linked to organisational performance, individual performance and labour efficiency, so that the remuneration can be increased or decreased. The Company established and improved a market-oriented selection and employment mechanism as well as an incentive and restraint mechanism to continuously promote the contractual management of the tenure system. It completed the signing of tenure contracts in subsidiaries, branches, business operation units, etc. and achieved the strong linkage between remuneration and performance appraisal. The Company actively explored medium and long-term incentive plans, built a multi-dimensional incentive mechanism system to stimulate the vitality of the enterprise.

During the reporting period, details of the remuneration of the staff of the Group are set out in note 13 to the financial statements prepared under IFRS Accounting Standards.

4. Training Plan

In 2024, the Company comprehensively strengthened the training management for officers and employees, accelerated the construction of an integrated training platform for "teaching, learning and management" and optimized and perfected the characteristic teacher curriculum system, enriched and innovated training forms and contents, and on this basis, improved the closed-loop management mechanism for the entire chain of pre-training education, process management and post-training evaluation, so as to enhance the actual effectiveness of training work on all fronts. The Company steadily promoted the implementation of industry-education integration training, and was selected as one of the first batch of industry-education integration training demonstration bases and city-level high-skilled talent training bases in Guangzhou, effectively enhancing the capabilities of officers and employees.

In 2025, the Company will effectively carry out various training programs for its officers and employees, conduct differentiated and personalized competence training by focusing on high-quality development, building a world-class air transport enterprise, and concentrating on safety, production and operation, reform and development and other practical needs, emphasize on promoting specialised training programs including: "Pearl Talent" management trainee training, training for new employees of various systems, annual refresher training for pilots, professional technical training for maintenance personnel, refresher training for dispatchers, air-ground service integration training, regular refresher training for flight attendants, emergency drill, conversion training, and regular training for aviation safety officers. The Company will continue to deepen the integration between industry and education, conduct extensive university-enterprise cooperation and joint construction with various industry-education integration training bases, actively participate in the development of standards, and promote CSA's practices and approaches in industry-education integration, leading industry trends.

5. Information on Labour Outsourcing

Total hours of outsourced labour	Total pay for outsourced labour (RMB)
36.8476 million hours	2,389.76 million

CORPORATE GOVERNANCE REPORT

The Company, according to the requirements of relevant laws and regulations, such as the Company Law, the Securities Law, and the Articles of Association, has set up its corporate governance systems consisting of general meeting, the Board, Supervisory Committee and operational management. This forms the Company's operation mechanism based on which the Company's organ of authority, decision-making body, supervisory body and executive body cooperate, coordinate and interact mutually. There was no material difference between the Company's actual governance conditions and the requirements of normative documents, such as the Code of Corporate Governance for Listed Companies released by the CSRC. The Company, according to domestic and international regulatory requirements, constantly modified and improved the Articles of Association and related rules to standardise its operation.

Corporate Governance Code

The Board has reviewed the corporate governance practices of the Company, and considers that the Company has applied the principles of the corporate governance practices and adopted sound governance and disclosure practices accordingly. 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 2024.

The corporate governance practices adopted by the Company are summarised below.

System Construction

The Company strictly follows the regulatory requirements of the place where it is listed to constantly improve the Articles of Association and related governing rules. During the reporting period, the Company implemented the spirit of the new Company Law and revised 12 systems, including the Articles of Association, the Rules of Procedures of the General Meetings, the Board and the Supervisory Committee, the Terms of Reference of the Committees of the Board, the Measures for Management of Authorization of the Board of China Southern Airlines Company Limited, the Working Rules for Independent Directors of China Southern Airlines Company Limited and the Working Rules for the General Manager of China Southern Airlines Company Limited in accordance with 26 laws and regulations promulgated by the SASAC, the CSRC and other 7 departments since 2022, and formulated the Working Rules for Specialized Meetings of Independent Directors of China Southern Airlines Company Limited in accordance with the latest regulatory requirements.

Controlling Shareholder

The controlling shareholder of the Company is CSAH, one of the central enterprises supervised by the SASAC, and there is no competition between CSAH and the Company. The controlling shareholder of the Company has regulated itself and has not directly or indirectly interfered with the decision making and business activities of the Company beyond the general meeting.

During the reporting period, Mr. Han Wen Sheng, President of the Company, served as the president of CSAH, Ms. Wu Ying Xiang, Mr. Gao Fei, Mr. Qu Guang Ji and Mr. Wu Rong Xin, Executive Vice Presidents of the Company, served as executive vice presidents of CSAH, and Mr. Chen Dong, Executive Vice President, chief accountant and Chief Financial Officer of the Company, served as chief accountant of CSAH, and Mr. Chen Wei Hua, Secretary to the Board and Chief Legal Adviser of the Company, served as secretary to the board and chief legal adviser of CSAH. From January 2024 to April 2024, Mr. Yao Yong served as Executive Vice President, chief accountant and Chief Financial Officer of the Company and chief accountant of CSAH. The Company has applied to the Division of Supervision of Listed Companies of CSRC for an exemption of the restrictions on concurrent positions for aforementioned senior management. The independent non-executive Directors of the Company unanimously believed that the Company and CSAH were able to strictly require and regulate the performance of duties of the senior management of the Company, namely Mr. Han Wen Sheng, Ms. Wu Ying Xiang, Mr. Gao Fei, Mr. Qu Guang Ji, Mr. Wu Rong Xin, Mr. Chen Dong, Mr. Chen Wei Hua and Mr. Yao Yong in accordance with relevant regulatory regulations in 2024, and ensured that they executed due care and diligence, gave priority to fulfilling their duties as the Company's senior management, and earnestly safeguarded the legitimate rights and interests of the Company and minority shareholders. These senior management of the Company, namely Mr. Han Wen Sheng, Ms. Wu Ying Xiang, Mr. Gao Fei, Mr. Qu Guang Ji, Mr. Wu Rong Xin, Mr. Chen Dong, Mr. Chen Wei Hua and Mr. Yao Yong, strictly followed the Company Law, the Securities Law and relevant laws and regulations of the place of listing, diligently discharged their responsibilities, and earnestly fulfilled their commitments. They did not damage the legitimate rights and interests of the Company and minority shareholders due to holding the abovementioned concurrent positions.

The General Meeting

The general meeting of the Company is the top organ of authority and exercise all of its powers and functions legally. On 29 July 2024, the Company revised the Articles of Association and the Rules of Procedure of the General meeting, renaming the general meeting (股東大會) to the general meeting (股東會). The Company strictly followed the requirements of laws, regulations, the Articles of Association, and the Rules of Procedures of the General meeting, and etc. to conduct all work of the general meeting and fully secure shareholders to legally exercise their rights of shareholders. During the reporting period, the Company held 2 general meetings and 2 shareholders' class meetings and engaged lawyers to witness the convening and holding procedures of the general meetings. Such procedures were legal and effective and ensured all shareholders, especially minority shareholders, to participate in decision to fairly exercise their rights by online voting at the general meeting, without causing damage to the benefits of the minority shareholders.

The Board

The Board is the decision-making body of the Company and accountable to the General Meeting of Shareholders. Within the scope of its functions and powers stipulated in the Articles of Association, it shall formulate the Company's development strategies in accordance with the procedures stipulated in the Rules of Procedure of the Board. In addition, it shall supervise the implementation of the operation and management and the financial performance, and provide recommendations on appointment of directors and senior management. It shall also make decisions on major contracts, transactions, financial matters as well as other major policies. The Board reasonably authorised the management according to law, which improved the level of decision-making and the efficiency of discussion, and promoted the development of the Company's production and operation.

As of the end of the reporting period, the Company has 6 Directors, including 3 executive Directors and 3 independent non-executive Directors. The number of independent non-executive Directors is not less than one-third of the members of the Board and not less than 3. In 2024, the Board of the Company operated in accordance with the law and held 8 Board meetings, including 7 on-site meetings and 1 meeting held by means of conference communication. The decision-making procedures and contents of the proposals of the Board meetings complied with the requirements of the Listing Rules, the Articles of Association and relevant laws and regulations. Resolutions approved at such meetings were legal and effective.

The major issues which were brought before the Board for their decisions included:

1. Direction of the operational strategies of the Group;

2. Setting the policies relating to key business and financial objectives of the Company;

3. Monitoring the performance of the management;

4. Approval of material acquisitions, investments, sales, disposal of assets or any significant capital expenditure of the Group;

5. Ensuring a prudent and effective internal control system; and

6. Review of the financial performance and results of the Company.

As of 31 December 2024, the members of the 10th session of the Board comprise three executive Directors and three independent non-executive Directors. All of the Directors have a term of three years. The brief biographical details of the Directors are set out on pages 78 to 85 of this annual report.

The Board held 8 meetings in 2024, all of which were convened in accordance with the Articles of Association. The Company held 2 general meetings and 2 shareholders' class meetings in 2024, and the Directors actively participated general meeting in person and have been doing their best to develop a balanced understanding of the views of shareholders of the Company.

The attendance of each Director is as follows:

	Attendance of Board Meetings							Attendance of General Meetings and Class Meetings
Name of Directors	Whether independent Director or not	Number of meetings that required attendance	Number of meetings attended in person	Number of meetings participated by way of conference communication	Number of meetings attended by proxy	Number of meetings absent	Absence in two consecutive meetings	Number of general meetings and class meetings attended
Ma Xu Lun	No	8	7	1	1	0	No	1
Han Wen Sheng	No	8	6	1	2	0	No	3
Luo Lai Jun	No	8	4	1	4	0	No	1
Pansy Catilina Chiu King Ho	Yes	8	6	1	2	0	No	3
Guo Wei	Yes	8	7	1	1	0	No	3
Zhang Jun Sheng (appointed on 29 July 2024)	Yes	4	4	0	0	0	No	3
Gu Hui Zhong (resigned on 29 July 2024)	Yes	4	4	1	0	0	No	1
Cai Hong Ping (resigned on 29 July 2024)	Yes	4	4	1	0	0	No	1
Meetings of the Board held during the year								8
Of which: Number of meetings attended in person								7
Number of meetings held by way of conference communication								1
Number of meetings held by combination of attendance in person and by way of conference communication								0

The experience and views of our independent non-executive Directors are held in high regard and serve as an effective guidance for the operation of the Group. The independent non-executive Directors provide the Group with a wide range of expertise and experience and bring in independent judgment on issues relating to the Group's strategy, performance and management process, taking into account the interests of all shareholders. The independent non-executive Directors represent one-third of the members of the Board. Independent non-executive Director, Zhang Jun Sheng, has the appropriate professional qualifications of accounting or related financial management expertise under Rule 3.10 of the Listing Rules. In addition, pursuant to the guidelines on independence as set out in Rule 3.13 of the Listing Rules, the Company has received an annual independence confirmation from each independent non-executive Director and considers that all the independent non-executive Directors are independent during the reporting period. In addition, their extensive experiences in business and finance are very important to the Company's successful development. In 2024, the independent non-executive Directors expressed their views and opinions about certain matters relevant to the shareholders and the Company as a whole at the Board meetings.

Board diversity policy

The Board has adopted a board diversity policy setting out the approach to diversity of members of the Board. The summary of the board diversity policy are as follows: The Company recognises and embraces the benefits of diversity of Board members. It endeavours to ensure that the Board has a balance of skills, experience and diversity of perspectives appropriate to the requirements of the Company's business. All Board appointments will continue to be made on a merit basis with due regard for the benefits of diversity of the Board members. Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, experience (professional or otherwise), skills and knowledge. The ultimate decision will be made upon the merits and contribution that the selected candidates will bring to the Board.

As at 31 December 2024, the Board of Directors comprised six members (including one female member), who possess extensive experience in areas such as airline management, financial management, financial investment, and information technology.

Measurable objectives

The Board has the following measurable objectives for implementing a board diversity policy and for building a pipeline of potential director succession that can achieve gender diversity:

1. at least one-third of the directors must be independent non-executive directors;

2. at least one director shall be a woman; and

3. at least one director has obtained accounting or other professional qualifications.

For the year ended 31 December 2024, all measurable objectives have been achieved.

The Board will monitor the implementation of the system and review the system when appropriate to ensure that it is working effectively. The Board will discuss and adopt any changes that may be necessary.

Gender diversity for all employees

The Company values the gender diversity for all employees. As at 31 December 2024, the number of all employees of the Company, including senior management, was 102,597, of which 61.00% were male and 39.00% were female.

Directors

The members of the Board come from different industrial backgrounds, with rich experiences and professional knowledge as to financial accounting, investment strategies, corporate cultures, corporate governance, and etc. Each Director serves a three-year term of office and may be re-elected to a consecutive second term, but by principle only up to 6 consecutive years in the case of independent non-executive Director. There is no major related relations among all Directors, including in terms of finance, business, relatives or others. All Directors may obtain from the Secretary to the Board the related information on the regulations a listed company's Directors must observes and their regulatory and other consistent responsibilities and the latest developments in such aspects, so as to ensure Directors understand their duties and secure the procedures of the Board are executed and applicable laws and regulations are properly observed. The Company's independent non-executive Directors work diligently and conscientiously, and actively attend meetings of the Board and its committees, express independent opinions about risk continuity appraisal report and many other affairs, and give constructive advice and suggestions on the Company's safety operation, strategic development and digital transformation. During the reporting period, at the 2024 first extraordinary general meeting of the Company held on 29 July 2024, Mr. Ma Xu Lun, Mr. Han Wen Sheng and Mr. Luo Lai Jun were elected as executive Directors of the 10th session of the Board of the Company, Ms. Pansy Catilina Chiu King Ho, Mr. Guo Wei and Mr. Zhang Jun Sheng were elected as independent non-executive Directors of the 10th session of the Board of the Company. On 29 July 2024, the Board of the Company elected Mr. Ma Xu Lun as the chairman of the 10th session of the Board of the Company, and elected Mr. Han Wen Sheng as the vice chairman of the 10th session of the Board of the Company.

Continuous Professional Development of Directors

All Directors of the Company receive comprehensive, formal and tailored induction on appointment, so as to ensure understanding of the business and operations of the Group and Directors' responsibilities and obligations under the Listing Rules and relevant regulatory requirements.

Directors of the Company are continually updated on developments in the statutory and regulatory regime, and the business and market changes to facilitate the discharge of their responsibilities and obligations under the Listing Rules and relevant statutory requirements. In addition, continuing briefings and professional development for Directors will be arranged as necessary.

During the year of 2024, the Company has provided updates and coordinated training on the Listing Rules and relevant regulatory requirements to all Directors. All Directors have provided to the Company records indicating that they have received required training.

All Directors of the Company as at 31 December 2024 actively participated in continuous professional training, by attending external seminars, attending in-house training or reading materials, with the topics covering regulations, corporate governance, finance and business, to develop their knowledge and skills.

Mr. Zhang Jun Sheng obtained the legal advice referred to in Rule 3.09D of the Listing Rules on 29 July 2024 and Mr. Zhang Jun Sheng confirmed that he understands his responsibilities as a Director of the Company.

Chairman and President

The Chairman is the leader of the Board and he oversees the Board to ensure that it acts in the best interests of the Group. The Chairman is responsible for deciding the agenda for each Board meeting, taking into account, where appropriate, matters proposed by other Directors for inclusion in the agenda. In addition, the Chairman is also responsible for guiding and setting the overall development goals and direction of the business of the Company. The President, assisted by the Executive Vice President, is responsible for the day-to-day management of the business of the Group, attends to the formulation and successful implementation of policies, and assumes full accountability to the Board for all operations of the Group. Working with the Executive Vice President and the executive management team of each core business division, the President ensures the effective operations and sustained development of the Group. The President maintains a continuing dialogue with the Chairman and all Directors to keep them fully informed of all major business development issues. He is also responsible for building and maintaining an effective executive team to support him in his role.

Supervisory Committee

The Company's Supervisory Committee is consisted of the shareholder representative supervisors who are elected and removed by the general meeting, and staff representatives' supervisors who are elected by the Company's employee representatives. Currently, the Supervisory Committee consists of 3 supervisors, of which, 2 are shareholder representative supervisors, and 1 is employee representative supervisor. The Supervisory Committee has 1 chairman. None of the Company's Directors, President, Vice President or the responsible financial persons serve concurrently as supervisors. The Supervisory Committee of the Company strictly follows the requirements of laws and regulations, Articles of Association, and Rules of Procedures of the Supervisory Committee to standardise its operation. The supervisors of the Company work diligently, honestly, actively attend meetings of the Supervisory Committee and the general meetings and sit in on the Board meeting, legally supervise the decision-making mechanism of the Company's financial management, connected transactions, profit distribution, external guarantees, and many other major affairs, as well as the performance of duties of the Company's Directors and senior management. In addition, they also receive the report on the preparation and audit work of the financial reports, and actively understand the construction and execution of the Company's internal control systems. During the reporting period, the Supervisory Committee convened a total of 7 on-site meetings. Meanwhile, it audited, as per the requirements of the Company Law, Articles of Association, Rules of Procedures of the Supervisory Committee, the Company's major affairs, such as, the Company's lawful operation, financial management, regular reports, profit distribution, connected transactions, external guarantees, establishment and implementation of internal control systems, and cash management of raised funds, and gave audit opinions.

Board Committees

The Board of the Company has put in place an Aviation Safety Committee, a Strategic and Investment Committee, an Audit and Risk Management Committee, a Nomination Committee and a Remuneration and Assessment Committee. Of which three members of Audit and Risk Management Committee are all independent non-executive Directors and chairman is a senior accountant. The chairman of each of Remuneration and Assessment Committee and Nomination Committee shall be an independent non-executive Director. Each committee under the Board of the Company has set up the working rules and strictly carried out the work according to the working rules. Each committee will conduct in-depth studies on professional issues, and make recommendations for the Board. Further details of the roles and functions and the composition of each of the committees are set out below:

Strategic and Investment Committee

As at 31 December 2024, the Strategic and Investment Committee comprises three members and chaired by Mr. Han Wen Sheng (executive Director) together with Mr. Guo Wei (independent non-executive Director) and Mr. Zhang Jun Sheng (independent non-executive Director) as members.

Strategic and Investment Committee held 5 meetings in 2024, which was held according to its rules and procedures, and considered a report on the implementation of the major strategic investment matters of the Company. The attendance of each member is as follows.

Members of Strategic and Investment Committee	(No. of meetings) Attended/required to attend
Han Wen Sheng (Chairman)	5/ 5
Guo Wei (appointed on 29 July 2024)	2/ 2
Zhang Jun Sheng (appointed on 29 July 2024)	2/ 2
Gu Hui Zhong (resigned on 29 July 2024)	3/ 3
Cai Hong Ping (resigned on 29 July 2024)	3/ 3

Audit and Risk Management Committee

The Audit and Risk Management Committee comprises three independent non-executive Directors. As at 31 December 2024, the Audit and Risk Management Committee was chaired by Mr. Zhang Jun Sheng (independent non-executive Director) together with Ms. Pansy Catilina Chiu King Ho (independent non-executive Director) and Mr. Guo Wei (independent non-executive Director) as the members of the Audit and Risk Management Committee. Among them, Mr. Zhang Jun Sheng possesses the appropriate professional qualifications or accounting or financial management expertise to understand financial statements. The Audit and Risk Management Committee has been provided with sufficient resources to discharge its duties and has access to independent professional advice if necessary.

The terms of reference of the Audit and Risk Management Committee of the Company are in compliance with the provision of D.3.3 of the Corporate Governance Code, and applicable policies, rules and regulations that the Company is subject to. The details of the roles and functions of the Audit and Risk Management Committee are set out in the Terms of Reference of Audit and Risk Management Committee of the Company which has been published on the websites of the Stock Exchange at www.hkexnews.hk and the Company at www.csair.com. In 2024, the Audit and Risk Management Committee carried out the work, among other things, considering the appointment of auditors, reviewing the Company's regular report, hedging plan, debt financing plan, reviewing the efficiency of risk management and internal control system of the Company and reviewing the internal audit plan, etc.

The Audit and Risk Management Committee held 6 meetings in 2024. The Audit and Risk Management Committee has performed all its obligations under its terms of reference. The attendance of each member of the Audit and Risk Management Committee is as follows:

Members of the Audit and Risk Management Committee	**(No. of meetings) Attended/required to attend**
Zhang Jun Sheng (Chairman) (appointed on 29 July 2024)	3/3
Pansy Catilina Chiu King Ho (appointed on 29 July 2024)	3/3
Guo Wei	6/6
Gu Hui Zhong (resigned on 29 July 2024)	3/3
Cai Hong Ping (resigned on 29 July 2024)	3/3

The Audit and Risk Management Committee reviewed the performance, independence and objectivity of the Company's auditors and was satisfied with the results.

The Audit and Risk Management Committee concludes that the independence of the auditors of the Company has not been compromised by non-audit services provided for the Group.

At the 18th meeting of the ninth session of the Board of Directors of the Company held on 27 December 2023, the Company has considered and approved the appointment of KPMG Huazhen LLP to provide professional services to the Company for its domestic financial reporting and internal control reporting, U. S. financial reporting and internal control for the year 2024 and appointment of KPMG to provide professional services to the Company for its Hong Kong financial reporting for the year 2024.

At the 2023 Annual General Meeting held on 24 May 2024, the Company has considered and approved the above resolution, and authorised the Board of Directors of the Company to determine the remuneration according to the specific work conditions.

The following table sets forth the type of, and fees (VAT tax inclusive) for, the principal audit services and non-audit services provided by the Company's external auditor to the Group in 2023 and 2024:

	2024 RMB Million	2023 RMB Million
Audit fees	**15**	15
Non-audit fees	**3**	1
Total	**18**	16

Note 1: The total audit fees included the audit fees of RMB1 million (VAT tax inclusive) regarding the statutory audit services for certain subsidiaries of the Group for the year ended 31 December 2024.

Note 2: Non-audit fees are mainly derived from tax advisory and circular services to the Group.

Remuneration and Assessment Committee

As at 31 December 2024, the Remuneration and Assessment Committee comprises three members and chaired by Mr. Guo Wei (independent non-executive Director) together with Mr. Luo Lai Jun (executive Director) and Ms. Pansy Catilina Chiu King Ho (independent non-executive Director) as members.

The main responsibilities of the Remuneration and Assessment Committee are to make recommendations to the Board on the remuneration policy, structure and packages for Directors and senior management of the Company, and to establish regular and transparent procedures on remuneration policy development and improvement. In particular, the Remuneration and Assessment Committee has the duty to ensure that the Directors or any of their associates shall not be involved in the determination of their own remuneration packages. The details of the roles and functions of the Remuneration and Assessment Committee are set out in the Terms of Reference of Remuneration and Assessment Committee of the Company which has been published on the websites of the Stock Exchange at www.hkexnews.hk and the Company at www.csair.com.

Remuneration and Assessment Committee held 3 meetings in 2024, which were held according to its rules and procedures. The meetings reviewed the resolutions including the performance contract for senior management and remuneration realisation, realisation of annual remuneration of senior management. The attendance of each member is as follows.

Members of Remuneration and Assessment Committee	**(No. of meetings) Attended/required to attend**
Guo Wei (Chairman)	3/3
Han Wen Sheng (ceased on 29 July 2024)	1/1
Luo Lai Jun (appointed on 29 July 2024)	2/2
Pansy Catilina Chiu King Ho (appointed on 29 July 2024)	2/2
Gu Hui Zhong (resigned on 29 July 2024)	1/1

The Remuneration and Assessment Committee consulted, when appropriate, the Chairman and/or the President about its proposals relating to the remuneration of other executive Directors. The Remuneration and Assessment Committee is provided with sufficient resources to discharge its duties and professional advice is available if necessary. The Remuneration and Assessment Committee is also responsible for assessing performance of executive Directors and approving the terms of executive Directors' service contracts. The Remuneration and Assessment Committee has performed all its responsibilities under its terms of reference in 2024.

Nomination Committee

As at 31 December 2024, the Nomination Committee comprises three members and with Ms. Pansy Catilina Chiu King Ho (independent non-executive Director) as the chairwoman and Mr. Luo Lai Jun (executive Director) and Mr. Zhang Jun Sheng (independent non-executive Director) as members.

The responsibilities of the Nomination Committee are to make recommendations to the Board in respect of the size and composition of the Board based on the operational activities, assets and shareholding structure of the Company; study the selection criteria and procedures of Directors and senior management and give advice to the Board by consideration of the board diversity policy; identify qualified candidates for Directors and senior management; investigate and propose candidates for Directors and senior management and other senior management members to the Board.

In accordance with relevant laws and regulations as well as the provisions of the Articles of Association, the Nomination Committee shall study on the selection criteria, procedures and terms of office for Directors and managers with reference to the Company's actual situation and the board diversity policy. Any resolution made in this regard shall be filed and proposed to the Board for approval and shall be implemented accordingly. The selection procedures of Directors and senior management are (1) the Nomination Committee shall actively communicate with the relevant departments of the Company to research on the demand of the Company for new Directors and senior management and report the same in writing; (2) the Nomination Committee may extensively look for the candidates of Directors and senior management within the Company and its controlled (associated) companies as well as in the market; (3) to obtain information regarding the occupation, academic qualification, job title, detailed working experience and all the part-time positions of the initially proposed candidates and to report the same in writing; (4) to seek the nominees' acceptance on nomination, otherwise he or she shall not be put on the list of candidates of Directors and senior management; (5) to convene meetings of the Nomination Committee and to inspect the qualification of initially proposed candidates according to the job qualifications of Directors and senior management; (6) to make recommendations and submit relevant materials about the candidates of Directors and senior management to the Board one to two months prior to the election of new Directors and the appointment of new senior management; and (7) to conduct other follow-up work according to the decision and feedback of the Board. The criteria to be considered as reference by the Nomination Committee in assessing a proposed candidate include the required skills, knowledge and quality to perform the duties. Details of the criteria are set out in the Procedural Rules of the Board of Directors which has been published by the Company on the website of the Stock Exchange at www.hkexnews.hk. The Nomination Committee is provided with sufficient resources to discharge its duties and independently engage intermediate agencies to provide professional advice on its proposals if necessary. The details of the roles and functions of the Nomination Committee are set out in the Terms of Reference of Nomination Committee of the Company which has been published on the websites of the Stock Exchange at www.hkexnews.hk and the Company at www.csair.com.

The Nomination Committee held 3 meetings in 2024, to nominate Mr. Chen Dong as the Executive Vice President, Chief Accountant and Chief Financial Officer of the Company, Mr. Zhu Hai Ping as an independent non-executive Director candidate, and Mr. Ding An Ning as the Chief Operation Officer of the Company. The Nomination Committee has performed all its obligations under its terms of reference in 2024. The attendance of each member of the Nomination Committee is as follows.

Members of the Nomination Committee	**(No. of meetings) Attended/required to attend**
Pansy Catilina Chiu King Ho (Chairwoman)	3/3
Luo Lai Jun (appointed on 29 July 2024)	2/2
Zhang Jun Sheng (appointed on 29 July 2024)	2/2
Ma Xu Lun (resigned on 29 July 2024)	1/1
Gu Hui Zhong (resigned on 29 July 2024)	1/1

Aviation Safety Committee

As at 31 December 2024, the Aviation Safety Committee comprises three members and chaired by Mr. Han Wen Sheng (executive Director), together with Mr. Zhang Jun Sheng (independent non-executive Director) and Mr. Guo Wei (independent non-executive Director) as members.

The Aviation Safety Committee held 3 meetings in 2024, which were held according to its rules and approved one proposal, and heard the 2023 and the 2024 first quarter safety production and operation status, and the 2024 safety production and operation plan and the 2024 interim work safety report of the Company. The attendance of each member is as follows.

Members of Aviation Safety Committee	**(No. of meetings) Attended/required to attend**
Han Wen Sheng (Chairman)	3/ 3
Zhang Jun Sheng (appointed on 29 July 2024)	2/ 2
Guo Wei	3/ 3
Ma Xu Lun (resigned on 29 July 2024)	1/1

Management

The management of the Company is responsible for the daily production, operation and management of the Company according to the resolutions of the general meeting and the Board. In strict accordance with the authorisation of the general meeting and the Board, it is diligent and responsible, and leads all employees to carry out specific operations. During the reporting period, the management effectively enhanced the organisation and leadership of safety work, as a result of which the overall safety situation remained stable, the operational standards continued to improve, the quality of operation was steadily improved, the service brand saw ongoing enhancement, major strategies were expeditiously implemented, reform efforts were comprehensively advanced and the foundation for development was continuously reinforced.

Corporate Governance Functions

The Board is responsible for performing the corporate governance duties set out in the code provision A.2.1 of the Corporate Governance Code.

Model Code for Securities Transactions by Directors and Supervisors of Listed Issuers

Having made specific enquiries with all the Directors and Supervisors, they confirmed that they have complied with the Model Code for the year ended 31 December 2024. The code of conduct adopted by the Company regarding securities transactions by Directors and Supervisors is no less stringent than the Model Code.

Responsibility for the Financial Statements

The following statement, which sets out the responsibilities of the Directors in relation to the financial statements, should be read in conjunction with, but distinguished from, the reports prepared by the auditor of the Group in this annual report, which acknowledges the reporting responsibilities of the Group's auditor.

The Directors are responsible for the preparation of periodic accounts for each financial year which should give a true and fair view of the state of affairs, results and cash flows of the Group during that period.

The responsibilities of the Company's external auditor, KPMG, are set out on pages 128 to 132 to auditor's report. The Directors consider that in preparing the financial statements, the Group uses appropriate accounting policies that are consistently applied, and that all applicable accounting standards are followed.

The Directors are responsible for ensuring that the Group keeps accounting records which disclose with reasonable accuracy of the financial position of the Group and which enables the preparation of financial statements in accordance with PRC laws and regulations and disclosure requirements of the Hong Kong Companies Ordinance and the applicable accounting standards.

Communications with Shareholders and Investors and Investor Relations

During the reporting period, the Company has fully respected and safeguarded the legitimate rights and interests of Shareholders. We have earnestly listened to investors' opinions and suggestions regarding the Company's strategic development and operational management, continuously enhancing investors' attention, understanding, and recognition of the Company.

The Company has adopted a "Shareholder Communications Policy" to encourage and maintain timely and effective communications with the Shareholders through the following means:

1. The Directors shall host the annual general meeting or extraordinary general meeting each year to meet with the Shareholders and answer their enquiries. The chairmen of the Board, Strategic and Investment Committee, Audit and Risk Management Committee, Remuneration and Assessment Committee, Nomination Committee and Aviation Safety Committee and the Company's auditors shall attend the annual general meeting or extraordinary general meeting to answer questions from the Shareholders. A separate resolution shall be proposed to be considered by the attending Shareholders in respect of each substantially separate issue, and voting on each resolution shall be conducted by way of a poll. The results of the poll which include the number of votes cast for and against each resolution shall be posted on the Stock Exchange's and the Company's websites on the same day of the meeting, respectively.

2. The Company shall update its Shareholders and the investors on the Company's with latest business developments and financial performance through announcements, circulars as well as annual, interim and quarterly reports to be issued by the Company (or through the website of the Stock Exchange) from time to time.

3. The Company shall provide investors with information on the Company's operations and financial data through its annual, interim and quarterly report results presentation meetings, at which senior management such as the Company's general manager, independent directors, chief accountant, secretary to the Board and principal persons in charge of business departments shall attend to answer questions from investors and analysts.

4. The Company shall allow investors to fully express their opinions through the establishment of investor telephone, investor mailboxes, investor websites, reception of investor surveys, and the collection of investor questions on the Shanghai Stock Exchange's investor relations interactive platform and prior to results presentations. Throughout the year, the Company held and participated in over 180 all types of press conferences, strategy meetings, and teleconferences, covering nearly 1,000 investors and analysts.

5. Investors and the public may visit the Company's website (www.csair.com) to understand and obtain details relating to the Company's governance structure, organisational structure, stock information, production statistics, announcements and circulars, etc. The detailed procedures are as follows:

   (1) Open the Home page of the Company's website and click "Investor Relations"

   (2) Click the content you want to read

For enquiries about general meetings and Board meetings, investors may contact the Secretary to the Board by phone at (8620)8611–2480, by fax to (8620)8665–9040 or by e-mail to ir@csair.com. Investors may also raise questions directly at the annual general meetings or extraordinary general meetings. Enquiries about attending annual general meetings or extraordinary general meetings and the procedures for proposing resolutions at such meetings may also be made to the Secretary to the Board by the above means.

The Board reviews the implementation and effectiveness of the above shareholder communication policy on an annual basis. For the year under review, the Board considers that the policy is adequate and effective for the following reasons: (a) the policy provides multiple channels of communication to meet the different preferences of shareholders or stakeholders, including the publication of updates on the Company's official website (such as financial results and reports, announcements and circulars), correspondence and email addresses for them to communicate in writing, and telephone number for them to communicate directly with each other in conversation and physical general meetings; (b) the Directors and the chairmen of Board Committee, the Company Secretary and/or other professional advisers (if any) attending the annual general meetings or extraordinary general meetings will be available to answer questions from Shareholders; and (c) according to the changes in the regulatory rules for the year, the Company reviewed various system documents in a timely manner and actively enhanced voluntary disclosure, and designated officers of the Company will be responsible for responding promptly to enquiries or comments from Shareholders or stakeholders to respond to the market concerns in a timely manner, improve information transparency and effectively protect the investors' interests.

During the reporting period, the Company has continuously strengthened two-way communication with investors, fostering positive interactions and earning accolades such as the first "Best Practices in Investor Relations Management of Listed Companies" and "Excellent Practice in 2023 Annual Results Brief Session" from the China Association for Public Companies, the "Hong Kong Stock Investor Relations Award" from the Hong Kong Investor Relations Association, and recognition as an "Outstanding Listed Company" on the 40th anniversary of the Guangzhou Development Zone, all contributing to an enhanced brand image and social influence.

Information Disclosure

The Company has strictly complied with the relevant listing rules of all the listing places to perform its information disclosure obligations in accordance with the standards of "truth, accuracy, completeness, timeliness, fairness and effectiveness".

During the reporting period, the Company actively implemented the new securities regulatory rules by striving to improve the quality of listed company, focusing on the development of information disclosure system, formulating and issuing the management rules for interim announcement, and continuously improving the listing compliance system; the Company strengthened the foresight of listing compliance management, established a listing collaborative management mechanism, and adjusted the listing compliance control methods; the Company continued to strengthen the regulated operation management, and strengthened the process control of key listing compliance matters such as financial data quality, connected transactions, external guarantees, management of raised funds, commitments and performance. During the reporting period, the Company received a level-A information disclosure rating for the year 2023–2024 from the SSE. So far, the Company has obtained level-A information disclosure rating from the Shanghai Exchange Stock for ten consecutive years.

Amendments to the Articles of Association

A special resolution was passed by the Company on 29 July 2024 to adopt the amended Articles of Association, which became effective on the same date. For details, please refer to the circular of the Company dated 14 June 2024.

Save as disclosed above, there were no material changes to the Articles of Association for the year ended 31 December 2024.

Company Secretary

During the reporting period, Mr. Chen Wei Hua and Dr. Liu Wei were the joint company secretaries of the Company. Please refer to the section headed "Profiles of Current Directors, Supervisors and Senior Management" in this report for the biographical details of Mr. Chen Wei Hua and Dr. Liu Wei. Mr. Chen Wei Hua and Dr. Liu Wei confirmed that they have received not less than 15 hours of relevant career training during the reporting period.

Dividend Policy

The Company's dividend distribution policy is as follows:

Principles of dividend distribution by the Company: Provided that the long-term and sustainable development of the Company are ensured, the dividend distribution policy of the Company should pay close attention to ensuring a reasonable return of investment to investors and establishing a firm intention of rewarding the shareholders, and such dividend distribution policy should maintain its continuity and stability.

Ways of dividend distribution by the Company: The Company may distribute dividends by way of cash, shares, a combination of cash and shares or in other reasonable manners in compliance with laws and administrative regulations.

Conditions and proportion of distribution of dividends by the Company: Conditional upon the Company being profitable for the year and after allocation to the statutory common reserve fund and discretionary common reserve fund as required, and there are no exceptional matters including material investment plans or material cash outflows (material investment plans or material cash outflows refer to proposed external investments, acquisition of assets or purchase of equipment in the coming 12 months that in aggregate constitute expenditure exceeding 30% of the net assets of the Company as shown in the latest audited consolidated statements) and there has not incurred any material losses (losses in the amount exceeding 10% of the net assets of the Company as shown in the latest audited consolidated statements), the Company shall distribute cash dividends out of profit in an amount not less than 10% of the distributable profit for the year (i.e. profit realised for the year after making up for losses and allocation to reserve fund). The accumulated distribution of dividend by way of cash for the last three years may not be less than 30% of the Company's average distributable profit for the last three years. The accumulated distribution of dividend by way of cash for the coming three years may not be less than 30% of the Company's average distributable profit for such three years.

Intervals for dividend distribution by the Company: Provided that the conditions of profit distribution are met and the Company's normal operation and sustainable development are ensured, the Company shall in principle distribute dividend on an annual basis, and interim dividend may also be distributed based on the profitability and capital requirement conditions of the Company.

Conditions of profit distribution by way of share dividends: Provided that the minimum proportion of distribution of cash dividends is met and reasonable scale of share capital and shareholding structure of the Company are ensured, and with particular attention paid on keeping the steps of capital expansion in pace with the growth in operation results, if there are special circumstances which prevent distribution by way of cash, the Company may consider distributing profit by way of share dividends as a return to investors after consideration of its profitability and cash flow position and performance of the procedures required by the Articles of Association. Where the Company made a payment of dividend satisfied by an allotment of new shares or completed conversion of capital common reserve fund into capital, the Company may elect not to distribute dividend by way of cash in the same year, and that year is not counted in the three years as stated above in this Articles of Association.

Shareholders' Rights

As one of the measures to safeguard shareholders' interests and rights, separate resolutions are proposed at general meetings on each substantial issue, including the election of individual Directors, for shareholders' consideration and voting. All resolutions put forward at general meetings will be voted by poll pursuant to the Listing Rules and the poll results will be published on the website of the Stock Exchange at "www.hkexnews.hk" and the website of the Company at "www.csair.com" after the relevant general meetings.

General meetings may be convened by the Board on written requisition of shareholder(s) individually or jointly holding 10% or more of the Company's issued and outstanding shares carrying voting rights pursuant to Article 63(3) of the Articles of Association. Such requisition must be stated in the agenda to be addressed in general meeting and signed by the applicant and then reported to the Board and Company Secretary of the Company in written form. Shareholders should follow the requirements and procedures as set out in the Articles of Association for convening an extraordinary general meeting.

For putting forward any enquiry to the Board, shareholders may send written enquiries to the Company. Shareholders may send their enquiries or requests in respect of their rights as mentioned above to the Board Office of the Company or via email as set out in the above section headed "Communications with Shareholders and Investors and Investors Relations".

Training for Directors, Supervisors and Senior Management

During the reporting period, the Company organised directors, supervisors and senior management to actively study the laws and regulations of listed companies, and continued to pay attention to the latest regulatory provisions and other key content. The Company arranged for Beijing Dacheng Law Offices, LLP to provide in-depth explanations to directors, supervisors and senior management of the 10th session of the Company on the Listed Company Operations and Responsibilities of Directors, Supervisors and Senior Management, with a focus on interpreting the new requirements for the duties of directors, supervisors and senior management of listed companies under the new Company Law and the latest regulations from the CSRC and stock exchanges, and emphasizing the obligations and responsibilities of directors, supervisors and senior management.

ENVIRONMENTAL AND SOCIAL RESPONSIBILITY

I. INFORMATION ON ENVIRONMENTAL PROTECTION

Whether an environmental protection-related mechanism is established or not	Yes
Funds invested in environmental protection during the reporting period (unit: RMB in ten thousands)	7,612

(I) Information on Environmental Protection of Enterprises and Its Key Subsidiaries which were classified as Major Pollution Discharge Units Published by the Environmental Protection Authorities

1. Information on Pollution Discharge

The Group always adheres to the concept of green development, earnestly fulfils responsibilities for environmental protection, and continuously improves the pollution prevention and control as well as the management of environmental protection. The Shenyang Base of the Engineering Technology Branch of the Company is classified as a key controlled unit for atmospheric environment and environmental risks of Shenyang in 2024, and Guangzhou Aircraft Maintenance Engineering Co., Ltd., a joint venture of the Company, is classified as a key controlled unit for environmental risk of Guangzhou. The main pollutants are waste water, exhaust gas and hazardous waste. The details are as follows:

Name of the Company or its subsidiaries	Names of major pollutants and featured pollutants	Method of discharge	Distribution of discharge outlets	Concentration of pollutant discharged	Implemented pollutant discharge standards	Total discharge	Total discharge approved	Excessive discharge
Shenyang Base of the Engineering Technology Branch of China Southern Airlines Company Limited	Waste water: PH value, suspended solids, COD, ammonia nitrogen, total phosphorus, animal fats and vegetable oils	Intermittent discharge	Waste water: 1 main outlet	Waste water: PH value: 6.2 (dimensionless) Suspended solids: 38 mg/l COD: 296mg/l Ammonia nitrogen: 12.6mg/l Total phosphorus: 0.62mg/ lAnimal fats and vegetable oils: 23.9mg/l	Waste water discharge standard is in accordance with the Integrated Sewage Discharge Standard of Liaoning Province (DB21/1627–2008) and the Integrated Sewage Discharge Standard (GB8978–1996)	/	/	No

Name of the Company or its subsidiaries	Names of major pollutants and featured pollutants	Method of discharge	Distribution of discharge outlets	Concentration of pollutant discharged	Implemented pollutant discharge standards	Total discharge	Total discharge approved	Excessive discharge
	Exhaust gas: non-methane hydrocarbon, benzene series, methylbenzene, xylene, PM, nitrogen oxides, sulfur dioxide, blackness of flue gas	Intermittent discharge	Exhaust gas: 11 exhaust gas outlets	DA001: Total volatile organic compounds: Not detected <0.01 mg/m^3 PM: <20 mg/m^3 Non-methane hydrocarbon: 2.80 mg/m^3 Benzene series: Not detected 0.0015 mg/m^3 DA002: Total volatile organic compounds: Not detected <0.01 mg/m^3 PM: <20 mg/m^3 Non-methane hydrocarbon: 2.82 mg/m^3 Benzene series: Not detected 0.0015 mg/m^3 DA003: Total volatile organic compounds: 0.508 mg/m^3 PM: 2.2 mg/m^3 Non-methane hydrocarbon: 3.47 mg/m^3 Benzene series: 0.172 mg/m^3 DA009: Total volatile organic compounds: 0.848 mg/m^3 PM: 2.9 mg/m^3 Non-methane hydrocarbon: 4.49 mg/m^3 Benzene series: 0.154 mg/m^3	The Emission Standard of Volatile Organic Compounds for Industrial Surface Coating (DB21/3160–2019) and the Integrated Emission Standards for Air Pollutants (GB16297–1996)	/	/	No

Name of the Company or its subsidiaries	Names of major pollutants and featured pollutants	Method of discharge	Distribution of discharge outlets	Concentration of pollutant discharged	Implemented pollutant discharge standards	Total discharge	Total discharge approved	Excessive discharge
				DA010: Total volatile organic compounds: 0.721 mg/m^3 PM: 3.2 mg/m^3 Non-methane hydrocarbon: 4.27 mg/m^3 Benzene series: 0.845 mg/m^3 DA011: Total volatile organic compounds: 0.845 mg/m^3 PM: 3.4 mg/m^3 Non-methane hydrocarbon: 3.18 mg/m^3 Benzene series: 0.268 mg/m^3 DA013: Total volatile organic compounds: 0.357 mg/m^3 PM: 3.1 mg/m^3 Non-methane hydrocarbon: 3.38 mg/m^3 Benzene series: 0.187 mg/m^3 DA014: Non-methane hydrocarbon: 4.14 mg/m^3 Benzene series: Not detected <0.0015 mg/m^3 DA017: Non-methane hydrocarbon: 3.34 mg/m^3 DA018: Non-methane hydrocarbon: 3.39 mg/m^3				
				Boiler exhaust vent (DA015): Sulfur dioxide < 8 mg/m^3 Nitrogen oxides: 144 mg/m^3 PM: 5 mg/m^3 Blackness of flue gas <1	Boiler exhaust gas implements the Boiler Air Pollutant Emission Standard (GB13271–2014)	/	/	

Name of the Company or its subsidiaries	Names of major pollutants and featured pollutants	Method of discharge	Distribution of discharge outlets	Concentration of pollutant discharged	Implemented pollutant discharge standards	Total discharge	Total discharge approved	Excessive discharge
Shenyang Base of the Engineering Technology Branch of China Southern Airlines Company Limited	Hazardous waste	Intermittent discharge	3 temporary storage rooms for hazardous waste, 2 underground liquid storage tanks and 2 collection tanks for flushing waste water	/	The Standard for Pollution Control on the Storage and Disposal Site for General Industrial Solid Wastes (GB18599–2001) and its 2013 Revisions (Notice No. 36 of 2013) were executed to handle solid waste; The relevant provisions of the Pollution Control Standards for Hazardous Waste Storage (GB18597–2001) and its Revisions (Notice No. 36 of the Ministry of Environmental Protection in 2013) were executed to handle hazardous waste; The relevant provisions of the Directory of National Hazardous Wastes were executed for the classification of industrial solid wastes.	Detergent 900-404-06 444.78t Used lubricating oil, engine oil 900-214-08 14.91t Used hydraulic oil 900-218-08 7.04t Waste jet fuel 900-249-08 18.21t Waste emulsion, waste cutting fluid 900-007-09 0t Paint slag 900-252-12 0t Photographic chemical wastes 231-001-16 0t Waste activated charcoal 900-039-49 6.5t Waste contaminants 900-041-49 106.72t Waste paint 900-999-49 0t	Detergent 900-404-06 650t Used lubricating oil, engine oil 900-214-08 15t Used hydraulic oil 900-218-08 15t Waste jet fuel 900-249-08 25t Waste emulsion, waste cutting fluid 900-007-09 1t Paint slag 900-252-12 30t Photographic chemical wastes 231-001-16 3t Waste activated charcoal 900-039-49 10t Waste contaminants 900-041-49 120t Waste paint 900-999-49 2t	No
Shenyang Northern Aircraft Maintenance Co., Ltd.	Exhaust gas: non-methane hydrocarbon, methylbenzene, xylene, PM, nitrogen oxides, carbon monoxide	Intermittent discharge	Exhaust gas: 12 exhaust gas outlets	DA001-DA0012:/	The Emission Standard of Volatile Organic Compounds for Industrial Surface Coating (DB21/3160–2019) and the Integrated Emission Standards for Air Pollutants (GB16297–1996)	/	/	No

Name of the Company or its subsidiaries	Names of major pollutants and featured pollutants	Method of discharge	Distribution of discharge outlets	Concentration of pollutant discharged	Implemented pollutant discharge standards	Total discharge	Total discharge approved	Excessive discharge
	Hazardous waste	Intermittent discharge	2 temporary storage rooms for hazardous waste, 3 underground liquid storage tanks (of which the APU workshop liquid storage tank is not in operation) and 1 storage depot for general industrial solid wastes	/	The Standard for Pollution Control on the Storage and Disposal Site for General Industrial Solid Wastes (GB18599–2001) and its 2013 Revisions (Notice No. 36 of 2013) were executed to handle solid waste; The relevant provisions of the Pollution Control Standards for Hazardous Waste Storage (GB18597–2001) and its Revisions (Notice No. 36 of the Ministry of Environmental Protection in 2013) were executed to handle hazardous waste; The relevant provisions of the Directory of National Hazardous Wastes were executed for the classification of industrial solid wastes.	Detergent 900-404-06 80t Used lubricating oil, engine oil 900-214-08 5t Waste activated charcoal 900-039-49 0.5t Waste contaminants 900-041-49 0.5t	Detergent 900-404-06 85t Used lubricating oil, engine oil 900-214-08 10t Waste activated charcoal 900-039-49 0.5t Waste contaminants 900-041-49 0.6t	No
Guangzhou Aircraft Maintenance Engineering Co., Ltd.	Exhaust gas	Intermittent discharge	6 exhaust vents in paint hangar	DA001: Benzene: ND mg/m³ (below the detection limit) Methylbenzene + Xylene: 0.0553 mg/m³ VOCs: 1.06 mg/m³ PM: 5.4 mg/m³	Emission Standard of Volatile Organic Compounds for Surface Coating (Motor Industry) DB44/816-2010	/	/	No
				DA002: Benzene: ND mg/m³ (below the detection limit) Methylbenzene + Xylene: 0.0022 mg/m³ VOCs: 2.12 mg/m³ PM: 5.8 mg/m³	Emission Standard of Volatile Organic Compounds for Surface Coating (Motor Industry) DB44/816-2010	/	/	No
				DA003: Benzene: 0.0011 mg/m³ Methylbenzene + Xylene: 0.0066 mg/m³ VOCs: 2.39 mg/m³ PM: 6.3 mg/m³	Emission Standard of Volatile Organic Compounds for Surface Coating (Motor Industry) DB44/816-2010	/	/	No
				DA004: Benzene: ND mg/m³ (below the detection limit) Methylbenzene + Xylene: 0.0473 mg/m³ VOCs: 1.21 mg/m³ PM: 6.5 mg/m³	Emission Standard of Volatile Organic Compounds for Surface Coating (Motor Industry) DB44/816-2010	/	/	No

Name of the Company or its subsidiaries	Names of major pollutants and featured pollutants	Method of discharge	Distribution of discharge outlets	Concentration of pollutant discharged	Implemented pollutant discharge standards	Total discharge	Total discharge approved	Excessive discharge
				DA005: Benzene: ND mg/m³ (below the detection limit) Methylbenzene + Xylene: 0.0595 mg/m³ VOCs: 1.36 mg/m³ PM: 5.81 mg/m³	Emission Standard of Volatile Organic Compounds for Surface Coating (Motor Industry) DB44/816-2010	/	/	No
				DA006: Benzene: 0.0428 mg/m³ (below the detection limit) Methylbenzene + Xylene: 0.0335 mg/m³ VOCs: 1.97 mg/m³ PM: 4.8 mg/m³	Emission Standard of Volatile Organic Compounds for Surface Coating (Motor Industry) DB44/816-2010	/	/	No
			1 exhaust vent in surface treatment workshop	Lanthanum sulfate: ND mg/m³ (below the detection limit) Mist of chromic acid: 0.019 mg/m³ Nitrogen oxides: ND mg/m³ (below the detection limit)	Electroplating Pollutant Discharge Standard GB 21900–2008	/	/	No
	Waste water	Intermittent discharge	1 pretreatment outlet in sewage treatment station	Hexavalent chromium: 0.098 mg/L T-Cr: 0.215 mg/L	Emission Limits of Water Pollutants DB44/26-2001	/	/	No
			1 main outlet in sewage treatment station	COD: 321 mg/L Five-day BOD: 103 mg/L Suspended solids: 17 mg/L Petroleum: 0.76 mg/L Ammonia nitrogen: 2.97 mg/L Anionic surfactant: 3.36 mg/L Phosphate: 0.08 mg/L	Emission Limits of Water Pollutants DB44/26-2001	/	/	No
			1 pretreatment outlet in surface treatment workshop	Hexavalent chromium: 0.068 mg/L T-Cr: 0.249 mg/L	Electroplating Water Pollutant Discharge Standard DB44/1597–2015	/	/	No
			1 main outlet in surface treatment workshop	COD: 33 mg/L Suspended solids: 17 mg/L Petroleum: 0.17 mg/L Ammonia nitrogen: 0.242 mg/L Total phosphorus: 0.08 mg/L Total nitrogen: 3.18 mg/L Fluoride: 1.24mg/L	Electroplating Water Pollutant Discharge Standard DB44/1597–2015	/	/	No

During the reporting period, the discharge of pollutants of the Company was in compliance with the relevant national discharge standards, and there were no violations of laws and regulations in respect of environmental protection, no major environmental pollution accidents, or any severe or major damages to the ecological environment, nor was there any general environmental pollution accidents or ecological damage events.

2. Construction and Operation of Facilities to Prevent Pollution

The construction and operation of the Group's "three wastes" pollution control facilities were strictly implemented in accordance with the regulatory requirements of the competent ecological environment department and the "three simultaneous" of environmental protection. The pollution control facilities and production facilities operated simultaneously. Domestic waste water was discharged to a sewage treatment plant for treatment. Production waste gas was discharged in strict accordance with the emission permit. Hazardous waste was collected and temporarily stored in hazardous waste temporary storage storerooms and organic waste liquid storage tanks, and entrusted qualified enterprises/institutions to transfer and disposal on a regular basis. The Group strictly followed various standards and complied with relevant environmental protection requirements.

3. Environmental Impact Assessment and Other Administrative Permission for Environmental Protection

The construction projects of Shenyang Base of the Engineering Technology Branch of the Company and Guangzhou Aircraft Maintenance Engineering Co., Ltd. conducted environmental impact appraisal and inspection according to requirements of environment protection laws and regulations, and obtained and strictly complied with the content of the pollutant discharge permit.

4. Emergency Plans for Environmental Contingencies

The Group actively established and improved emergency plans for environmental contingencies, and promoted to establish special management plans for environmental impact assessment reports, environmental contingencies, fires, hazardous aviation chemicals, and hazardous wastes, and emergency plans of each secondary unit, so as to establish a complete emergency management system for environmental contingencies gradually. The Shenyang Base of the Engineering Technology Branch of the Company has revised the emergency plans for environmental contingencies according to the requirements of competent ecological environment authority in 2021, and completed the filing on 22 June 2021. Shenyang Northern Aircraft Maintenance Co., Ltd. has developed the emergency plans for environmental contingencies according to the requirements of competent ecological environment authority in 2023, and completed the filing on 19 May 2023. Guangzhou Aircraft Maintenance Engineering Co., Ltd. has revised the emergency plans for environmental contingencies according to the requirements of competent ecological environment authority in 2022, and completed the filing on 14 September 2022. On 30 September 2022, the Group released Special Emergency Plans for Environmental Contingencies.

5. Environment Self-monitoring Solutions

In accordance with relevant requirements of the measures for self-monitoring and information disclosure by enterprises subject to intensive monitoring and control of the state, the Group established and improved a pollution source monitoring and information disclosure system, formulated annual pollutant self-monitoring plans, and entrusted third-party companies with environmental monitoring qualifications to regularly monitor pollutants. During the reporting period, as monitored by the third-party company, the Company's discharge of major pollutants achieved up-to-standard. The Shenyang Base of the Engineering Technology Branch of the Company, Shenyang Northern Aircraft Maintenance Co., Ltd. and Guangzhou Aircraft Maintenance Engineering Co., Ltd. have formulated the pollutant self-monitoring plans in accordance with relevant technology standards and requirements of pollutant discharge permits, and regularly conducted on-site monitoring according to the plans.

6. Administrative Penalties for Environmental Issues during the Reporting Period

Nil.

7. Other Environmental Information that shall be Disclosed

Nil.

(II) Information on Environmental Protection of Companies Other Than Major Pollution Discharge Units

Nil.

(III) Information that is Conducive to Protecting Ecology, Preventing Pollution, and Fulfilling Environmental Responsibilities

During the reporting period, the Company continued to push forward the Green Flight, advocated the concept of low-carbon travel, and reduced environmental pollution by use of market mechanism.

1. Green Flight

During the reporting period, the Company continued to promote fuel saving, with focus on improving single-engine sliding and fuel-efficient launching, retracting flap height, replacing Auxiliary Power Units (APU) with bridge-mounted equipment, and pilot application of sustainable aviation fuel, and made progress in fuel saving. The Company pressed ahead meal-saving activities themed by "Green Flight" to encourage passengers to dine according to needs and cancel meals on voluntary basis. In 2024, bookings for the "Green Flight – On-demand Catering" service recorded a year-on-year increase of 33.08%.

2. Conducted the "Carbon Peak and Carbon Neutrality" Research

During the reporting period, the Company formulated the "carbon peak and carbon neutrality" action plan and implementation plan to systematically promote carbon peak and carbon neutrality through seven major actions, including optimisation of flight efficiency, ground energy saving and carbon reduction, energy green transformation, environmental pollution prevention and control, resource recycling, professional system construction, and coordination of innovation and exploration.

3. Reduced Impact of Carbon Emission on Climate Change by Market Mechanism

The Company has been supporting and actively participating in Chinese government's various work regarding the market mechanism of carbon trading. During the reporting period, according to the requirements of CAAC, the Company fully fulfilled its performance for 2023 under the European Union carbon trading scheme in April 2024, and completed the carbon dioxide emission reporting and verification for 2023 of the Guangdong carbon trading scheme in June 2024. We fully completed the carbon dioxide emission report and verification of civil aviation flight activities in 2023 by using the self-developed flight carbon emission data monitoring, reporting and verification system (MRV system).

4. Established and Improved Information System of Environmental Protection and Management

During the reporting period, the Company continued the optimisation of an information management system of environmental protection to realise online reporting and processing of data and information regarding energy consumption and pollutant discharge, and online monitoring of environmental pollution sources, risk points, and prevention and control measures, and continued to improving the quality and accuracy of the data.

5. Established and Improved the Emergency Management System for Environmental Contingencies

During the reporting period, the Company focused on emergency plans for environmental contingencies, which were supplemented by special management and plans for environmental impact assessment reports, environmental contingencies, fires, hazardous aviation chemicals, and hazardous wastes, and supported by the promotion of establishment of emergency plans for each secondary unit, so as to establish a complete emergency management system for environmental contingencies.

6. Developed Passenger Carbon Account and Improved the Passenger Flight Carbon Calculator

During the reporting period, the Company opened carbon accounts for passengers, which will record the reduced carbon emission behaviours such as cancelling meals, use of electronic check-in and use of E-ticket, and upgraded the passenger flight carbon calculator, launching the passenger carbon offset service on the Company's APP.

7. Fully Promoted the Work of Plastic Pollution Control

During the reporting period, the Company implemented the overall plan for the treatment of plastic pollution, improved the replacement standards for disposable non-degradable plastic products, continuously updated of standards for managing plastic product bans and restrictions, strictly implemented the standards of management and control in the production and procurement links, and carried out separate recycling and disposal. The Company has worked on promoting the development of industry standards, innovation and research to build the CSA Building headquarters as a model. In March 2024, the Company led the drafting of the first plastic limited group standard "Domestic Departure Passenger Flights Disposable Non-degradable Plastic Products Replacement Code" (T/CATAGS 78-2024) of China's civil aviation industry was officially released. In December 2024, the Company compiled and released the "Management Standards for Prohibition and Restriction on Disposable Plastic Products".

8. Carried Out Noise Pollution Prevention and Control

During the reporting period, in accordance with the Law of the People's Republic of China on the Prevention and Control of Noise Pollution, which came into effect in June 2022, the Company formulated a plan for noise reduction of aircraft take-off and landing.

(IV) Measures Taken to Reduce Carbon Emissions during the Reporting Period and Results

Whether to take carbon reduction measures	Yes
Reduction of carbon dioxide equivalent emissions (unit: tonne)	636,200
Type of carbon reduction measures (such as using clean energy to generate electricity, using carbon reduction technologies in the production process, developing and producing new products that contribute to carbon reduction, etc.)	During the reporting period, the Company formulated and implemented its "Carbon Peak and Carbon Neutrality" action plan and the relevant implementation plan, and systematically promoted the "Carbon Peak and Carbon Neutrality" related work. Through continuous introduction of new generation highly energy-efficient aircraft, phasing out high-emission aged aircraft, carrying out aircraft weight reduction projects, installing aircraft sharklet, and promoting refined management of jet fuel as well as other aviation carbon emissions reduction measures, the fuel consumption per tonne-kilometre decreased to 2.572 tonnes/10,000-tonne-kilometres. The Company continued to promote the "oil-to-electricity" transformation of ground vehicles, and introduced new energy field vehicles at the proportion set by regulatory requirements. We ensured that aircraft used bridge-mounted air conditioners and bridge-mounted power supplies instead of Auxiliary Power Units (APU) when they were docked, reducing carbon emissions caused by the consumption of aviation kerosene, gasoline and diesel. We promoted energy-saving renovation of existing buildings, completed a 1.3 MW of clean energy (distributed photovoltaic) energy-saving project at the Industry-Education Integration Training Base of CSA in Guangzhou and upgraded the environmental protection and energy management system. We jointly released the "Sustainable Aviation Fuel Development Path Research Report" with the China International Center for Sustainable Transport Innovation and Knowledge and Airbus S.A.S, conducted sustainable aviation fuel engine testing with MTU Maintenance Zhuhai Co., Ltd., and carried out the dismantling of retired aircraft at the aircraft maintenance plant of CSA in Guizhou, enabling the green recycling and reuse of aviation materials.

II. COMPANY'S WORK AS TO SOCIAL RESPONSIBILITY

External donations and public welfare projects	Quantity/content	Details
Total investment (RMB in ten thousands)	20	External donations by "Ten-Cent" Caring Foundation of CSA
Including: Funds (RMB in ten thousands)	20	"Ten-Cent" Caring Foundation of CSA donated RMB200,000 for the post-disaster reconstruction of Huludao City, Liaoning Province.
Number of people benefited (person)	/	/

We actively fulfilled corporate social responsibility, actively implemented national strategies, built a high-quality Beijing hub, enhanced the market control in the Greater Bay Area, and further enhanced the CSA ecosystem. We made continuous efforts to deepen the poverty alleviation model with CSA's characteristics, improved the management mechanism of assistance, and enhanced the abilities of the cadres who undertook the assistance work. CSA undertook the assistance task of assisting 2 designated assistance counties in Xinjiang and 1 county, 1 town and 19 targeted poverty alleviation villages in other regions. CSA selected 48 temporary assistance cadres to be responsible for the assistance work, investing RMB99.4955 million of assistance funds, demonstrating that "rural revitalisation is the responsibility of CSA". In 2024, China Southern Airlines focused on application scenarios and demand to implement the green development strategy for civil aviation, establishing the "Green Flight" brand. The airline participated in a pilot project for sustainable aviation fuel ("**SAF**"), utilizing 96.97 tonnes of SAF. In collaboration with the Ministry of Transport's China International Sustainable Transport Innovation and Knowledge Centre and Airbus, a research report on the development path of SAF was released. Fuel consumption per tonne-kilometer for air transportation has decreased by 6.7% compared to the same period in 2023. China Southern Airlines took the lead in compiling the first plastic-restricted group standard for civil aviation in China, and published the first white paper on green development in the sector.

We continuously carried out flight punctuality improvement actions and established a flight punctuality system from the passenger's perspective. We promoted the provision of more people-oriented, digitalised, refined, personalised, and convenient services for customers, improved the service quality management system, optimised the customer service full-chain business processes and structure, and implemented the catering quality improvement plan. We ranked first in Aviation Service Industry in China Brand Power Index for fourteen consecutive years and won the "Best Airline Award" by CAPSE for seven consecutive years.

III. CONSOLIDATE AND EXPAND THE PROGRESS IN POVERTY ALLEVIATION AND FURTHER REVITALISE THE COUNTRYSIDE

Poverty alleviation and rural revitalisation projects	Quantity/content	Details
Total investment (RMB in ten thousands)	9,949.55	Funds for assistance
Including: Funds (RMB in ten thousands)	9,267.55	Funds for assistance
Cash converted from materials (RMB in ten thousands)	682	We provided free airline tickets to support assisted regions and other public welfare activities throughout the year.
Number of people benefited (person)	/	/
Forms of poverty alleviation (industrial poverty alleviation, employment poverty alleviation, educational poverty alleviation, etc.)	Industrial assistance	We established an industrial assistance production base of China Southern Airlines in Pishan County, Xinjiang; implemented the planting demonstration project of “Pearl Kapok” glutinous corn; and entered into procurement agreements with six assisted enterprises specializing in working uniforms.
	Talent assistance	We organised 2 sessions of group learning activities themed the CSA “Path of Sunshine” with the participation of villagers at the paired-up assistance county; and held 50 sessions of “Series Trainings on Quality Improvement of Leaders in Rural Revitalisation by China Southern Airlines Pearl”.
	Cultural assistance	We organized the first session of “CSA Pearl Cup” Youth Football League in Hotan, Xinjiang; and continued to promote Mandarin education among assisted groups through “Mandarin Evening Schools”, “Pomegranate Seed Small Classes” and “Tests of Mandarin Application Skills for Farmers and Herders”.
	Ecological assistance	We implemented the “CSA Pearl Unity Demonstration Household Project” to launch activities to recognize outstanding grid models, promoted the construction of digital villages, developed courtyard economy, enhanced rural logistics, and optimized rural living environment, further elevating the level of public services and grassroots governance.
	Organisational assistance	We organised 24 activities in Pishan County and Muyu County, Xinjiang and other assistance points, including grassroots volunteer medical services, “Love Xinjiang” volunteer services, “Publicity of Civil Aviation Knowledge into Campus” public welfare classes, aviation-themed activities and kapok public welfare lectures.
	Consumption assistance	We held the first session of CSA Product Exchange Meeting for Assisted Regions in Guangzhou, set up the CSA Rural Revitalization Products Exhibition and Sales Hall, and put into operation the online e-commerce platform “CSA Goodies Shopping (南航好物購)” for consumption assistance.
	Aviation assistance	We carried out public welfare assistance projects such as the “Angel’s Journey – Xinjiang CHD Screening and Rescue Action (天使之旅－新疆先心病患兒篩查救助行動)” and “Standing up Programme (站立計劃)”, providing free and whole-journey aviation services for more than 1,100 children with congenital diseases and disabilities in Hotan, Xinjiang to get medical treatment.
	Medical assistance	We donated medical equipment to medical institutions in Pishan County and Muyu County, Xinjiang in cooperation with public welfare foundations.

In 2024, the Group learned from and applied the experience of the "Ten Million Project", and promoted new steps and achieved new achievements in the assistance work.

During the reporting period, the Group boosted assistance efforts in industrial revitalisation and assistance, established an industrial assistance production base of China Southern Airlines. We stepped up assistance efforts in talent revitalisation and assistance, organised 2 sessions of group learning activities themed the "Path of Sunshine" with the participation of villagers at the paired-up assistance county and 50 sessions of "Series Trainings on Quality Improvement of Leaders in Rural Revitalisation by China Southern Airlines Pearl". We intensified assistance efforts in cultural revitalisation and assistance, continued to promote Mandarin education among assisted groups through "Mandarin Evening Schools", "Pomegranate Seed Small Classes" and "Tests of Mandarin Application Skills for Farmers and Herders". We increased the efforts in consumption assistance, held the first session of CSA Product Exchange Meeting for Assisted Regions, and set up the CSA Rural Revitalization Products Exhibition and Sales Hall. We enhanced the efforts in ecological and organisational assistance, promoted the construction of digital villages, optimized rural living environment, organised 24 activities including grassroots volunteer medical services, "Love Xinjiang" volunteer services and "Publicity of Civil Aviation Knowledge into Campus" public welfare classes. We boosted aviation assistance, provided free and whole-journey aviation services for more than 1,100 children with congenital diseases and disabilities in Hotan, Xinjiang to get medical treatment.

IMPORTANT MATTERS

I. PERFORMANCE OF UNDERTAKING

Background of undertaking	Type of undertaking	Undertaking party	Content of undertaking	Time of undertaking	Fulfilment time limit, if any	Term of undertaking	Strict fulfilment in time, if any	Reason for not fulfilled in a timely manner	Followup actions, in case of undertakings not fulfilled in a timely manner
Undertaking related to share reform	Other	CSAH	Upon completion of the share reform plan, and subject to compliance with the relevant laws and regulations of the PRC, CSAH will support the Company in respect of the formulation and implementation of a management equity incentive system.	April 2007	Yes	Long-term	Yes	Nil	Nil
Other undertaking	Other	CSAH	CSAH and the Company entered into a Separation Agreement with regard to the definition and allocation of the assets and liabilities between CSAH and the Company on 25 March 1995 (amended on 22 May 1997). According to the Separation Agreement, CSAH and the Company agreed to compensate the other party for the claims, liabilities and costs borne by such party as a result of the business, assets and liabilities held or inherited by CSAH and the Company pursuant to the Separation Agreement.	March 1995	Yes	Long-term	Yes	Nil	Nil
Other undertaking	Other	CSAH	The relevant undertakings under the Financial Services Framework Agreement entered into between the Company and Finance Company include: A. Finance Company is an enterprise group finance company duly incorporated under the "Administrative Measures for Enterprise Group Finance Companies" and other relevant laws and regulations, whose principal business is to provide finance management services, such as deposit and financing for the members of the Group and the relevant capital flows are kept within the Group; B. the operations of Finance Company are in compliance with the requirements of the relevant laws and regulations and well-performed, therefore the deposits placed with and borrowings from Finance Company by the Company are secured. In future, Finance Company will continue to operate in strict compliance with the requirements of the relevant laws and regulations; C. in respect of the Company's deposits with and borrowings from Finance Company, the Company will continue to implement its internal procedures and make decision on its own in accordance with relevant laws and regulations and the Articles of Association, and CSAH will not intervene in the relevant decision making process of the Company; and D. CSAH will continue to fully respect the rights of the Company to manage its own operations, and will not intervene in the daily business operations of the Company.	March 2009	Yes	Long-term	Yes	Nil	Nil

Background of undertaking	Type of undertaking	Undertaking party	Content of undertaking	Time of undertaking	Fulfilment time limit, if any	Term of undertaking	Strict fulfilment in time, if any	Reason for not fulfilled in a timely manner	Followup actions, in case of undertakings not fulfilled in a timely manner
Other undertaking	Resolving defects in land and other properties	CSAH	In respect of the connected transaction entered into between the Company and CSAH on 14 August 2007 in relation to the sale and purchase of various assets, the application for building title certificates for eight properties of Air Catering (with a total gross floor area of 8,013.99 square meters) and 11 properties of the Training Centre (with a total gross floor area of 13,948.25 square meters) have not been made for various objective reasons. On 19 December 2019, the Company received the Undertaking Letter on Building Title Certificates Application Work of Air Catering and Training Centre (《關於南航食品公司及培訓中心房產辦證工作的承諾函》) from CSAH, the controlling shareholder of the Company. So far, the application for building title certificates for 12 properties aforementioned has been completed with a total gross floor area of 14,178.25 s.q.m. The main reason for the incomplete application of the remaining property title certificates is that the land where the property is located is leased land. Due to the change of relevant laws, regulations and policies, the application for the property title certificates cannot be made. CSAH undertook with the Company that: (1) in the case that the application of the title certificate for related property is allowed due to subsequent policy changes, all the costs and expenses arising from the application of the relevant title certificates would be borne and paid by CSAH; (2) if any third party claimed against the Company as a result of the properties not having the title certificates, or the title defect of the properties having an effect on the daily operation of the Company and giving rise to loss, such loss shall be borne by CSAH and CSAH shall have no right to seek recovery from the Company.	December 2019	Yes	Long-term	Yes	Nil	Nil

Background of undertaking	Type of undertaking	Undertaking party	Content of undertaking	Time of undertaking	Fulfilment time limit, if any	Term of undertaking	Strict fulfilment in time, if any	Reason for not fulfilled in a timely manner	Followup actions, in case of undertakings not fulfilled in a timely manner
Other undertaking	Other	CSAH	On 7 February 2018, the Company received an undertaking letter from CSAH, the controlling shareholder of the Company, in respect of certain land and properties without having ownership certificates by the Company, details of which are set out as follows: as at 30 September 2017, the Company and its branches, offices held 3 parcels of land (with a total area of 181,350.42 square meters) and 342 properties (with a total area of 244,228.08 square meters), being land and properties allocated to the Company from CSAH on different occasions. The registration of the abovementioned land and properties has not been completed to change the title to the applicant. These land and properties were transferred under the Separation Agreement, Agreement regarding the Reorganisation of China Northern Airlines Company and Xinjiang Airlines Company and Assets Sale & Purchase Agreement entered into between the Company and CSAH in 1997, 2004 and 2007, respectively. CSAH undertook that if any third party claimed against the Company as a result of the land and properties without having the ownership certificates, or the title defect of the land and properties having an effect on the daily operation of the Company and giving rise to loss, such loss shall be borne by CSAH and CSAH shall have no right to seek recovery from the Company.	February 2018	Yes	Long-term	Yes	Nil	Nil
Other undertaking	Resolving defects in land and other properties	The Company	The Company issued an undertaking to General Aviation Limited in August 2022 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 property rights or General Aviation Limited suffers losses due to defective 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.	August 2022	Yes	Long-term	Yes	Nil	Nil

Background of undertaking	Type of undertaking	Undertaking party	Content of undertaking	Time of undertaking	Fulfilment time limit, if any	Term of undertaking	Strict fulfilment in time, if any	Reason for not fulfilled in a timely manner	Followup actions, in case of undertakings not fulfilled in a timely manner
Other undertaking	Other	The Company	The Company makes the following undertakings in connection with the proposed application of CSA Logistics for an initial public offering of RMB ordinary shares (A shares) and listing on the main board of the Shanghai Stock Exchange: Within 36 months from the date of listing of CSA Logistics' shares on the Shanghai Stock Exchange, the Company shall not transfer or entrust others to manage the shares directly and/or indirectly held by the Company in CSA Logistics issued prior to the offering and listing, nor shall CSA Logistics repurchase such shares. Within 6 months from the date of listing of CSA Logistics' shares on the Shanghai Stock Exchange, if the closing price of CSA Logistics' shares is lower than the issue price for 20 consecutive trading days, or the closing price of CSA Logistics' shares is lower than the issue price at the end of 6 months upon listing (if the day is not a trading day, it is the first trading day after that day), the lock-up period for the Company to hold CSA Logistics' shares will be automatically extended for six months. If CSA Logistics performs any ex-right or ex-dividend event, including dividend distribution, issuance of bonus shares, capitalisation of capital reserves after listing, the above issue price is the price after ex-dividend and ex-right. If the shares held by the Company are reduced within two years after the expiration of the lockup period (excluding the shares of CSA Logistics newly purchased by the Company from the open market upon the listing of CSA Logistics), the price of the shares reduced shall not be lower than the issue price of the shares listed in this offering. If CSA Logistics performs any ex-right or ex-dividend event, including dividend distribution, issuance of bonus shares, capitalisation of capital reserves after listing, the above issue price is the price after ex-dividend and ex-right.	June 2023	Yes	Shares of CSA Logistics held by the Company within two years after the expiration of the lock-up period	Yes	Nil	Nil

Background of undertaking	Type of undertaking	Undertaking party	Content of undertaking	Time of undertaking	Fulfilment time limit, if any	Term of undertaking	Strict fulfilment in time, if any	Reason for not fulfilled in a timely manner	Followup actions, in case of undertakings not fulfilled in a timely manner
Other undertaking	Other	The Company	The Company makes the following undertakings in connection with the proposed application of CSA Logistics for an initial public offering of RMB ordinary shares (A shares) and listing on the main board of the Shanghai Stock Exchange: To fully ensure the independence of the assets and operations of CSA Logistics, for the aforementioned freighters, the Company will effectively operate the relevant freighters during the transition period when Cargo Company does not have the capacity to operate the relevant freighters. The Company will only use the relevant freighters to provide air cargo transportation services for CSA Logistics, and will promptly transfer the relevant freighters to Cargo Company for operation after Cargo Company has the capacity to operate the relevant freighters. In particular: (1) In 2024, on the premise that Cargo Company has obtained the approval of the Civil Aviation Administration of China and other regulatory authorities, the Company will terminate the lease and operation relationship of the four freighters with the registration numbers B-2010, B-2072, B-2080 and B-2081 with CSA Logistics, and support CSA Logistics to transfer the ownership and operation rights of the four freighters to Cargo Company in a reasonable manner; (2) Except for the freighters required for the routes to Germany and the Netherlands (subject to the restrictions of obtaining the air rights and flight schedules to Germany and the Netherlands), all the freighters introduced by the Company under the finance lease arrangement will be promptly transferred to Cargo Company for operation within two years from the end of the lease term, after meeting all external regulatory requirements and after all parties have completed the relevant approval procedures; (3) All the remaining freighters introduced by the Company under the finance lease arrangement that cannot be transferred according to the aforementioned Article (2) will be promptly transferred to Cargo Company for operation within two years after the end of the lease term, after Cargo Company has obtained the air rights and flight schedules for the routes to Germany and the Netherlands, and after meeting all external regulatory requirements and all parties have completed the relevant approval procedures; (4) The Company will actively fulfill all external regulatory requirements and relevant transfer approval procedures (if any and applicable), and promptly support the handling of the relevant aircraft certificate change procedures. The Company will provide support in the construction of Cargo Company's freighter operation capability (including but not limited to the introduction of pilots, the construction of maintenance, flight and other capabilities).	October 2023	Yes	Until the relevant freighters are delivered to Cargo Company for operation	Yes	Nil	Nil

Background of undertaking	Type of undertaking	Undertaking party	Content of undertaking	Time of undertaking	Fulfilment time limit, if any	Term of undertaking	Strict fulfilment in time, if any	Reason for not fulfilled in a timely manner	Followup actions, in case of undertakings not fulfilled in a timely manner
Other undertaking	Other	The Company	The Company makes the following undertakings in connection with the proposed application of CSA Logistics for an initial public offering of RMB ordinary shares (A shares) and listing on the main board of the Shanghai Stock Exchange: 1. in the event that the net profit (based on the net profit attributable to the Company after deducting non-recurring gains and losses) of the year of the initial public offering and listing of CSA Logistics falls by more than 50% as compared with that of the year prior to the listing, the lock-up period of the shares held by the Company at that time (the shares acquired by the Company prior to the listing of CSA Logistics, and still held by the Company at the time of disclosure of the annual report of CSA Logistics in the year of its listing) will be extended for six months; 2. in the event that the net profit (based on the net profit attributable to the Company after deducting non- recurring gains and losses) of the second year of the initial public offering and listing of CSA Logistics falls by more than 50% as compared with that of the year prior to the listing, the lock-up period of the shares held by the Company at that time (the shares acquired by the Company prior to the listing of CSA Logistics, and still held by the Company at the time of disclosure of the annual report of CSA Logistics in the second year of its listing) will be extended for six months on the basis of the preceding item; 3. in the event that the net profit (based on the net profit attributable to the Company after deducting non-recurring gains and losses) of the third year of the initial public offering and listing of CSA Logistics falls by more than 50%as compared with that of the year prior to the listing, the lock-up period of the shares held by the Company at that time (the shares acquired by the Company prior to the listing of CSA Logistics, and still held by the Company at the time of disclosure of the annual report of CSA Logistics in the third year of its listing) will be extended for six months on the basis of the preceding 2 items. If the Company violates the above undertakings, CSA Logistics and other shareholders of CSA Logistics shall be entitled to request the Company to regulate the corresponding transaction behavior and compensate CSA Logistics in cash for the benefits and gains that have been gained from the transaction; and if the violation of the above undertakings results in economic losses to CSA Logistics, the Company shall compensate CSA Logistics for all the losses suffered by CSA Logistics as a result of such violation.	June 2024	Yes	Fulfilment to the third year of the initial public offering and listing of CSA Logistics's shares	Yes	Nil	Nil

II. UTILISATION OF THE NON-OPERATING FUNDS BY THE CONTROLLING SHAREHOLDER AND ITS CONNECTED PERSONS DURING THE REPORTING PERIOD

During the reporting period, neither the controlling shareholder of the Company, nor any of its connected persons has utilised the non-operating funds of the Company.

III. GUARANTEES IN VIOLATION

During the reporting period, the Company did not provide external guarantees in violation of any specified decision-making procedures.

IV. BANKRUPTCY OR RESTRUCTURING EVENTS

During the reporting period, the Company was not involved in any bankruptcy or restructuring events.

V. MATERIAL LITIGATIONS AND ARBITRATIONS

During the reporting period, the Company was not involved in any material litigation or arbitration.

VI. SUSPECTED VIOLATION OF LAWS AND REGULATIONS OF, PENALTY ON AND RECTIFICATION ON THE LISTED COMPANIES, ITS DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT, CONTROLLING SHAREHOLDER AND THEIR DE FACTO CONTROLLERS

During the reporting period, the Company did not have the above situation.

VII. Financial Business Between the Company and Its Related Financial Company, and Between Financial Company Controlled by the Company and Related Parties

1. Deposits Business

Unit: RMB million

Related party	Related party relationship	The maximum daily deposit limit	Deposit interest rate range	Balance at the beginning of the period	Amount incurred during the period		Balance at the end of the period
					Total amount deposited during the current period	Total amount withdrawn during the current period	
Finance Company	Under the same controlling shareholder	21,000	0.45%-2%	8,940	452,402	446,762	14,580
Total	/	/	/	8,940	452,402	446,762	14,580

Note: The deposit interest rate range does not include small foreign currency deposits.

2. Loan Business

Unit: RMB million

Related party	Related party relationship	Loan limit	Loan interest rate range	Balance at the beginning of the period	Amount incurred during the period		Balance at the end of the period
					Total loans during the current period	Total repayment during the current period	
Finance Company	Under the same controlling shareholder	21,000	2.65%-2.8%	7,442	15,511	12,145	10,808
Total	/	/	/	7,442	15,511	12,145	10,808

3. Credit Business and Other Financial Business

Unit: RMB million

Related party	Related party relationship	Type of business	Total amount	Amount incurred
Finance Company	Under the same controlling shareholder	Commission charges	7.5	2.7
Finance Company	Under the same controlling shareholder	Comprehensive credit facilities	30,000	20,585

VIII. MAJOR CONTRACTS AND THEIR PERFORMANCE

Trust, Sub-contracting and Lease

During the reporting period, the Company did not enter into any trust or sub-contracting arrangement.

Please refer to the sections headed "Summary of Fleet Data" in "Principal Accounting Information and Financial Indicators" and "Connected Transactions" in "Report of Directors" for matters related to the Company's lease transactions during the reporting period.

RISK MANAGEMENT AND INTERNAL CONTROLS

The Board is responsible for maintaining a robust and effective risk management and internal monitoring system, evaluating its effectiveness, and safeguarding the shareholders' investment and the Company's assets. The risk management and internal monitoring systems established by the Company are designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable but not absolute assurance.

The Board has established procedures to identify, assess and manage significant risks to the Company, including updating risk management and internal monitoring systems when the business environments or regulatory guidelines are changed. The Board has reviewed the Company's risk management and internal monitoring systems for the fiscal year ended 31 December 2024 and is satisfied with their effectiveness.

I. Internal control responsibility statement and internal control system construction

The Board shall be responsible for the establishment and implementation of a sound and effective internal control system and the evaluation of its effectiveness, and truthfully disclosing the internal control evaluation report. The objectives of the internal control of the Company are to reasonably ensure its operation and management are in compliance with laws and regulations, assets safety, the truthfulness and completeness of financial reports and relevant information, to improve operation efficiency and effects, and to facilitate the Company to achieve its development strategic targets. Due to its inherent limitations, internal control can only provide reasonable assurance regarding the achievement of the above objectives.

The Board has made a self-evaluation of the effectiveness of the Company's internal control in accordance with the Basic Norms for Enterprise Internal Control and its accompanying guidelines, and believes that as at 31 December 2024 (the benchmark date of the assessment report on internal control), the Company had effective internal control, there were no significant and important defects in internal control related to financial reporting, and no significant and important defects in non-financial reporting related internal control were found.

II. DESCRIPTION OF AUDIT REPORT ON INTERNAL CONTROL

KPMG Huazhen LLP has issued relevant audit opinions in accordance with the Guidelines for the Evaluation of Internal Control of Enterprises and the Practice Standards of Chinese Certified Public Accountants. For details, please refer to the website of the Shanghai Stock Exchange.

III. Exercise of internal control evaluation

1. Internal control organisation structure

The Company adopts the decentralised management of internal control, and has set out the linear management structure composed of the Board of Directors, Audit and Risk Management Committee, Managers, Internal Control Team, and business units and functional departments, which is shown as follows:

The Board of Directors is responsible for reviewing and approving the final achievements, and submitting annual statement on risk management and internal control systems. Audit and Risk Management Committee is responsible for reviewing the internal control of the Company, supervising the effective implementation of internal control and self-evaluation of internal control, evaluating the effectiveness of internal control, urging the rectification of internal control defects, coordinating internal control audit and other related matters, etc. Managers are responsible for organising and leading the daily operation of internal control of the Company. The Internal Control Team is responsible for the specific organisation and implementation of the items. All business units and departments are responsible for maintaining their respective internal control measures on-going and effective, describing and updating their respective business processes and control points, identifying the record documents, recognising the significant control measures, and organising the rectification of defects.

2. Evaluation procedures of internal control

Based on the internal control framework issued by the Committee of Sponsoring Organisations of the U. S. Treadway Commission ("COSO"), the evaluation of internal control of the Company is designed on five components of internal control, and fully complies with relevant requirement of PRC Standard Regulations on Corporate Internal Control and its supporting guidelines and the Hong Kong Listing Rules. In order to further enhance the quality of internal control, the Company engaged a professional independent third-party institution for guidance.

The Company has determined the content involved in the evaluation of internal control in the qualitative and quantitative principles, mainly including the Company-level internal control framework and the internal control at the level of business process. The Company-level internal control framework is based on the five components set down by the COSO, namely control environment, risk assessment, control activities, information and communication, and monitoring. The level of business process fully reflects the industrial characteristics of aviation transport enterprises. The evaluation content covers the information related to both financial reports and non-financial reports, and the evaluated units include the Company itself and all of its subsidiaries.

The Company performs the annual evaluation of internal control in the flow of plan, record, test, rectification and report stages.

Firstly, the internal control at the level of the Company and the business process is recorded and updated by means of interview, questionnaire, etc. in order to identify and analyse the risks. The walk-through test is performed to evaluate the effectiveness of the design of internal control. Secondly, the risks are marked and ranked to determine areas with high, moderate and low risks and screen out key risk control points by combing the risk control points. These key risk control points are tested by means of observation, interview, re-calculation, inspection, confirmation, knowledge evaluation, system inquiry, etc. so as to evaluate the effectiveness of the implementation of internal control.

In case of any defects of the internal control, the Company will analyse the cause of such defects, put forward rectification opinions and management suggestions and urge the process principal concerned to develop effective rectification measures and implement the same for rectification purposes to eventually achieve effective risk control. Once great or major defects of internal control are found, they will be reported to Managers and the Audit and Risk Management Committee without delay.

3. Key features of the evaluation of internal control

With years of accumulation, the evaluation of internal control of the Company has gradually developed the working method and characteristics adapted to the management pattern of the Company. Firstly, the management structure has defined responsibility, clear division of work and clear path of reporting complying with the listing regulatory requirements in the SSE and the Stock Exchange. Secondly, the evaluation covers most organisation, relates to full processes and has a complete set of basic data.

IV. Summary of Risk Management and Internal Control

The Board recognises its responsibility for supervising the risk management and internal control system of the Group and reviews the effectiveness of the same at least once a year by the Audit and Risk Management Committee. The Audit and Risk Management Committee assists the Board in performing its role in supervising finance, operation, compliance, risk management and internal monitoring as well as financial and internal audit function resources of the Group and in corporate governance. The Group has the internal audit function.

Based on the disclosure above, appropriate policies and monitoring have been established and formulated to ensure that the encumbered assets will not be used or disposed of without approval and comply with and abide by relevant laws, regulations and rules. Reliable financial and accounting records are kept in accordance with the relevant accounting standards and regulatory requirements. Major risks with potential effect on the performance of the Group are properly identified and managed. The system and the internal control can only make a reasonable but not absolute guarantee to prevent major misrepresentations or losses, which are designed to manage rather than eliminate the risk of failing to meet business objectives.

The Company regulates the processing and issuance of inside information in accordance with a number of inside information disclosure procedures to ensure the proper maintenance of confidentiality prior to the disclosure of such information and to publish such information in an efficient and consistent manner.

As disclosed above, the Audit and Risk Management Committee held 6 meetings in 2024, where the risk management and internal control systems of the Company were reviewed. For the year ended 31 December 2024, the Board has conducted through the Audit and Risk Management Committee an annual review of the effectiveness of the risk management and internal control systems of the Company covering all significant financial, operating and compliance controls, and considers the risk management and internal control of the Company is effective and adequate.

INDEPENDENT AUDITOR'S REPORT

KPMG

Independent auditor's report to the shareholders of
China Southern Airlines Company Limited
(incorporated in the People's Republic of China with limited liability)

Opinion

We have audited the consolidated financial statements of China Southern Airlines Company Limited ("the Company") and its subsidiaries ("the Group") set out on pages 133 to 247, which comprise the consolidated statement of financial position as at 31 December 2024, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and notes, comprising material accounting policy information and other explanatory information.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2024 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards issued by the International Accounting Standards Board ("IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs") issued by the International Auditing and Assurance Standards Board. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report. We are independent of the Group in accordance with International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) ("IESBA Code") together with any ethical requirements that are relevant to our audit of the consolidated financial statements in the People's Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matter

Key audit matter is the matter that, in our professional judgement, was of most significance in our audit of the consolidated financial statements of the current period. This matter was addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

Assessment of recognition of deferred tax assets associated with tax losses	
Refer to note 2(z), note 3(c), note 16 and note 29 to the consolidated financial statements.	
The Key Audit Matter	**How the matter was addressed in our audit**
The Group reported deferred tax assets associated with tax losses in the amount of RMB7,707 million as of 31 December 2024. Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. The Group's forecast of future taxable profits used in the recognition of deferred tax assets associated with tax losses includes assumptions on traffic revenue growth rates and related operating costs growth rates ("forecasted growth rates"). We identified the assessment of recognition of deferred tax assets associated with tax losses as a key audit matter. The forecast of future taxable profits involved a high degree of subjectivity and auditor judgment to evaluate the assumptions on the forecasted growth rates. The forecasted growth rates are challenging to test as minor changes to those assumptions would have a significant effect on the Group's assessment of recognition of deferred tax assets.	The primary procedures we performed to address this key audit matter included the following: • We evaluated the design and tested the operating effectiveness of certain internal controls over the Group's process in assessing the recognition of deferred tax assets. This included controls related to the development of forecasted growth rates used in the forecast of future taxable profits; • We assessed the reasonableness of forecasted growth rates adopted in the Group's forecast of future taxable profits by comparing them with internally and externally derived data including the Group's future operation plans and industry data; • We evaluated the Group's ability to accurately forecast by comparing the Group's historical forecasted growth rates to the actual results; and • We performed sensitivity analysis over the forecasted growth rates assumptions to assess their impact on the assessment of recognition of deferred tax assets associated with tax losses.

Information other than the consolidated financial statements and auditor's report thereon

The directors are responsible for the other information. The other information comprises all the information included in the annual report, other than the consolidated financial statements and our auditor's report thereon.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the consolidated financial statements

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

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

The directors are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

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

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

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

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

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

- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Group as a basis for forming an opinion on the group financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the group audit. We remain solely responsible for our audit opinion.

Auditor's responsibilities for the audit of the consolidated financial statements (continued)

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Ng Yu Hei.

Certified Public Accountants

8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

26 March 2025

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2024

	Note	2024 RMB million	2023 RMB million
Operating revenue	5		
Traffic revenue		**165,145**	151,445
Other operating revenue		**9,079**	8,484
Total operating revenue		**174,224**	159,929
Operating expenses			
Flight operation expenses	7	**83,046**	76,799
Maintenance expenses	8	**14,853**	14,390
Aircraft and transportation service expenses	9	**31,006**	26,487
Promotion and selling expenses	10	**6,831**	6,349
General and administrative expenses	11	**4,435**	4,150
Depreciation and amortisation	12	**28,341**	27,165
Reversal of impairment losses on property, plant and equipment and right-of-use assets		**(302)**	(123)
Others		**3,596**	3,835
Total operating expenses		**171,806**	159,052
Other net income	14	**5,909**	4,680
Operating profit		**8,327**	5,557
Interest income		**215**	361
Interest expense	15	**(5,758)**	(5,928)
Exchange loss, net	37	**(912)**	(687)
Share of associates' results	24	**(1,244)**	(2,244)
Share of joint ventures' results	25	**628**	546
Changes in fair value of financial assets/liabilities	28	**195**	874
Profit/(loss) before income tax		**1,451**	(1,521)
Income tax expense	16	**(1,426)**	(1,436)
Profit/(loss) for the year		**25**	(2,957)
Profit/(loss) attributable to:			
Equity shareholders of the Company	18	**(1,769)**	(4,140)
Non-controlling interests		**1,794**	1,183
Profit/(loss) for the year		**25**	(2,957)
Loss per share			
Basic and diluted (expressed in RMB per share)	18	**(0.10)**	(0.23)

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2024

	Note	2024 RMB million	2023 RMB million
Profit/(loss)for the year		**25**	(2,957)
Other comprehensive income:	17		
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)		**(114)**	(112)
– Income tax effect of the above items		**29**	28
Items that are or may be reclassified subsequently to profit or loss			
– Differences resulting from the translation of foreign currency financial statements		**–**	1
Other comprehensive income for the year		**(85)**	(83)
Total comprehensive income for the year		**(60)**	(3,040)
Total comprehensive income attributable to:			
Equity shareholders of the Company		**(1,816)**	(4,185)
Non-controlling interests		**1,756**	1,145
Total comprehensive income for the year		**(60)**	(3,040)

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2024

	Note	31 December 2024 RMB million	31 December 2023 RMB million (restated)
Non-current assets			
Property, plant and equipment, net	19	**101,217**	93,575
Construction in progress	20	**34,562**	34,177
Right-of-use assets	21	**128,872**	127,634
Goodwill	22	**237**	237
Interests in associates	24	**2,835**	2,714
Interests in joint ventures	25	**4,334**	4,005
Aircraft lease deposits		**420**	386
Other equity instrument investments	26	**431**	547
Other non-current financial assets	26	**3,017**	3,419
Derivative financial assets	27	**18**	–
Amounts due from related companies	42(a)	**171**	262
Deferred tax assets	29(b)	**12,873**	12,279
Other assets	30	**3,229**	2,422
		292,216	281,657
Current assets			
Inventories	31	**2,002**	1,565
Trade receivables	32	**3,306**	3,161
Other receivables	33	**15,378**	9,167
Cash and cash equivalents	34	**12,984**	9,531
Assets held for sale	35	**118**	198
Restricted bank deposits		**139**	137
Prepaid expenses and other current assets		**818**	695
Other financial assets	26	**2,695**	3,157
Derivative financial assets	27	**–**	4
Amounts due from related companies	42(a)	**323**	324
		37,763	27,939
Current liabilities			
Derivative financial liabilities	27	**908**	907
Borrowings	36	**73,954**	71,192
Lease liabilities	37	**18,378**	19,261
Trade and bills payables	38	**3,577**	2,004
Contract liabilities	39	**1,749**	1,509
Sales in advance of carriage	40	**9,295**	7,179
Current income tax		**584**	346
Amounts due to related companies	42(c)	**525**	594
Accrued expenses	43	**21,074**	23,142
Other liabilities	44	**8,358**	8,800
		138,402	134,934
Net current liabilities		**(100,639)**	(106,995)
Total assets less current liabilities		**191,577**	174,662

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2024

	Note	31 December 2024 RMB million	31 December 2023 RMB million (restated)
Non-current liabilities			
Borrowings	36	56,870	45,024
Lease liabilities	37	74,154	69,232
Other non-current liabilities	41	1,662	1,497
Amounts due to related companies	42(c)	6	36
Provision for major overhauls	45	5,322	5,731
Deferred benefits and gains	46	720	752
Deferred tax liabilities	29(b)	7	23
		138,741	122,295
Net assets		52,836	52,367
Capital and reserves			
Share capital	47	18,121	18,121
Reserves		16,822	18,950
Total equity attributable to equity shareholders of the Company		34,943	37,071
Non-controlling interests		17,893	15,296
Total equity		52,836	52,367

Approved and authorised for issue by the Board of Directors on 26 March 2025.

Ma Xu Lun
Director

Han Wen Sheng
Director

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2024

	Attributable to equity shareholders of the Company							
	Share capital (Note 47) RMB million	Share premium (Note 48(b)) RMB million	Fair value reserve (non-recycling) (Note 48(c)) RMB million	Other reserves (Note 48(d)) RMB million	Accumulated losses RMB million	Total RMB million	Non-controlling interests RMB million	Total equity RMB million
Balance at 1 January 2023	18,121	52,251	257	3,406	(32,760)	41,275	14,084	55,359
Changes in equity for 2023:								
Profit/(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
Changes in equity for 2024:								
Profit/(loss) for the year	–	–	–	–	(1,769)	(1,769)	1,794	25
Other comprehensive income	–	–	(47)	–	–	(47)	(38)	(85)
Total comprehensive income	–	–	(47)	–	(1,769)	(1,816)	1,756	(60)
Distributions to non-controlling interests	–	–	–	–	–	–	(12)	(12)
Acquisition of non-controlling interests in a subsidiary	–	–	–	(312)	–	(312)	246	(66)
Capital injection from non-controlling interests	–	–	–	–	–	–	607	607
Balance at 31 December 2024	**18,121**	**52,251**	**164**	**3,076**	**(38,669)**	**34,943**	**17,893**	**52,836**

The accompanying notes form part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2024

	Note	2024 RMB million	2023 RMB million
Operating activities			
Cash generated from operating activities	34(b)	**33,077**	41,370
Interest received		**218**	387
Interest paid		**(5,899)**	(6,414)
Income tax paid		**(1,632)**	(1,236)
Net cash generated from operating activities		**25,764**	34,107
Investing activities			
Proceeds from disposal of property, plant and equipment and right-of-use assets		**1,547**	1,736
Proceeds from disposal of other financial assets		**972**	–
Dividends received from associates		**63**	56
Dividends received from joint ventures		**376**	240
Dividends received from other equity instrument investments and other non-current financial assets		**15**	5
Acquisition of certificates of deposits		**–**	(6,146)
Acquisition of term deposits		**(2,615)**	(339)
Proceeds from disposal of derivative financial instruments		**8**	5
Proceeds from maturity of term deposits		**–**	260
Acquisition of property, plant and equipment and other assets		**(16,197)**	(11,369)
Capital injection for an associate		**(855)**	(2,340)
Acquisition of associates		**(42)**	(6)
Net cash used in investing activities		**(16,728)**	(17,898)
Financing activities			
Proceeds from bank borrowings	34(c)	**54,746**	70,978
Proceeds from ultra-short-term financing bills	34(c)	**13,400**	10,700
Proceeds from corporate bonds	34(c)	**18,900**	2,000
Repayment of bank borrowings	34(c)	**(61,193)**	(56,050)
Repayment of ultra-short-term financing bills	34(c)	**(2,700)**	(23,200)
Repayment of corporate bonds	34(c)	**(9,000)**	(8,000)
Capital element of lease rentals paid	34(c)	**(20,242)**	(23,058)
Capital injection from non-controlling interests		**607**	1,017
Refund of aircraft lease deposits		**45**	26
Proceeds from disposal of derivative financial instruments	34(c)	**–**	21
Payments for aircraft lease deposits		**(74)**	(52)
Dividends paid to non-controlling interests		**(12)**	(914)
Payments to non-controlling interests for liquidation of a subsidiary		**–**	(30)
Payment for purchase of non-controlling interest		**(66)**	(30)
Net cash used in financing activities		**(5,589)**	(26,592)
Net increase/(decrease) in cash and cash equivalents		**3,447**	(10,383)
Cash and cash equivalents at 1 January		**9,531**	19,889
Exchange gain on cash and cash equivalents		**6**	25
Cash and cash equivalents at 31 December	34(a)	**12,984**	9,531

The accompanying notes form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi unless otherwise indicated)

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, the PRC. 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 the PRC.

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

2 Material accounting policies

(a) *Statement of compliance*

These 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. Material accounting policies adopted by the Group are disclosed below.

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 2(c) 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.

(b) *Basis of preparation*

The consolidated financial statements for the year ended 31 December 2024 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 as explained in the accounting policies set out below:

– other equity instrument investments (see Note 2(g));

– other financial assets and other non-current financial assets (fair value through profit or loss ("FVPL")) (see Note 2(g)); and

– derivative financial assets/liabilities (see Note 2(h)).

Non-current assets (or disposal groups) held for sale are stated at the lower of carrying amount and fair value less costs to sell (see Note 2(s)).

2 Material accounting policies (continued)

(b) Basis of preparation (continued)

The preparation of financial statements in conformity with IFRS Accounting Standards requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

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

Judgements made by management in the application of IFRS Accounting Standards that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in Note 3.

(c) Changes in accounting policies

(i) New and amended IFRS Accounting Standards

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

- Amendments to IAS 1, *Presentation of accounting estimates financial statements: Classification of liabilities as current or non-current* ("2020 amendments") and amendments to IAS 1, *Presentation of financial statements: Non-current liabilities with covenants* ("2022 amendments")

- Amendments to IFRS 16, *Leases: Lease liability in a sale and leaseback*

- Amendments to *IAS 7, Statement of cash flows and IFRS 7, Financial instruments: Disclosures – Supplier finance arrangements*

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 amended IFRS Accounting Standards are discussed below:

Amendments to IAS 1, *Presentation of financial statements* ("2020 and 2022 amendments", or collectively the "IAS 1 amendments")

The IAS 1 amendments impact the classification of a liability as current or non-current, and are applied retrospectively as a package.

The 2020 amendments primarily clarify the classification of a liability that can be settled in its own equity instruments. If the terms of a liability could, at the option of the counterparty, result in its settlement by the transfer of the entity's own equity instruments and that conversion option is accounted for as an equity instrument, these terms do not affect the classification of the liability as current or non-current. Otherwise, the transfer of equity instruments would constitute settlement of the liability and impact classification.

The 2022 amendments specify that conditions with which an entity must comply after the reporting date do not affect the classification of a liability as current or non-current. However, the entity is required to disclose information about non-current liabilities subject to such conditions.

2 Material accounting policies (continued)

(c) Changes in accounting policies (continued)

(i) New and amended IFRS Accounting Standards (continued)

Amendments to IAS 1, *Presentation of financial statements* ("2020 and 2022 amendments", or collectively the "IAS 1 amendments") (continued)

Upon the adoption of the amendments, the Group has reassessed the classification of its liabilities as current or non-current. The Group has made the following reclassifications to conform to the revised policy:

Reclassifying the non-derivative liabilities arising from convertible bonds with a maturity date of 14 October 2026 from non-current to current, as the related conversion features of those bonds do not meet the definition of an equity instrument and are exercisable at any time at the noteholders' option.

The following table summarises the impact of the adoption of the IAS 1 amendments on the comparatives presented in the Group's consolidated statement of financial position:

	As previously reported RMB million	Effect of adopting the IAS 1 amendments RMB million	As restated RMB million
Consolidated statement of financial position as at 31 December 2023:			
Borrowings	65,694	5,498	71,192
Total current liabilities	**129,436**	**5,498**	**134,934**
Net current liabilities	**101,497**	**5,498**	**106,995**
Total assets less current liabilities	**180,160**	**(5,498)**	**174,662**
Borrowings	50,522	(5,498)	45,024
Total non-current liabilities	**127,793**	**(5,498)**	**122,295**
Company-level statement of financial position as at 31 December 2023:			
Borrowings	57,781	5,498	63,279
Total current liabilities	**110,935**	**5,498**	**116,433**
Net current liabilities	**86,336**	**5,498**	**91,834**
Total assets less current liabilities	**140,381**	**(5,498)**	**134,883**
Borrowings	45,072	(5,498)	39,574
Total non-current liabilities	**113,938**	**(5,498)**	**108,440**

2 Material accounting policies (continued)

(c) Changes in accounting policies (continued)

(i) New and amended IFRS Accounting Standards (continued)

Amendments to IAS 1, *Presentation of financial statements* ("2020 and 2022 amendments", or collectively the "IAS 1 amendments") (continued)

The following table illustrates the amounts that would have been in the Group's consolidated statement of financial position as at 31 December 2024 if the IAS 1 amendments had not been adopted:

	As reported RMB million	Backing out effect of adopting the IAS 1 amendments RMB million	If accounting policy had not been changed RMB million
Consolidated statement of financial position as at 31 December 2024:			
Borrowings	73,954	(5,755)	68,199
Total current liabilities	**138,402**	**(5,755)**	**132,647**
Net current liabilities	**100,639**	**(5,755)**	**94,884**
Total assets less current liabilities	**191,577**	**5,755**	**197,332**
Borrowings	56,870	5,755	62,625
Total non-current liabilities	**138,741**	**5,755**	**144,496**
Company-level statement of financial position as at 31 December 2024:			
Borrowings	64,521	(5,755)	58,766
Total current liabilities	**117,396**	**(5,755)**	**111,641**
Net current liabilities	**88,981**	**(5,755)**	**83,226**
Total assets less current liabilities	**142,179**	**5,755**	**147,934**
Borrowings	54,046	5,755	59,801
Total non-current liabilities	**118,789**	**5,755**	**124,544**

The amendments have no effect on the Group's consolidated statement of profit or loss, cash flows and loss per share.

2 Material accounting policies (continued)

(c) Changes in accounting policies (continued)

(i) New and amended IFRS Accounting Standards (continued)

Amendments to IFRS 16, *Leases: Lease liability in a sale and leaseback*

The amendments clarify how an entity accounts for a sale and leaseback after the date of the transaction. The amendments require the seller-lessee to apply the general requirements for subsequent accounting of the lease liability in such a way that it does not recognise any gain or loss relating to the right-of-use it retains. A seller-lessee is required to apply the amendments retrospectively to sale and leaseback transactions entered into after the date of initial application. The amendments do not have material amended impact on these financial statements of the Group.

Amendments to IAS 7, *Statement of cash flows* and IFRS 7, *Financial instruments: Disclosures – Supplier finance arrangements*

The amendments introduce new disclosure requirements to enhance transparency of supplier finance arrangements and their effects on an entity's liabilities, cash flows and exposure to liquidity risk. Since those disclosures are not required for any period presented within the annual reporting period in which the amendments are initially applied, the Group has not made additional disclosures in this financial report.

(d) Subsidiaries and non-controlling interests

Subsidiaries are all entities over which the Group has control. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

Intra-group transactions and balances and any unrealised income and expenses (except for foreign currency transaction gains or losses) arising from intra-group transactions are eliminated. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment. Amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

For each business combination, the Group recognised non-controlling interests ("NCI") based on the NCI's proportionate share of the subsidiary's net identifiable assets.

NCI are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Company. NCI in the results of the Group are presented on the face of the consolidated income statement and the consolidated statement of comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between NCI and the equity shareholders of the Company. Loans from holders of NCI and other contractual obligations towards these holders are presented as financial liabilities in the consolidated statement of financial position in accordance with Note 2(q), Note 2(r) or Note 2(y) depending on the nature of the liability.

2 Material accounting policies (continued)

(d) Subsidiaries and non-controlling interests (continued)

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group loses control of a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related NCI and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in that former subsidiary is measured at fair value when control is lost.

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see Note 2(m)(iii)), unless it is classified as held for sale (or included in a disposal group classified as held for sale) (see Note 2(s)).

The Group applies the acquisition method to account for business combinations. The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Transaction costs are expensed as incurred.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Any contingent consideration is measured at fair value at the date of acquisition. If an obligation to pay contingent consideration that meets the definition of a financial instrument is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, other contingent consideration is remeasured at fair value at each reporting date and subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

2 Material accounting policies (continued)

(e) Associates and joint arrangements

An associate is an entity in which the Group or the Company has significant influence, but not control or joint control, over the financial and operating policies.

The Group has applied IFRS 11, Joint Arrangements ("IFRS 11") to all joint arrangements. Under IFRS 11, investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor. The Group has assessed the nature of its joint arrangements and determined them to be joint ventures.

An interest in an associate or a joint venture is accounted for using the equity method and is initially recognised at cost, which includes transaction costs. Subsequently, the consolidated financial statements include the Group's share of the profit or loss and other comprehensive income ("OCI") of those investees, until the date on which significant influence or joint control ceases.

When the Group's share of losses exceeds its interests in the associate or the joint venture, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the associate or the joint venture.

Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interests in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent there is no evidence of impairment.

In the Company's statement of financial position, an investment in an associate or a joint venture is stated at cost less impairment losses (see Note 2(m)(iii)).

(f) Goodwill

Goodwill arising on acquisition of businesses is measured at cost less accumulated impairment losses and is tested annually for impairment (see Note 2(m)(iii)).

2 Material accounting policies (continued)

(g) Other investments in securities

The Group's policies for investments in securities, other than investments in subsidiaries, associates and joint ventures, are set out below.

Investments in securities are recognised/derecognised on the date the Group commits to purchase/sell the investment. The investments are initially stated at fair value plus directly attributable transaction costs, except for those investments measured at FVPL for which transaction costs are recognised directly in profit or loss. For an explanation of how the Group determines fair value of financial instruments, see Note 4(g)(i). These investments are subsequently accounted for as follows, depending on their classification.

(i) Non-equity investments

Non-equity investments are classified into one of the following measurement categories:

– amortised cost, if the investment is held for the collection of contractual cash flows which represent solely payments of principal and interest. Expected credit losses, interest income calculated using the effective interest method (see Note 2(aa)(ii)(c)), foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

– fair value through other comprehensive income ("FVOCI") – recycling, if the contractual cash flows of the investment comprise solely payments of principal and interest and the investment is held within a business model whose objective is achieved by both the collection of contractual cash flows and sale. Expected credit losses, interest income (calculated using the effective interest method) and foreign exchange gains and losses are recognised in profit or loss and computed in the same manner as if the financial asset was measured at amortised cost. The difference between the fair value and the amortised cost is recognised in OCI. When the investment is derecognised, the amount accumulated in OCI is recycled from equity to profit or loss.

– FVPL, if the investment does not meet the criteria for being measured at amortised cost or FVOCI (recycling). Changes in the fair value of the investment (including interest) are recognised in profit or loss.

2 Material accounting policies (continued)

(g) Other investments in securities (continued)

(ii) Equity investments

An investment in equity securities is classified as FVPL unless the investment is not held for trading purposes and on initial recognition the Group makes an irrevocable election to designate the investment at FVOCI (non-recycling) such that subsequent changes in fair value are recognised in OCI. Such elections are made on an instrument-by-instrument basis, but may only be made if the investment meets the definition of equity from the issuer's perspective. If such election is made for a particular investment, at the time of disposal, the amount accumulated in the fair value reserve (non-recycling) is transferred to retained earnings and not recycled through profit or loss. Dividends from an investment in equity securities, irrespective of whether classified as at FVPL or FVOCI, are recognised in profit or loss as other income (see Note 2(aa)(ii)(b)).

(h) Derivative financial instruments

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

Derivative financial instruments that do not qualify for hedge accounting are accounted for as trading instruments and any unrealised gains or losses, being changes in fair value of the derivatives, are recognised in the profit or loss immediately.

(i) Investment properties

Investment properties are land held under a lease and/or buildings which are owned to earn rental income and/or for capital appreciation.

Investment properties are stated at cost, less accumulated depreciation and impairment losses (see Note 2(m)(iii)). Depreciation is calculated to write-off the cost of items of investment properties, less their estimated residual value, if any, using the straight-line method over their estimated useful lives or lease term. Rental income from investment properties is recognised in accordance with Note 2(aa)(ii)(a).

2 Material accounting policies (continued)

(j) Other property, plant and equipment

Other property, plant and equipment are stated at cost less accumulated depreciation and impairment losses (see Note 2(m)(iii)).

The cost of self-constructed items of property, plant and equipment includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads and borrowing costs (see Note 2(ac)).

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the consolidated income statement during the financial period in which they are incurred.

When each major aircraft overhaul is performed, its cost is recognised in the carrying amount of the component of aircraft and is depreciated over the appropriate maintenance cycles. Components related to airframe overhaul cost, are depreciated on a straight-line basis over 6 to 12 years. Components related to engine overhaul cost, are depreciated on the units of production method over the expected flying hours of 9-42 thousand hours. Upon completion of an overhaul, any remaining carrying amount of the cost of the previous overhaul is derecognised and charged to the consolidated income statement.

Except for components related to overhaul costs, the depreciation of other property, plant and equipment is calculated to write-off the cost of items, less their estimated residual value, if any, using the straight-line method over their estimated useful lives as follows:

Buildings	5 to 35 years
Owned aircraft	15 to 20 years
Other flight equipment	
– Jet engines	15 to 20 years
– Others, including rotables	3 to 15 years
Machinery, equipment and vehicles	4 to 10 years

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in consolidated income statement on the date of retirement or disposal.

2 Material accounting policies (continued)

(k) Construction in progress

Construction in progress represents advance payments for the acquisition of aircraft and flight equipment, office buildings, various infrastructure projects under construction and equipment pending for installation, and is stated at cost less impairment losses (see Note 2(m)(iii)). Capitalisation of these costs ceases and the construction in progress is transferred to property, plant and equipment when the asset is substantially ready for its intended use, notwithstanding any delay in the issue of the relevant commissioning certificates by the relevant PRC authorities.

No depreciation is provided in respect of construction in progress.

(l) Leased assets

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. This is the case if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

(i) As a lessee

For a contract that contains more than a lease, a lessee and lessor shall separate the contract and account for each lease component respectively. For a contract that contains lease and non-lease components, a lessee and lessor shall separate lease components from non-lease components. However, when the Group is a lessee of land use right and buildings, the Group has elected not to separate non-lease components from lease components, and instead, account for each lease component and any associated non-lease components as a single lease component. When separate lease components from non-lease components, a lessee shall allocate the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

At the lease commencement date, the Group recognises a right-of-use assets and a lease liability, except for leases that have a short lease term of 12 months or less, and leases of low-value items. When the Group enters into a lease in respect of a low-value item, the Group decides whether to capitalise the lease on a lease-by-lease basis. If not capitalised, the associated lease payments are recognised in profit or loss on a systematic basis over the lease term.

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is recognised using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability, and are charged to profit or loss as incurred.

2 Material accounting policies (continued)

(l) Leased assets (continued)

(i) As a lessee (continued)

The right-of-use assets recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received. The right-of-use assets is subsequently stated at cost less accumulated depreciation and impairment losses (see Note 2(j) and Note 2(m)(iii)).

For the measurement of component accounting for right-of-use assets and subsequent major overhaul performed, see Note 2(j).

The cost of acquiring land held under a lease is amortised on a straight-line basis over the respective periods of lease terms which range from 30 to 70 years.

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use assets or is recorded in profit or loss if the carrying amount of the right-of-use assets has been reduced to zero.

The lease liability is also remeasured when there is a lease modification, which means a change in the scope of a lease or the consideration for a lease that is not originally provided for in the lease contract, if such modification is not accounted for as a separate lease. In this case the lease liability is remeasured based on the revised lease payments and lease term using a revised discount rate at the effective date of the modification.

In the consolidated statement of financial position, the current portion of long-term lease liabilities is determined as the present value of contractual payments that are due to be settled within twelve months after the reporting period.

The Group presents right-of-use assets that do not meet the definition of investment property in right-of-use assets and presents lease liabilities separately in the consolidated statement of financial position.

2 Material accounting policies (continued)

(l) Leased assets (continued)

(ii) As a lessor

The Group determines at lease inception whether each lease is a finance lease or an operating lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to the ownership of an underlying assets to the lessee. Otherwise, the lease is classified as an operating lease.

When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. The rental income from operating leases is recognised in accordance with Note 2(aa)(ii)(a).

When the Group is an intermediate lessor, the sub-leases are classified as a finance lease or as an operating lease with reference to the right-of-use assets arising from the head lease. If the head lease is a short-term lease to which the Group applies the exemption described in Note 2(l)(i), then the Group classifies the sub-lease as an operating lease.

Under a finance lease, at the commencement date, the Group recognises the finance lease receivable and derecognises the finance lease asset. The finance lease receivable is initially measured at an amount equal to the net investment in the lease. The net investment in the lease is measured at the aggregate of the unguaranteed residual value and the present value of the lease receivable that are not received at the commencement date, discounted using the interest rate implicit in the lease.

The Group recognises finance income over the lease term, based on a pattern reflecting a constant periodic rate of return. The derecognition and impairment of the finance lease receivable are recognised in accordance with the accounting policy in Note 2(m). Variable lease payments not included in the measurement of net investment in the lease are recognised as income as they are earned.

2 Material accounting policies (continued)

(m) Credit losses and impairment of assets

(i) Credit losses from financial instruments and lease receivables

The Group recognises a loss allowance for expected credit losses ("ECL"s) on:

– financial assets measured at amortised cost (including cash and cash equivalents and trade and other receivables); and

– lease receivables.

Financial assets measured at fair value, including equity securities measured at FVPL, equity securities designated at FVOCI (non-recycling) and derivative financial assets, are not subject to the ECL assessment.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Generally, credit losses are measured as the present value of all expected cash shortfalls between the contractual and expected amounts.

The expected cash shortfalls are discounted using the following rates if the effect is material:

– fixed-rate financial assets, and trade and other receivables: effective interest rate determined at initial recognition or an approximation thereof;

– variable-rate financial assets: current effective interest rate;

– lease receivables: discount rate used in the measurement of the lease receivable.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

In measuring ECLs, the Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

ECLs are measured on either of the following bases:

– 12-month ECLs: these are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date; (or a shorter period if the expected life of the instrument is less than 12 months); and

– lifetime ECLs: these are the ECLs that result from all possible default events over the expected lives of the items to which the ECL model applies.

2 Material accounting policies (continued)

(m) Credit losses and impairment of assets (continued)

(i) Credit losses from financial instruments and lease receivables (continued)

Measurement of ECLs (continued)

The Group measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-months ECLs:

– financial instruments that are determined to have low credit risk at the reporting date; and

– other financial instruments for which credit risk has not increased significantly since initial recognition.

Loss allowances for trade receivables are always measured at an amount equal to lifetime ECLs. ECLs on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

Significant increases in credit risk

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

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

– failure to make payments of principal or interest on their contractually due dates;

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

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

– existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

2 Material accounting policies (continued)

(m) Credit losses and impairment of assets (continued)

(i) Credit losses from financial instruments and lease receivables (continued)

Significant increases in credit risk (continued)

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

The Group considers a financial asset to be in default when the debtor is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held).

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due, unless the Group has reasonable and supportable information that is available without undue cost or effort, that demonstrates that the credit risk has not increased significantly since initial recognition even though the contractual payments are more than 30 days past due.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

Basis of calculation of interest income

Interest income recognised in accordance with Note 2(aa)(ii)(c) is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset.

2 Material accounting policies (continued)

(m) Credit losses and impairment of assets (continued)

(i) Credit losses from financial instruments and lease receivables (continued)

Credit-impaired financial assets

At each reporting date, the Group assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable events:

– significant financial difficulties of the debtor;

– a breach of contract, such as a default or delinquency in interest or principal payments;

– the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;

– it is probable that the debtor will enter bankruptcy or other financial reorganisation; or

– the disappearance of an active market for a security because of financial difficulties of the issuer.

Write-off policy

The gross carrying amount of a financial asset and lease receivable is written off to the extent that there is no realistic prospect of recovery. This is generally the case when the Group otherwise determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

2 Material accounting policies (continued)

(m) Credit losses and impairment of assets (continued)

(ii) Credit losses from financial guarantees issued

Financial guarantees are contracts that require the issuer (i.e. the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the "holder") for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

After initial recognition at fair value, the Group, as an issuer of such a contract, subsequently measure it at the higher of: (i) the amount of the loss allowance and (ii) the amount initially recognised less, when appropriate, the cumulative amount of income recognised.

The Group monitors the risk that the specified debtor will default on the contract and remeasures the above liability at a higher amount when ECLs on the financial guarantees are determined to be higher than the carrying amount in respect of the guarantees.

A 12-month ECL is measured unless the risk that the specified debtor will default has increased significantly since the guarantee is issued, in which case a lifetime ECL is measured. The same definition of default and the same assessment of significant increase in credit risk as described in Note 2(m)(i) apply.

As the Group is required to make payments only in the event of a default by the specified debtor in accordance with the terms of the instrument that is guaranteed, an ECL is estimated based on the expected payments to reimburse the holder for a credit loss that it incurs less any amount that the Group expects to receive from the holder of the guarantee, the specified debtor or any other party. The amount is then discounted using the current risk-free rate adjusted for risks specific to the cash flows.

2 Material accounting policies (continued)

(m) Credit losses and impairment of assets (continued)

(iii) Impairment of other non-current assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

– Investment properties;

– Other property, plant and equipment;

– Right-of-use assets;

– Construction in progress;

– Goodwill;

– Investments in subsidiaries, associates and joint ventures in the Company's statement of financial position.

If any such indication exists, the asset's recoverable amount is estimated. Goodwill is tested annually for impairment.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units ("CGU"s). Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs of disposal. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognised in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable), or value in use (if determinable).

2 Material accounting policies (continued)

(m) Credit losses and impairment of assets (continued)

(iii) Impairment of other non-current assets (continued)

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the resulting carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(iv) Interim financial reporting and impairment

Under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, the Group is required to prepare an interim financial report in compliance with IAS 34, Interim financial reporting, in respect of the first six months of the financial year. At the end of the interim period, the Group applies the same impairment testing, recognition, and reversal criteria as it would at the end of the financial year (see Note 2(m)(i) and 2(m)(ii)).

Impairment losses recognised in an interim period in respect of goodwill, if any, are not reversed in a subsequent period. This is the case even if no loss, or a smaller loss of any, would have been recognised had the impairment been assessed only at the end of the financial year to which the interim period relates.

(n) Inventories

Inventories, which consist primarily of consumable spare parts and supplies, are stated at cost less any applicable provision for obsolescence, and are charged to profit or loss when used in operations. Cost represents the average unit cost.

Inventories held for sale or disposal are carried at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

(o) Contract liabilities

A contract liability is recognised when the customer pays non-refundable consideration before the Group recognises the related revenue (see Note 2(aa)). A contract liability is also recognised if the Group has an unconditional right to receive non-refundable consideration before the Group recognises the related revenue. In such latter cases, a corresponding receivable is also recognised (see Note 2(p)).

2 Material accounting policies (continued)

(p) Trade and other receivables

A receivable is recognised when the Group has an unconditional right to receive consideration and only the passage of time is required before payment of that consideration is due.

Trade receivables that do not contain a significant financing component are initially measured at their transaction price. Trade receivables that contain a significant financing component and other receivables are initially measured at fair value plus transaction costs. All receivables are subsequently stated at amortised cost (see Note 2(m)(i)).

(q) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less transaction costs. Subsequently, these borrowings are stated at amortised cost using the effective interest method. Interest expense is recognised in accordance with Note 2(ac).

(r) Trade and other payables

Trade and other payables are initially recognised at fair value. Subsequent to initial recognition, trade and other payables are stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at invoice amounts.

(s) Non-current assets held for sale

Non-current assets, or disposal group comprising assets and liabilities, are classified as held for sale if it is highly probable that they will be recovered primarily through sale rather than through continuing use.

Such assets or disposal groups, are generally measured at the lower of their carrying amount and fair value less costs to sell. Any impairment loss on a disposal group is allocated first to goodwill, and then to the remaining assets and liabilities on a pro-rata basis, except that no loss is allocated to deferred tax assets, employee benefits assets, financial assets (other than investments in subsidiaries, associates and joint ventures) and investment properties, which continue to be measured in accordance with the Group's other accounting policies.

Impairment losses on initial classification as held for sale, and on subsequent remeasurement while held for sale, are recognised in profit or loss. As long as a non-current asset is classified as held for sale, or is included in a disposal group that is classified as held for sale, the non-current asset is not depreciated or amortised.

2 Material accounting policies (continued)

(t) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and other short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been generally within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated cash flow statement. Cash and cash equivalents are assessed for ECL (see Note 2(m)(i)).

(u) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(v) Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's consolidated financial statements in the period in which the dividends are approved by the Company's shareholders.

(w) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

(x) Deferred benefits and gains

In connection with the acquisitions of certain aircraft and engines, the Group receives various credits. Such credits are deferred until the aircraft and engines are delivered, at which time they are applied as a reduction of the cost of acquiring the aircraft and engines, resulting in a reduction of future depreciation.

2 Material accounting policies (continued)

(y) Convertible bonds

(i) Convertible bonds that contain an equity component

Convertible bonds that contain an equity component are compound financial instruments that can be converted to ordinary shares at the option of the holder, when the number of shares to be issued is fixed and does not vary with changes in fair value.

The liability component of compound financial instruments is initially recognised at the fair value of a similar liability that does not have an equity conversion option. The equity component is initially recognised at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

Subsequent to initial recognition, the liability component is measured at amortised cost using the effective interest method. Interest is recognised in profit or loss. The equity component is not remeasured and is recognised in the other reserve until either the bonds are converted or redeemed.

If the bonds are converted, the other reserve, together with the carrying amount of the liability component at the time of conversion, is transferred to share capital and share premium as consideration for the shares issued. If the bonds are redeemed, the other reserve is released directly to retained earnings.

(ii) Other convertible bonds

For convertible bonds which do not contain an equity component, at initial recognition, the derivative component is measured at fair value and presented as part of derivative financial instruments (see Note 2(h)). Any excess of proceeds over the amount initially recognised as the derivative component is recognised as the host liability component. Any directly attributable transaction costs are allocated to the host liability and derivative components in proportion to their initial carrying amounts. The portion of the transaction costs relating to the host liability component is recognised initially as part of the liability. The portion relating to the derivative component is recognised immediately in profit or loss.

The derivative component is subsequently remeasured in accordance with Note 2(h). The host liability component is subsequently carried at amortised cost using effective interest method. Interest related to the host liability component is recognised in profit or loss.

If the bonds are converted, the derivative financial instruments, together with the carrying amount of the liability component at the time of conversion, is transferred to share capital and share premium as consideration for the shares issued. If the bonds are redeemed, any difference between the amount paid and the carrying amounts of both components is recognised in profit or loss.

2 Material accounting policies (continued)

(z) Income tax

Income tax expenses comprises current tax and deferred tax. It is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in OCI.

Current tax comprises the estimated tax payable or receivable on the taxable income or loss for the year and any adjustments to the tax payable or receivable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects any uncertainty related to income taxes. It is measured using tax rates enacted or substantively enacted at the reporting date. Current tax also includes any tax arising from dividends.

Current tax assets and liabilities are offset only if certain criteria are met.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

– temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences;

– temporary differences related to investment in subsidiaries, associates and joint ventures to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future;

– taxable temporary differences arising on the initial recognition of goodwill; and

– those related to the income taxes 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.

The Group recognised deferred tax assets and deferred tax liabilities separately in relation to its lease liabilities and right-of-use assets.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognise a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on the business plans for individual subsidiaries in the Group. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves.

2 Material accounting policies (continued)

(z) Income tax (continued)

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

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

– in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

– in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  - the same taxable entity; or

  - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(aa) Revenue and other income

Income is classified by the Group as revenue when it arises from the sale of goods, the provision of services or the use by others of the Group's assets under leases in the ordinary course of the Group's business.

Further details of the Group's revenue and other income recognition policies are as follows:

(i) Revenue from contracts with customers

The Group is the principal for substantially all of its revenue transactions and recognises revenue on a gross basis. In determining whether the Group acts as a principal or as an agent, it considers whether it obtains control of the goods or service before they are transferred to the customers. Control refers to the Group's ability to direct the use of and obtain substantially all of the remaining benefits from the goods or service. In limited revenue transactions, the Group acts as an agent and recognises revenue on a net basis.

2 Material accounting policies (continued)

(aa) Revenue and other income (continued)

(i) Revenue from contracts with customers (continued)

Revenue is recognised when control over a product or service is transferred to the customer, at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties such as value added tax or other sales taxes.

(a) Passenger, cargo and mail revenue

Revenue is recognised when passenger, cargo and mail transportation services are provided. Unearned passenger revenue at the reporting date is included within "sales in advance of carriage" in the consolidated statement of financial position.

Ticket breakage relates to a portion of contractual rights that the Group does not expect to be exercised.

When the Group expects that the consideration received in advance of carriage is not refundable, and the customer is likely to give up a portion of the contractual rights, the Group recognises, in proportion to the pattern of rights exercised by the customer, the breakage amount to which the Group expects to be entitled as revenue. If the Group does not expect to be entitled to a breakage amount, the Group recognises the expected breakage amount as revenue when the likelihood of the customer exercising its remaining rights becomes remote.

Revenue from airline-related business is recognised when the customers obtain control of the relevant services.

The incremental costs of obtaining a contract are those costs that the Group incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained (for example, a sales commission). As a practical expedient, the Group recognises sales commission (that are regarded as directly related incremental costs of obtaining transportation contracts) as an expense when incurred, as the amortisation period is one year or less.

2 Material accounting policies (continued)

(aa) Revenue and other income (continued)

(i) Revenue from contracts with customers (continued)

(b) Frequent flyer revenue

The Group maintains two major frequent flyer award programmes, namely, the China Southern Airlines Sky Pearl Club and the Xiamen Airlines' Egret Card Frequent Flyer Programme, which provide travel and other awards to members based on accumulated mileages.

According to the frequent flyer award programmes, the Group allocates the transaction price received in relation to mileage earning flights to flight and mileage awarded on a relative stand-alone selling price basis, and recognised the portion allocated to mileage awarded as "contract liabilities". The mileage awarded to customers by third parties through means other than flights are initially recognised as "contract liabilities".

The Group estimates the stand-alone selling price of mileage awarded through mileage earning flights based on inputs and assumptions derived from historical data, including the estimates on the percentage of mileage awarded that are expected to be redeemed ("expected redemption rate"). Contract liabilities in relation to mileage awarded are subsequently recognised as revenue when the mileage is redeemed and the related benefits are received or used. Revenue on redeemed flights is recognised in accordance with the accounting policy set out in Note 2(aa)(i)(a), and revenue on redeemed goods or services is recognised when the customers obtain control of the goods or services.

(ii) Revenue from other sources and other income

(a) Rental income from operating leases

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term, of the lease. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease. Contingent rentals are recognised as income in the accounting period in which they are earned.

2 Material accounting policies (continued)

(aa) Revenue and other income (continued)

(ii) Revenue from other sources and other income (continued)

(b) Dividends

- Dividend income from unlisted investments is recognised when the shareholder's right to receive payment is established.

- Dividend income from listed investments is recognised when the share price of the investment goes ex-dividend.

(c) Interest income

Interest income is recognised using the effective interest method. The 'effective interest rate' is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the gross carrying amount of the financial asset. In calculating interest income, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired). However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

(d) Government grants

Government grants are recognised in the consolidated statement of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are deducted from the carrying amount of the asset and consequently are effectively recognised in profit or loss over the useful life of the asset by way of reduced depreciation expense.

2 Material accounting policies (continued)

(ab) Maintenance and overhaul costs

In respect of owned and leased aircraft, components within the aircraft subject to replacement during major overhauls are recognised as Note 2(j) and Note 2(l). Other routine maintenance, repairs and overhauls are charged to consolidated income statement as and when incurred.

In respect of certain leased aircraft, the Group has responsibility to fulfil certain return conditions under relevant lease agreements. In order to fulfil these return conditions, major overhauls are required to be conducted. Accordingly, except for the estimated costs of major overhauls recognised as right-of-use assets at the lease commencement date, see Note 2(l), other estimated costs of major overhauls are accrued and charged to the consolidated income statement over the estimated overhaul period. Differences between the estimated costs and the actual costs of overhauls are charged to consolidated income statement in the period when the overhaul is performed.

(ac) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

Borrowing costs include interest expense, finance charges in respect of lease liabilities and exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs.

2 Material accounting policies (continued)

(ad) Employee benefits

(i) Short-term employee benefits and contributions to defined contribution retirement schemes

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid, if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Obligations for contributions to defined contribution retirement schemes are expensed as the related service is provided.

(ii) Termination benefits

Termination benefits are recognised when, and only when, the Group demonstrably commits itself to terminate employment or to provide benefits as a result of voluntary redundancy by having a detailed formal plan which is without realistic possibility of withdrawal.

(iii) Retirement benefits

According to IAS 19, Employee Benefits, an entity shall account not only for its legal obligation under the formal terms of a defined benefit plan, but also for any constructive obligation that arises from the entity's informal practices where the entity has no realistic alternative but to pay the employee benefits. The Group believes the payments of welfare subsidy to those retirees who retired before the establishment of Pension Scheme are discretionary and have not created a legal or constructive obligation. Such payments are made according to the Group's business performance, and can be suspended at any time.

2 Material accounting policies (continued)

(ae) Translation of foreign currencies

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Renminbi, which is the Company's functional and the Group's presentation currency.

Transactions in foreign currencies are translated into Renminbi at the applicable rates of exchange quoted by the People's Bank of China ("PBOC") prevailing at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated into Renminbi at the PBOC exchange rates prevailing at the end of the reporting period. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated into Renminbi at the PBOC exchange rates prevailing at the transaction dates. The transaction date is the date on which the Group initially recognises such non-monetary assets or liabilities. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated into Renminbi at the PBOC exchange rates prevailing at the dates the fair value was determined.

The income and expenses of foreign operations are translated into Renminbi at the PBOC exchange rates approximating the foreign exchange rates prevailing at the dates of the transactions. Statement of financial position items are translated into Renminbi at the PBOC exchange rates prevailing at the end of the reporting period. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve.

2 Material accounting policies (continued)

(af) Related parties

(a) A person, or a close member of that person's family, is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or the Group's parent.

(b) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

2 Material accounting policies (continued)

(ag) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management, who is the chief operating decision maker, for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

3 Accounting estimates and judgements

The Group's financial position and results of operations are sensitive to accounting methods, assumptions and estimates that underlie the preparation of the consolidated financial statements. The Group bases the assumptions and estimates on historical experience and on various other assumptions that the Group believes to be reasonable and which form the basis for making judgements about matters that are not readily apparent from other sources. On an ongoing basis, management evaluates its estimates. Actual results may differ from those estimates as facts, circumstances and conditions change.

The selection of critical accounting policies, the judgements and other uncertainties affecting application of those policies and the sensitivity of reported results to changes in condition and assumptions are factors to be considered when reviewing the financial statements. In addition to the assumptions and estimates regarding fair value measurements of financial instruments disclosed in Note 4(g), the Group believes the following also involve key accounting estimates and judgements used in the preparation of the financial statements.

3 Accounting estimates and judgements (continued)

(a) Impairment of long-lived assets (other than goodwill)

As discussed in Note 2(m)(iii), at the end of each reporting period, the Group tests for impairment for long-lived assets or cash-generating units ("CGUs") (a portion of which related to aircraft and other flight equipment including rotables in property, plant and equipment, aircraft and engines in right-of-use assets("aircraft and related equipment")) to determine whether the recoverable amounts have declined below the carrying amounts. If circumstances indicate that the carrying amount of long-lived assets or CGUs may not be recoverable, the assets or CGUs may be considered "impaired", and an impairment loss may be recognised.

The recoverable amount of assets or CGUs are the higher of the fair value less costs of disposal and value in use. As the fair value of certain assets or CGUs may not be publicly available, the Group uses all readily available information in determining an amount that is a reasonable approximation of recoverable amount, including estimates based on reasonable and supportable assumptions for projections of traffic revenue and operating costs and discount rates. In particular, in determining the value in use of the Group's aircraft and related equipment, significant judgements are required on the accounting estimates which are based on the assumptions relating to traffic revenue growth rates, operating costs growth rates and discount rates applied, among which, operating costs consist of jet fuel costs, landing and navigation fees, maintenance expenses, payroll and welfare.

(b) Frequent flyer revenue

According to the frequent flyer award programmes, the allocation of stand-alone selling price of the mileage awarded involves the estimation of the expected redemption rate.

The expected redemption rate is estimated based on historical experience of mileage redemption, taking into consideration expected future mileage redemption patterns, which are associated with changes in the terms of mileage programs and customer behaviour. Different estimates could significantly affect the estimated contract liabilities and the results of operations.

(c) Income tax

Deferred tax assets associated with tax losses are recognised to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. In determining the forecast of future taxable profits, significant judgements are required on the accounting estimates which are based on the assumptions relating to traffic revenue growth rates and related operating costs growth rates, among which, operating costs consist of jet fuel costs, landing and navigation fees, maintenance expenses, payroll and welfare. Different estimates could significantly affect the recognition of deferred tax assets associated with tax losses.

3 Accounting estimates and judgements (continued)

(d) Depreciation and amortisation

As disclosed in Note 2(j) and Note 2(l), components related to engine overhaul costs under property, plant and equipment and right-of-use assets were depreciated on the units of production method based on flying hours. The expected flying hours of engines are based on the Group's historical overhaul experience with similar engine models. Except for components related to engine overhaul costs, other property, plant and equipment and right-of-use assets are depreciated or amortised on a straight-line basis over the estimated useful lives or lease term, which is shorter, after taking into account the estimated residual value. The useful lives are based on the Group's historical experience with similar assets and take into account anticipated technological changes. The Group reviews the estimated useful lives of assets annually in order to determine the amount of depreciation and amortisation expense to be recorded during any financial year. The depreciation and amortisation expense for future periods is adjusted if there are significant changes from previous estimates.

(e) Provision for major overhauls

As disclosed in Note 2(l) and Note 2(ab), provision for the cost of major overhauls to fulfil the lease return conditions involves estimation of the expected overhaul cycles and overhaul costs, which are based on the historical experience of actual costs incurred for overhauls of airframes and engines of the same or similar types and current economic and airline-related developments. Different estimates could significantly affect the estimated provision and the results of operations.

(f) Ticket breakage revenue

The Group recognises, in proportion to the pattern of rights exercised by the customer, the breakage amount to which the Group expects to be entitled as ticket breakage revenue. Such portion is estimated based on the Group's historical experiences, and the estimated revenue is recognised only to the extent that it is highly probable that a significant reversal in cumulative revenue recognised will not occur when the uncertainty is resolved. Different estimates could significantly affect the ticket breakage revenue recognised in the current financial year.

4 Financial risk management and fair values of financial instruments

The Group is exposed to liquidity, interest rate, currency, credit risks and commodity jet fuel price risk in the normal course of business. The Group's overall risk management programme focuses on the unpredictability of financial market and seeks to minimise the adverse effects on the Group's financial performance. The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Liquidity risk

As at 31 December 2024, the Group's current liabilities exceeded its current assets by RMB100,639 million (31 December 2023 (restated): RMB106,995 million). For the year ended 31 December 2024, the Group recorded a net cash inflow from operating activities of RMB25,764 million(31 December 2023: net cash inflow RMB34,107 million), a net cash outflow from investing activities of RMB16,728 million(31 December 2023: net cash outflow RMB17,898 million) and a net cash outflow from financing activities of RMB5,589 million (31 December 2023: net cash outflow RMB26,592 million), which in total resulted in a net increase in cash and cash equivalents of RMB3,447 million(31 December 2023: net decrease 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 2024, the Group has obtained credit facilities of RMB342,109 million in aggregate granted by several banks and other financial institute, among which approximately RMB199,641 million was unutilised. The Directors of the Company believe that sufficient financing will be available to the Group when and where needed.

4 Financial risk management and fair values of financial instruments (continued)

(a) Liquidity risk (continued)

The following tables show the remaining contractual maturities at the end of the reporting period of the Group's non-derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period) and the earliest date the Group can be required to pay:

	2024 Contractual undiscounted cash outflow					
	Within 1 year or on demand RMB million	More than 1 year but less than 2 years RMB million	More than 2 years but less than 5 years RMB million	More than 5 years RMB million	Total RMB million	Carrying amount at 31 December RMB million
Borrowings	75,863	35,354	20,562	3,175	134,954	130,824
Lease liabilities	21,806	18,640	39,958	24,858	105,262	92,532
Trade, bills and other payables and accrued charges	28,223	–	–	–	28,223	28,223
Long-term payables	87	7	–	–	94	91
	125,979	54,001	60,520	28,033	268,533	251,670

	2023 Contractual undiscounted cash outflow(restated)					
	Within 1 year or on demand RMB million	More than 1 year but less than 2 years RMB million	More than 2 years but less than 5 years RMB million	More than 5 years RMB million	Total RMB million	Carrying amount at 31 December RMB million
Borrowings (Restated)	73,197	17,105	28,129	2,683	121,114	116,216
Lease liabilities	22,804	19,216	39,808	20,041	101,869	88,493
Trade and other payables and accrued charges	28,927	–	–	–	28,927	28,927
Long-term payables	198	97	7	–	302	289
	125,126	36,418	67,944	22,724	252,212	233,925

4 Financial risk management and fair values of financial instruments (continued)

(b) *Interest rate risk*

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's borrowings and lease liabilities issued at floating and fixed interest rates expose the Group to cash flow interest rate risk and fair value interest rate risk, respectively. The Group determines the ratio of fixed-rate and floating-rate instruments according to the market environment and maintains an appropriate combination of fixed-rate and floating-rate instruments by reviewing and monitoring it on a regular basis.

As at 31 December 2024, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would have decreased/increased the Group's profit after tax and retained earnings by approximately RMB292 million (31 December 2023: increased/decreased the Group's loss after tax and decreased/increased the Group's retained earnings by RMB331 million).

In respect of the exposure to cash flow interest rate risk arising from floating-rate non-derivative instruments held by the Group at the end of the reporting period, the impact on the Group's profit/(loss) after tax (and retained earnings) and other components of consolidated equity is estimated as an annualised impact on interest expense or income of such a change in interest rates. This analysis is performed on the same basis as that for 2023.

The sensitivity analysis above indicates the instantaneous change in the Group's profit/(loss) after tax (and retained earnings) and other components of consolidated equity that would arise assuming that the change in interest rates had occurred at the end of the reporting period and had been applied to re-measure those floating rate financial instruments held by the Group which expose the Group to fair value interest rate risk at the end of the reporting period.

4 Financial risk management and fair values of financial instruments (continued)

(c) Foreign currency risk

Renminbi is not freely convertible into foreign currencies. All foreign exchange transactions involving Renminbi must take place either through the PBOC or other institutions authorised to buy and sell foreign exchange or at a swap centre.

The Group has significant exposure to foreign currency risk as majority of the Group's lease liabilities (Note 37) are denominated in foreign currencies, principally USD, Euro and Japanese Yen. Depreciation or appreciation of Renminbi against foreign currencies affects the Group's results significantly because the Group's foreign currency liabilities generally exceed its foreign currency assets.

The following table indicates the instantaneous change in the Group's profit/(loss) after tax and accumulated losses that would arise if foreign exchange rates to which the Group has significant exposure at the end of the reporting period had changed at that date, assuming all other risk variables remained constant. The range of such sensitivity was considered to be reasonably possible at the end of the reporting date.

	2024	
	Appreciation/ (depreciation) of Renminbi against foreign currency	**Increase/(decrease) on profit after tax and accumulated losses RMB million**
USD	**1%**	**289**
	(1%)	**(289)**
Euro	**1%**	**11**
	(1%)	**(11)**
Japanese Yen	**10%**	**(1)**
	(10%)	**1**

	2023	
	Appreciation /(depreciation) of Renminbi against foreign currency	Decrease/(increase) on loss after tax and increase/(decrease) on accumulated losses RMB million
USD	1%	320
	(1%)	(320)
Euro	1%	14
	(1%)	(14)
Japanese Yen	10%	13
	(10%)	(13)

4 Financial risk management and fair values of financial instruments (continued)

(c) *Foreign currency risk (continued)*

Results of the analysis as presented in the above table represent an aggregation of the instantaneous effects on each of the Group entities' profit/(loss) after tax and retained earnings measured in the respective functional currencies, translated into Renminbi at the exchange rate ruling at the end of the reporting period for presentation purposes.

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to re-measure those financial instruments, borrowings, and lease liabilities held by the Group which expose the Group to foreign currency risk at the end of the reporting period, including inter-company payables and receivables within the Group which are denominated in a currency other than the functional currencies of the lender or the borrower. The analysis excludes differences that would result from the translation of the financial statements of foreign operations into the Group's presentation currency. The analysis is performed on the same basis for 2023.

(d) *Credit risk*

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. The Group's credit risk is primarily attributable to cash and cash equivalents, trade receivables, other receivables, other non-current financial assets (amortised cost) and derivative financial instruments.

Cash and cash equivalents

Substantially all of the Group's cash and cash equivalents are deposited with major reputable financial institutions in the PRC, which management believes are of high credit quality. As the counterparties have favourable credit ratings, the Group does not expect there to be a risk of default.

Trade receivables

A significant portion of the Group's air tickets are sold by agents participating in the Billing and Settlement Plan ("BSP"), a clearing scheme between airlines and sales agents organised by International Air Transportation Association. The use of the BSP reduces credit risk to the Group. As at 31 December 2024, the balance due from BSP agents amounted to RMB790 million (31 December 2023: RMB632 million). The credit risk exposure to BSP and the remaining trade receivables balance are monitored by the Group on an ongoing basis and the relevant credit risk is within management's expectations.

The Group measures loss allowances for trade receivables at an amount equal to lifetime ECLs, which is calculated using a provision matrix. As the Group's historical credit loss experience indicates significantly different loss patterns for different customer segments, the loss allowance based on past due status is further distinguished between air ticket receivables, mileage credits sales receivables, receivables on cooperation flights and other trade receivables.

4 Financial risk management and fair values of financial instruments (continued)

(d) Credit risk (continued)

Trade receivables (continued)

The following table provides information about the Group's exposure to credit risk and ECLs for air ticket receivables as at 31 December 2024:

	31 December 2024		
	Expected loss rates %	Gross carrying amount RMB million	Loss allowance RMB million
Within 3 months	0.01%	2,162	–
More than 3 months but less than 1 year	50.00%	9	5
More than 1 year but less than 2 years	100.00%	22	22
More than 2 years but less than 3 years	100.00%	26	26
More than 3 years	100.00%	12	12
		2,231	65

	31 December 2023		
	Expected loss rates %	Gross carrying amount RMB million	Loss allowance RMB million
Within 3 months	0.01%	2,155	–
More than 3 months but less than 1 year	50.00%	16	8
More than 1 year but less than 2 years	100.00%	28	28
More than 2 years but less than 3 years	100.00%	1	1
More than 3 years	100.00%	12	12
		2,212	49

Expected loss rates are estimated with reference to actual loss experience over the past years. These rates are adjusted to reflect differences between economic conditions during the period over which the historical data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

The credit risk of mileage credits sales receivables and receivables on cooperation flights are considered to be low. The Group does not make credit loss allowance for these receivables.

The Group measures loss allowance for other trade receivables amounted to RMB25 million (31 December 2023: RMB15 million) based on ECLs.

4 Financial risk management and fair values of financial instruments (continued)

(d) Credit risk (continued)

Trade receivables (continued)

Movement in the loss allowance account in respect of trade receivables during the year is as follows:

	2024 RMB million	2023 RMB million
Balance at 1 January	**64**	53
Amounts written off	**(2)**	–
Impairment losses reversed	**(5)**	(4)
Impairment losses recognised	**33**	15
Balance at 31 December	**90**	64

Other receivables

The Group measures loss allowance for other receivables equal to 12-month ECLs, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECLs.

Set out below are the movements of loss allowances measured at 12-month and lifetime expected credit losses for the financial assets included in other receivables.

	2024				2023			
	Stage 1 12-month ECLs RMB million	**Stage 2 Lifetime ECLs(not credit – impaired) RMB million**	**Stage 3 Lifetime ECLs (credit – impaired) RMB million**	**Total RMB million**	Stage 1 12-month ECLs RMB million	Stage 2 Lifetime ECLs(not credit – impaired) RMB million	Stage 3 Lifetime ECLs (credit – impaired) RMB million	Total RMB million
As at 1 January 1	**1**	**14**	**119**	**134**	3	14	119	136
Reversal	**(1)**	**(3)**	**(19)**	**(23)**	(2)	–	–	(2)
As at 31 December	**–**	**11**	**100**	**111**	1	14	119	134

4 Financial risk management and fair values of financial instruments (continued)

(d) Credit risk (continued)

Derivative financial instruments

The Group entered into derivative financial instruments arrangements with counterparties including banks. Such arrangements are settled in net. As the counterparties have favourable credit ratings, the Group does not expect there to be a risk of default.

(e) Jet fuel price risk

The Group's results of operations may be significantly affected by fluctuations in fuel prices since the jet fuel expenses are a significant cost for the Group. The Group may hedge a portion of the future fuel requirements through various financial derivative instruments linked to certain fuel commodities to lock in fuel costs within a hedged price range. In 2024, the Group disposed all crude oil forward contracts and did not enter into any crude oil forward contract (Note 27).

(f) Capital management

The Group's primary objectives in managing capital are to safeguard the Group's ability to continue as a going concern, and to generate sufficient profit to maintain growth and provide returns to its shareholders, by securing access to finance at a reasonable cost.

The Group manages the amount of capital in proportion to risk and manages its debt portfolio in conjunction with projected financing requirements. The Group monitors capital on the basis of the debt ratio, which is calculated as total liabilities divided by total assets. During 2024, the Group's strategy, which was unchanged from 2023, was to maintain a debt ratio at a range of levels to support the operations and development of the Group's business in the long run. In order to maintain or adjust the debt ratio, the Group may issue new shares, return capital to shareholders, raise new debt financing or sell assets to reduce debt or adjust the dividends payment policy.

Except for the compliance of certain financial covenants for maintaining the Group's banking facilities and borrowings, the Group is not subject to any externally imposed capital requirements.

4 Financial risk management and fair values of financial instruments (continued)

(g) Fair value

(i) Financial instruments carried at fair value

Fair value hierarchy

The following table presents the carrying value of financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in IFRS 13, *Fair value measurement*. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date
- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available
- Level 3 valuations: Fair value measured using significant unobservable inputs

		Fair value measurements as at 31 December 2024 categorised into			
Recurring fair value measurement	Note	Fair value at 31 December 2024 RMB million	Level 1 RMB million	Level 2 RMB million	Level 3 RMB million
Financial assets/(liabilities):					
Other equity instrument investments:					
– Non-tradable listed shares	26	431	–	–	431
Other non-current financial assets:					
– Non-listed shares	26	33	–	–	33
– Certificates of deposit	26	2,774	–	2,774	–
Other financial assets:					
– Certificates of deposit	26	2,695	–	2,695	–
Derivative financial assets:					
– Put-back option	27	18	–	–	18
Derivative financial liabilities:					
– Derivative component of convertible bonds	27	(908)	–	(908)	–

4 Financial risk management and fair values of financial instruments (continued)

(g) Fair value (continued)

(i) Financial instruments carried at fair value (continued)

Fair value hierarchy (continued)

			Fair value measurements as at 31 December 2023 categorised into		
Recurring fair value measurement	Note	Fair value at 31 December 2023 RMB million	Level 1 RMB million	Level 2 RMB million	Level 3 RMB million
Financial assets/(liabilities):					
Other equity instrument investments:					
– Non-tradable listed shares	26	547	–	–	547
Other non-current financial assets:					
– Listed shares	26	26	26	–	–
– Non-listed shares	26	31	–	–	31
– Certificates of deposit	26	3,065	–	3,065	–
Other financial assets:					
– Certificates of deposit	26	3,157	–	3,157	–
Derivative financial assets:					
– Crude oil forward contracts	27	4	–	4	–
Derivative financial liabilities:					
– Derivative component of convertible bonds	27	(907)	–	(907)	–

During the twelve months ended 31 December 2024 and 31 December 2023, there were no transfers among Level 1, Level 2 and Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

Valuation techniques and inputs used in Level 2 fair value measurements

Fair value of certificates of deposit is measured by the expected recoverable amounts that would receive assuming that these certificates of deposit had been sold at the end of the reporting period.

Fair value of derivative component of convertible bonds is measured by using the Binomial Model. The major inputs used in the Binomial Model are:

	At 31 December 2024	At 31 December 2023
Conversion price	**RMB6.17**	RMB6.17
Stock price of A shares	**RMB6.82**	RMB5.88
Stock market volatility	**26.62%**	31.39%
Risk-free interest rate	**1.13%**	2.27%

(Expressed in Renminbi unless otherwise indicated)

4 Financial risk management and fair values of financial instruments (continued)

(g) Fair value (continued)

(i) Financial instruments carried at fair value (continued)

Information about Level 3 fair value measurements

	Valuation technique	**Significant unobservable inputs**	**Range**
Other equity instruments investments			
– Non-tradable listed shares (1)&(3)	Market approach-valuation multiples	Discount for lack of marketability	32%
Other non-current financial assets			
– Non-listed shares (2)	Income approach-discounted cash flow	Expected profit growth rates during the projection period	10.00%-10.99%
		Perpetual growth rates	2.67%-5.57%
		Expected dividend payout rates during the projection period	27%-33%
		Perpetual dividend payout rates	80%
		Discount rates	8.96%-11.77%
Derivative financial assets-Put-back option(4)	Market approach-valuation multiples	Discount for lack of marketability	27.1%

(1) The fair value of non-tradable listed shares are determined by market value adjusted for lack of marketability discount. The fair value measurement is negatively correlated to the discount for lack of marketability.

(2) The fair value of these non-listed shares is determined by discounting projected cash flow series associated with respective investments. The valuation takes into account the expected profit growth rates and expected dividend payout rate of the investees. The discount rates used have been adjusted to reflect specific risks relating to respective investees. The fair value measurement is positively correlated to the expected profit growth rates during the projection period, perpetual growth rates, expected dividend payout rates during the projection period and perpetual dividend payout rates of respective investees, and negatively correlated to the discount rates.

(3) Any gain or loss arising from the remeasurement of the Group's non-tradable equity securities held for strategic purposes are recognised in the fair value reserve (non-recycling) in other comprehensive income. Upon disposal of the equity securities, the amount accumulated in other comprehensive income is transferred directly to retained earnings.

(4) The fair value of put-back option of interest in an associate is determined by market value adjusted for lack of marketability discount. The fair value measurement is negatively correlated to the discount for lack of marketability. Any gain or loss arising from the remeasurement of the Group's put-back option of interest in an associate is recognised in the changes in fair value of financial assets.

4 Financial risk management and fair values of financial instruments (continued)

(g) Fair value (continued)

(ii) Financial instruments not carried at fair value

All other financial instruments are carried at amounts not materially different from their fair values as at 31 December 2024 and 2023.

5 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:

	Note	2024 RMB million	2023 RMB million
Revenue from contracts with customers within the scope of IFRS 15:			
Disaggregated by service lines			
– Traffic revenue			
– Passenger		**146,450**	136,170
– Cargo and mail		**18,695**	15,275
		165,145	151,445
– Commission income		**3,261**	3,164
– Cargo handling income		**992**	820
– Hotel and tour operation income		**832**	750
– Ground services income		**805**	473
– Air catering service income		**535**	458
– Others		**2,268**	2,456
		8,693	8,121
Revenue from other sources:			
– Rental income			
– Lease payments that are fixed or depend on an index or a rate		**302**	303
– Variable lease payments that do not depend on an index or a rate		**84**	60
	19(e)	**386**	363
		174,224	159,929

Disaggregation of revenue from contracts with customers by geographic markets is disclosed in Note 6(b).

5 Operating revenue (continued)

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

As at 31 December 2024, 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 RMB3,043 million (31 December 2023: RMB2,893 million) (Note 39). This amount represents revenue expected to be recognised in the future when the customers obtain control of the goods or services.

6 Segment reporting

(a) 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 profit/(loss) before taxation, assets and liabilities, which arises from different accounting policies, are set out in Note 6(c).

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.

6 Segment reporting (continued)

(a) Business segments (continued)

The segment results of the Group for the year ended 31 December 2024 are as follows:

	Airline transportation operations RMB million	Other segments RMB million	Elimination RMB million	Unallocated* RMB million	Total RMB million
Revenue from external customers	171,829	2,395	–	–	174,224
Inter-segment sales	595	6,009	(6,604)	–	–
Reportable segment revenue	172,424	8,404	(6,604)	–	174,224
Reportable segment profit/(loss) before taxation	1,129	867	(12)	(403)	1,581
Reportable segment profit/(loss) after taxation	(115)	736	(15)	(452)	154
Other segment information					
Income tax	1,244	131	3	49	1,427
Interest income	204	24	(13)	–	215
Interest expense	5,754	56	(52)	–	5,758
Depreciation and amortisation	28,163	211	–	–	28,374
Impairment losses	5	–	–	–	5
Credit losses	4	1	–	–	5
Share of associates and joint ventures' results	–	–	–	(616)	(616)
Changes in fair value of financial assets/liabilities	–	–	–	195	195
Non-current assets additions during the year#	40,498	658	(368)	–	40,788

6 Segment reporting (continued)

(a) Business segments (continued)

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

	Airline transportation operations RMB million	Other segments RMB million	Elimination RMB million	Unallocated* RMB million	Total RMB million
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

6 Segment reporting (continued)

(a) Business segments (continued)

The segment assets and liabilities of the Group as at 31 December 2024 and 31 December 2023 are as follows:

	Airline transportation operations RMB million	Other segments RMB million	Elimination RMB million	Unallocated* RMB million	Total RMB million
As at 31 December 2024					
Reportable segment assets	313,651	9,068	(6,101)	13,120	329,738
Reportable segment liabilities	277,523	4,791	(6,079)	908	277,143
As at 31 December 2023					
Reportable segment assets	291,170	7,654	(3,146)	13,548	309,226
Reportable segment liabilities	255,347	4,090	(3,115)	907	257,229

* 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.

(b) 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 the PRC (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 the PRC, 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.

6 Segment reporting (continued)

(b) Geographical information(continued)

(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.

	2024 RMB million	2023 RMB million
Domestic	**122,121**	122,933
International	**50,025**	35,223
Hong Kong, Macau and Taiwan	**2,078**	1,773
	174,224	159,929

The major revenue earning assets of the Group are its aircraft fleet which is registered in the PRC and is deployed across its worldwide route network. Majority of the Group's other assets are located in the PRC. 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.

(c) Reconciliation of reportable segment profit/(loss) before income tax, assets and liabilities to the consolidated figures as reported in the consolidated financial statements

	Note	2024 RMB million	2023 RMB million
Profit/(loss) before income tax			
Reportable segment profit/(loss) before taxation	6(a)	**1,581**	(1,645)
Capitalisation of exchange difference of specific loans	(i)	**(5)**	(3)
Government grants	(ii)	**1**	1
(Provision)/reversal of impairment losses on property, plant and equipment	(iv)	**(126)**	126
Consolidated profit/(loss) before income tax		**1,451**	(1,521)

	Note	31 December 2024 RMB million	31 December 2023 RMB million
Assets			
Reportable segment assets	6(a)	**329,738**	309,226
Capitalisation of exchange difference of specific loans	(i)	**6**	11
Government grants	(ii)	**(2)**	(3)
Adjustments arising from business combinations under common control	(iii)	**237**	237
Reversal of impairment losses on property, plant and equipment	(iv)	**–**	126
Others		**–**	(1)
Consolidated total assets		**329,979**	309,596

6 Segment reporting (continued)

(c) Reconciliation of reportable segment profit/(loss) before income tax, assets and liabilities to the consolidated figures as reported in the consolidated financial statements (continued)

Liabilities

As at 31 December 2024 and 2023, there is no difference between the amount of reportable segment liabilities and consolidated total liabilities.

Notes:

(i) In accordance with the PRC GAAP, exchange difference arising on translation of specific loans and related interest denominated in a foreign currency is capitalised as part of the cost of qualifying assets. Under IFRS Accounting Standards, such exchange difference is recognised in income statement unless the exchange difference represents an adjustment to interest.

(ii) In accordance with the PRC GAAP, assets related government grants (other than special funds) are deducted from the cost of the related assets. Special funds granted by the government and clearly defined in the approval documents as part of "capital reserve" are accounted for as increase in capital reserve. Under IFRS Accounting Standards, assets related government grants are deducted to the cost of the related assets. The difference is resulted from government grants received in previous years and recognised in capital reserve under PRC GAAP.

(iii) In accordance with the PRC GAAP, the Company accounts for the business combination under common control by applying the pooling-of-interest method. Under the pooling-of-interest method, the difference between the historical carrying amount of the acquiree and the consideration paid is accounted for as an equity transaction. Business combinations under common control are accounted for as if the acquisition had occurred at the beginning of the earliest comparative year presented or, if later, at the date that common control was established; for this purpose, relevant comparative figures are restated under PRC GAAP. Under IFRS Accounting Standards, the Company adopts the purchase accounting method for acquisition of business under common control.

(iv) In accordance with the PRC GAAP, impairment loss of non-current assets cannot be reversed. Under IFRS Accounting Standards, an impairment loss is reversed if there is indication that an impairment loss recognised in prior periods for an asset other than goodwill may no longer exist or may have decreased.

(Expressed in Renminbi unless otherwise indicated)

7 Flight operation expenses

	2024 RMB million	2023 RMB million
Jet fuel costs	54,989	52,050
Flight personnel payroll and welfare	12,542	12,428
Air catering expenses	4,406	2,563
Civil Aviation Development Fund	1,367	1,305
Aircraft operating lease charges	1,613	1,110
Training expenses	751	885
Others	7,378	6,458
	83,046	76,799

8 Maintenance expenses

	2024 RMB million	2023 RMB million
Aviation repair and maintenance charges	9,484	9,424
Staff payroll and welfare	3,709	3,581
Maintenance materials	1,660	1,385
	14,853	14,390

9 Aircraft and transportation service expenses

	2024 RMB million	2023 RMB million
Landing and navigation fees	19,674	16,381
Ground service and other charges	11,332	10,106
	31,006	26,487

10 Promotion and selling expenses

	2024 RMB million	2023 RMB million
Ticket office expenses	2,890	2,907
Sales commissions	1,523	1,406
Computer reservation services	1,063	810
Advertising and promotion	210	120
Others	1,145	1,106
	6,831	6,349

11 General and administrative expenses

	2024 RMB million	2023 RMB million
General corporate expenses	**3,804**	3,594
Auditors' remuneration	**18**	16
– Audit services	**15**	15
– Non-audit services	**3**	1
Credit losses	**5**	9
Other taxes and levies	**608**	531
	4,435	4,150

12 Depreciation and amortisation

	2024 RMB million	2023 RMB million
Depreciation of long-term assets	**27,692**	26,630
Other amortisation	**649**	535
	28,341	27,165

13 Staff costs

	2024 RMB million	2023 RMB million
Salaries, wages and welfare	**26,785**	26,197
Defined contribution retirement scheme	**3,486**	3,210
Termination benefits	**36**	45
	30,307	29,452

Staff costs relating to flight operations and maintenance are also included in the respective total amounts disclosed separately in Note 7 to Note 8 above.

Five highest paid individuals

None of the directors (2023: none), whose emoluments are reflected in Note 58, is among the five highest paid individuals in the Group for 2024. The aggregate emoluments in respect of the five (2023: five) individuals during the year are as follows:

	2024 RMB million	2023 RMB million
Salaries, wages and welfare	**12,291**	11,798
Retirement scheme contributions	**871**	821
	13,162	12,619

13 Staff costs (continued)

Five highest paid individuals (continued)

The emoluments of the five (2023: five) individuals with the highest emoluments are within the following bands:

	2024 Number of individuals	2023 Number of individuals
HK$2,500,001 to HK$3,000,000	3	3
HK$2,000,001 to HK$2,500,000	2	2

14 Other net income

	2024 RMB million	2023 RMB million
Government grants (i)	3,301	3,785
Gains on disposal of property, plant and equipment, right-of-use assets and assets held for sale		
– Aircraft and spare engines	55	220
– Other property, plant and equipment and right-of-use assets	210	140
Others (ii)	2,343	535
	5,909	4,680

Notes:

(i) Government grants mainly include subsidies granted by various local governments to encourage the Group to operate certain routes to cities where these governments are located.

There are no unfulfilled conditions and other contingencies related to subsidies that have been recognised during the year ended 31 December 2024.

(ii) These mainly include flight operation remedies.

15 Interest expense

	2024 RMB million	2023 RMB million
Interest on borrowings	3,218	3,000
Interest relating to lease liabilities (Note 21)	3,222	3,600
Total interest expense on financial liabilities not at fair value through profit or loss	6,440	6,600
Less: interest expense capitalised (Note)	(682)	(672)
	5,758	5,928

Note: The weighted average interest rate used for interest capitalisation was 2.59% per annum in 2024 (2023: 2.56%).

16 Income tax expense

(a) Income tax expense in the consolidated income statement

	2024 RMB million	2023 RMB million
Current tax		
– Provision for the year	2,044	1,203
– (Over)/under-provision in prior year	(37)	14
	2,007	1,217
Deferred tax (Note 29)		
Origination and reversal of temporary differences	(581)	219
Income tax expense	1,426	1,436

In respect of a majority of the Group's airlines operation outside the PRC, 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 2024, the Company and its branches and subsidiaries in Chinese Mainland are subject to income tax rates ranging from 15% to 25% (2023: 15% to 25%), and certain subsidiaries of the Company in Hong Kong are subject to income tax at 16.5% (2023: 16.5%).

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

	2024 RMB million	2023 RMB million
Profit/(loss) before income tax	1,451	(1,521)
Notional tax on loss before taxation, calculated at the rates applicable to loss in the tax jurisdictions concerned (Note 16(a))	374	(362)
Adjustments for tax effect of:		
Non-deductible expenses	140	109
Share of results of associates and joint ventures and other non-taxable income	151	427
Unrecognized tax losses and temporary differences	854	1,282
(Over)/under-provision in prior year	(37)	14
Super deduction of research and development expenses	(56)	(34)
Income tax expense	1,426	1,436

16 Income tax expense (continued)

(c) Pillar Two income taxes

In 2021, the Organisation for Economic Co-operation and Development published the Global Anti-Base Erosion Model Rules ("Pillar Two model rules") for a new global minimum tax reform applicable to large multinational enterprises. Certain jurisdictions in which the Group operates have implemented Pillar Two income tax legislation based on this framework, and those Pillar Two income tax laws became effective on 1 January 2024.

Consequently, the Group has become liable to Pillar Two income tax for the first time. No current tax expense need to be recognised related to Pillar Two income taxes for year ended 31 December 2024 (2023: Nil).

The Group has applied the temporary mandatory exception to recognising and disclosing information about deferred tax assets and liabilities related to Pillar Two income taxes and accounted for the tax as current tax when incurred.

Other jurisdictions in which the Group operates are in the process of implementing their Pillar Two income tax legislation. Therefore, it is possible that the Group may be subject to additional Pillar Two income taxes in those jurisdictions.

17 Other comprehensive income

	2024 **RMB million**	2023 RMB million
Equity investments measured at FVOCI:		
Changes in fair value recognised during the year	**(114)**	(112)
Net deferred tax debited to other comprehensive income	**29**	28
	(85)	(84)
Differences resulting from the translation of foreign currency financial statements	**–**	1
Other comprehensive income for the year	**(85)**	(83)

18 Loss per share

The calculation of basic loss per share for the year ended 31 December 2024 is based on the loss attributable to equity shareholders of the Company of RMB1,769 million (2023: RMB4,140 million) and the weighted average of 18,120,907,985 shares in issue during the year (2023: 18,120,900,578 shares).

	2024 **RMB million**	2023 RMB million
Issued ordinary shares at 1 January	**18,121**	18,121
Effect of issuance of shares	**–**	–
Weighted average number of ordinary shares at 31 December	**18,121**	18,121

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 2024 and for the year ended 31 December 2023.

19 Property, plant and equipment, net

	Investment properties RMB million	Buildings RMB million	Aircraft RMB million	Other flight equipment including rotables RMB million	Machinery, equipment and vehicles RMB million	Total RMB million
Cost:						
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 (Note 20)	–	618	2,625	673	100	4,016
Transferred from/to other property, plant and equipment	314	(314)	–	–	–	–
Transferred from/to right-of-use assets (Note 21)	9	–	12,943	–	–	12,952
Transferred to assets held for sale (a)	–	–	(1,125)	(55)	–	(1,180)
Disposals						
– disposals	–	(412)	(4,973)	(860)	(358)	(6,603)
– liquidation of subsidiaries	–	(23)	–	–	–	(23)
At 31 December 2023	900	25,065	128,578	24,740	11,268	190,551
At 1 January 2024	**900**	**25,065**	**128,578**	**24,740**	**11,268**	**190,551**
Additions	**–**	**22**	**3,528**	**1,372**	**566**	**5,488**
Transferred from construction in progress (Note 20)	**–**	**65**	**4,182**	**1,569**	**35**	**5,851**
Transferred from/to other property, plant and equipment	**20**	**(20)**	**(235)**	**235**	**–**	**–**
Transferred from/to right-of-use assets (Note 21)	**98**	**–**	**16,558**	**574**	**–**	**17,230**
Transferred to assets held for sale (a)	**–**	**–**	**(529)**	**–**	**–**	**(529)**
Disposals	**–**	**(91)**	**(7,262)**	**(485)**	**(337)**	**(8,175)**
At 31 December 2024	**1,018**	**25,041**	**144,820**	**28,005**	**11,532**	**210,416**

(Expressed in Renminbi unless otherwise indicated)

19 Property, plant and equipment, net (continued)

	Investment properties RMB million	Buildings RMB million	Aircraft RMB million	Other flight equipment including rotables RMB million	Machinery, equipment and vehicles RMB million	Total RMB million
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
Transferred from/to other property, plant and equipment	115	(115)	–	–	–	–
Transferred from/to right-of-use asset (Note 21)	(2)	–	6,114	–	–	6,112
Transferred to assets held for sale (a)	–	–	(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 (Note 21)	–	–	940	–	–	940
Reversal of impairment losses	–	–	(126)	–	–	(126)
Impairment losses transferred to assets held for sale (a)	–	–	(502)	(35)	–	(537)
Impairment losses written off on disposals						
– disposals	–	–	(929)	(82)	–	(1,011)
– liquidation of subsidiaries	–	–	–	–	(2)	(2)
At 31 December 2023	376	7,378	65,417	15,854	7,951	96,976
At 1 January 2024	**376**	**7,378**	**65,417**	**15,854**	**7,951**	**96,976**
Depreciation charge for the year	**27**	**766**	**7,662**	**1,442**	**999**	**10,896**
Transferred from/to other property, plant and equipment	**14**	**(14)**	**(64)**	**64**	**–**	**–**
Transferred from/to right-of-use assets (Note 21)	**34**	**–**	**8,198**	**109**	**–**	**8,341**
Transferred to assets held for sale (a)	**–**	**–**	**(312)**	**–**	**–**	**(312)**
Disposals	**–**	**(38)**	**(5,016)**	**(375)**	**(272)**	**(5,701)**
Provision for impairment losses	**3**	**–**	**–**	**–**	**–**	**3**
Reversal of impairment losses	**–**	**–**	**(305)**	**–**	**–**	**(305)**
Impairment losses transferred from right-of-use assets (Note 21)	**–**	**–**	**249**	**–**	**–**	**249**
Impairment losses transferred to assets held for sale (a)	**–**	**–**	**(99)**	**–**	**–**	**(99)**
Reclassification	**–**	**–**	**(158)**	**158**	**–**	**–**
Disposals	**–**	**–**	**(848)**	**(1)**	**–**	**(849)**
At 31 December 2024	**454**	**8,092**	**74,724**	**17,251**	**8,678**	**109,199**
Net book value:						
At 31 December 2024	**564**	**16,949**	**70,096**	**10,754**	**2,854**	**101,217**
At 31 December 2023	524	17,687	63,161	8,886	3,317	93,575

19 Property, plant and equipment, net (continued)

(a) As at 31 December 2024, the carrying amount of the above assets were RMB118 million (31 December 2023: RMB198 million) (Note 35), 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.

(b) As at 31 December 2024, the Group's property, plant and equipment with an aggregate net book value of approximately RMB2,033 million (31 December 2023: nil) were pledged to secure certain bank loans of the Group.

(c) In previous year, the Group derecognised certain aircraft under finance lease agreements as a lessor, against which cost and accumulated depreciation of the aircraft, and a long-term receivable was recognised accordingly. As at 31 December 2024, the balance of long-term receivable was RMB559 million (including the balance due within one year) (31 December 2023: RMB739 million) (Note 26).

(d) As at 31 December 2024 and up to the date of approval of these financial statements, the Group is in the process of applying for the property title certificates in respect of the certain properties located in the PRC, in which the Group has interests and for which such certificates have not been granted. As at 31 December 2024, carrying value of such properties of the Group amounted to RMB8,224 million (31 December 2023: RMB10,709 million). The Directors of the Company are of the opinion that the use of and the conduct of operating activities at the properties referred to above are not affected by the fact that the Group has not yet obtained the relevant property title certificates.

(e) The Group leased out investment properties and facilities under operating leases. The leases typically run for an initial period of one to twenty years, with an option to renew the leases after that date at which time all contract terms are renegotiated. In this connection, rental income totalling RMB386 million (2023: RMB363 million) was recognised by the Group during the year in respect of the leases. Directors estimated the fair value of these investment properties approximate the carrying amount.

The properties are reclassified between investment properties and other property, plant and equipment, upon the intention of commencement or cessation of lease.

The Group's total future minimum lease income under non-cancellable operating leases are as follows:

	2024 **RMB million**	2023 RMB million
Within 1 year	**60**	39
After 1 year but within 5 years	**282**	126
After 5 years	**550**	124
	892	289

20 Construction in progress

	Advance payment for aircraft and flight equipment RMB million	Others RMB million	Total RMB million
At 1 January 2023	31,838	1,462	33,300
Additions	10,392	1,618	12,010
Transferred to property, plant and equipment (Note 19)	(3,298)	(718)	(4,016)
Transferred to right-of-use assets (Note 21)	(6,662)	(118)	(6,780)
Transferred to others(Note 30)	–	(337)	(337)
At 31 December 2023	32,270	1,907	34,177
At 1 January 2024	**32,270**	**1,907**	**34,177**
Additions	**14,878**	**2,401**	**17,279**
Transferred to property, plant and equipment (Note 19)	**(5,751)**	**(100)**	**(5,851)**
Transferred to right-of-use assets (Note 21)	**(10,588)**	**(2)**	**(10,590)**
Transferred to others	**–**	**(453)**	**(453)**
At 31 December 2024	**30,809**	**3,753**	**34,562**

21 Right-of-use assets

	Aircraft and engines RMB million	Land use rights RMB million	Buildings RMB million	Others RMB million	Total RMB million
Cost:					
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 (Note 20)	6,575	118	–	87	6,780
Transferred from/to property, plant and equipment on exercise of purchase option (Note 19)	(12,943)	(9)	–	–	(12,952)
Disposals	(3,900)	(18)	(1,634)	(233)	(5,785)
At 31 December 2023	216,090	6,900	3,163	716	226,869
At 1 January 2024	**216,090**	**6,900**	**3,163**	**716**	**226,869**
Additions	**14,661**	**637**	**1,412**	**146**	**16,856**
Transferred from construction in progress (Note 20)	**10,588**	**2**	**–**	**–**	**10,590**
Transferred from/to property, plant and equipment on exercise of purchase option (Note 19)	**(16,558)**	**(98)**	**–**	**(574)**	**(17,230)**
Disposals	**(8,351)**	**(35)**	**(881)**	**(1)**	**(9,268)**
At 31 December 2024	**216,430**	**7,406**	**3,694**	**287**	**227,817**

21 Right-of-use assets (continued)

	Aircraft and engines RMB million	Land use rights RMB million	Buildings RMB million	Others RMB million	Total RMB million
Accumulated amortisation and impairment losses:					
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 from/to property, plant and equipment on exercise of purchase option (Note 19)	(6,114)	2	–	–	(6,112)
Disposals	(3,900)	(11)	(1,615)	(233)	(5,759)
Impairment losses transferred to property, plant and equipment (Note 19)	(940)	–	–	–	(940)
At 31 December 2023	96,544	1,379	1,179	133	99,235
At 1 January 2024	**96,544**	**1,379**	**1,179**	**133**	**99,235**
Amortisation charge for the year	**15,525**	**161**	**1,000**	**142**	**16,828**
Transferred from/to property, plant and equipment on exercise of purchase option (Note 19)	**(8,198)**	**(34)**	**–**	**(109)**	**(8,341)**
Disposals	**(7,841)**	**(6)**	**(681)**	**–**	**(8,528)**
Impairment losses transferred to property, plant and equipment (Note 19)	**(249)**	**–**	**–**	**–**	**(249)**
At 31 December 2024	**95,781**	**1,500**	**1,498**	**166**	**98,945**
Net book value:					
At 31 December 2024	**120,649**	**5,906**	**2,196**	**121**	**128,872**
At 31 December 2023	119,546	5,521	1,984	583	127,634

The Group was formally granted the rights to use certain parcels of land by the relevant PRC authorities for periods of 30 to 70 years, which expire before 2073.

As at 31 December 2024 and up to the date of approval of these financial statements, the Group is in the process of applying for land use right certificates in respect of certain parcels of land used by the Group. As at 31 December 2024, carrying value of such land use rights of the Group amounted to RMB1,521 million (31 December 2023: RMB2,882 million). The Directors of the Company are of the opinion that the use of and the conduct of operating activities at the land referred to above are not affected by the fact that the Group has not yet obtained the relevant land use right certificates.

As at 31 December 2024, no land use right of the Group was mortgaged for bank borrowings (31 December 2023: nil).

21 Right-of-use assets (continued)

In addition to the amortisation charged, the analysis of expense items in relation to leases recognised in profit or loss is as follows:

	2024 RMB million	2023 RMB million
Interest on lease liabilities (Note 15)	3,222	3,600
Expense relating to short-term leases	1,807	1,566
Expense relating to leases of variable lease payments not included in the measurement of lease liabilities	99	69

During the year, additions to right-of-use assets were primarily related to the capitalised lease payments payable under new tenancy agreements and newly acquired leasehold aircraft.

Details of total cash outflow for leases and the maturity analysis of lease liabilities are set out in Note 34(d) and Note 37 respectively.

22 Goodwill

	2024 RMB million	2023 RMB million
Cost and carrying amount:	237	237

Impairment tests for cash-generating units containing goodwill

	2024 RMB million	2023 RMB million
Southern Airlines Group Import and Export Trading Company (“SAIETC”)	182	182
Xiamen Airlines Culture and Media Co., Ltd.	55	55
Total	237	237

The recoverable amount of the CGU is determined based on value-in-use calculation. The calculation uses cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using an estimated weighted average growth rate which does not exceed the long-term average growth rates for the business in which the CGU operates.

The cash flows of the above entities are discounted using pre-tax discount rates ranging from 10% to 13% (2023: 10% to 13%).

23 Subsidiaries

All the subsidiaries of the Company are unlisted. The following list contains only the particulars of subsidiaries which principally affect the results, assets or liabilities of the Group.

Name of company	Place of establishment/ operation	Registered capital	Proportion of ownership interest held by the Company	Principal activity
Xiamen Airlines Company Limited ("Xiamen Airlines") (i)	PRC	RMB14,000,000,000	55%	Airline transportation
China Southern Airlines Henan Airlines Company Limited (i)	PRC	RMB6,000,000,000	60%	Airline transportation
Chongqing Airlines Company Limited (i)	PRC	RMB1,200,000,000	60%	Airline transportation
Shantou Airlines Company Limited (i)	PRC	RMB280,000,000	100%	Airline transportation
Zhuhai Airlines Company Limited (i)	PRC	RMB250,000,000	60%	Airline transportation
Guizhou Airlines Company Limited (i)	PRC	RMB2,281,000,000	60%	Airline transportation
China Southern Air Logistics Co., Ltd. ("CSA Logistics") (i)	PRC	RMB1,818,181,820	55%	Logistics operations
Guangzhou Nanland Air Catering Company Limited (ii)	PRC	RMB240,000,000	70.50%	Air catering
Beijing Southern Airlines Ground Services Company Limited (i)	PRC	RMB881,350,100	100%	Airport ground services

(Expressed in Renminbi unless otherwise indicated)

23 Subsidiaries (continued)

Name of company	Place of establishment/ operation	Registered capital	Proportion of ownership interest held by the Company	Principal activity
China Southern Digital Intelligence Technology (Guangdong) Co., Ltd. (i)	PRC	RMB900,000,000	100%	Internet services
China Southern Airlines Group Import and Export Trading Corp., Ltd. (i)	PRC	RMB30,000,000	100%	Import and export agent services
Zhuhai Xiang Yi Aviation Technology Company Limited (i)	PRC	RMB469,848,400	100%	Flight simulation services
China Southern Airlines Xiongan Airlines Company Limited (i)	PRC	RMB10,000,000,000	100%	Airline transportation
Shenyang Northern Aircraft Maintenance Co., Ltd. (i)	PRC	RMB31,520,545	100%	Aircraft repair and maintenance services
Guangdong Southern Airline Pearl Aviation Services Company Limited (i)	PRC	RMB86,000,000	100%	Hotel management services
Southern Airlines Nansha Finance Leasing (Guangzhou) Co., Ltd. (i)	PRC	RMB2,000,000,000	100%	Leasing services

(i) These subsidiaries are PRC limited liability companies.

(ii) This subsidiary is a sino-foreign equity joint venture company established in the PRC.

(iii) Material non-controlling interests

As at 31 December 2024, the balance of total non-controlling interests is RMB17,893 million (31 December 2023: RMB15,296 million), of which RMB9,788 million (31 December 2023: RMB9,335 million) is for Xiamen Airlines and RMB8,152 million (31 December 2023: RMB6,260 million) is for CSA Logistics. The rest of non-controlling interests are not individually material.

23 Subsidiaries (continued)

– Set out below are the summarised financial information for Xiamen Airlines.

	2024 RMB million	2023 RMB million
Non-controlling interests percentage	45%	45%
Current assets	4,524	3,661
Non-current assets	59,410	52,691
Current liabilities	(21,389)	(18,220)
Non-current liabilities	(21,635)	(17,903)
Net assets	20,910	20,229
Carrying amount of non-controlling interests	9,788	9,335
Revenue	36,438	33,562
Profit for the year	569	603
Total comprehensive income	484	520
Profit allocated to non-controlling interests	291	286
Dividend paid to non-controlling interests	3	–
Net cash generated from operating activities	9,546	9,813
Net cash used in investing activities	(3,522)	(5,365)
Net cash used in financing activities	(5,784)	(4,618)

23 Subsidiaries (continued)

– Set out below are the summarised financial information for CSA Logistics.

	2024 RMB million	2023 RMB million
Non-controlling interests percentage	**45%**	45%
Current assets	**9,927**	5,865
Non-current assets	**11,278**	11,527
Current liabilities	**(3,263)**	(3,652)
Non-current liabilities	**(76)**	(52)
Net assets	**17,866**	13,688
Carrying amount of non-controlling interests	**8,152**	6,260
Revenue	**19,653**	16,605
Profit for the year	**4,186**	2,429
Total comprehensive income	**4,187**	2,429
Profit allocated to non-controlling interests	**1,900**	1,102
Dividend paid to non-controlling interests	**9**	909
Net cash generated from operating activities	**4,748**	3,620
Net cash used in investing activities	**(2,528)**	(6,168)
Net cash used in financing activities	**(46)**	(2,117)

24 Interests in associates

	2024 RMB million	2023 RMB million
Share of net assets	**2,835**	2,714

All the Group's associates are unlisted without quoted market price. The particulars of the Group's principal associates as at 31 December 2024 are as follows:

	Place of establishment/ operation	Group's effective interest	Proportion of ownership interest held by		Proportion of voting rights held by the Group	Principal activity
			The Company	Subsidiaries		
Southern Airlines Group Finance Co., Ltd. ("Finance Company")	PRC	48.59%	41.81%	6.78%	48.59%	Provision of financial services
Sichuan Airlines Co., Ltd. ("Sichuan Airlines")	PRC	39%	39%	–	39%	Airline transportation
Beijing Xingming Lake Jinyan Hotel Co., Ltd.	PRC	49%	–	49%	49%	Catering and accommodation services
Southern Airlines Culture and Media Co., Ltd. ("SACM")	PRC	40%	40%	–	40%	Advertising services
Shangzhou Aviation Logistics Co., Ltd.	PRC	37.90%	–	37.90%	37.90%	Logistics operations
Xinjiang Civil Aviation Property Management Limited	PRC	42.80%	42.80%	–	42.80%	Property management
Xiamen Aviation Industry Company Limited	PRC	10%	–	10%	10%	Aircraft repair and maintenance services
Hong Kong Business Aviation Centre Limited	Hong Kong	20%	20%	–	20%	Airport services
Beijing Airport Inflight Kitchen Co., Ltd.	PRC	30%	30%	–	30%	Air catering services
Civil Aviation Cares of Xiamen Co., Ltd.	PRC	28.5%	–	28.5%	28.5%	Software and information technology services

24 Interests in associates (continued)

	Place of establishment/ operation	Group's effective interest	Proportion of ownership interest held by The Company	Subsidiaries	Proportion of voting rights held by the Group	Principal activity
China Aviation Materials Navigation Technology (Beijing) Co., Ltd.	PRC	15%	–	15%	15%	Science and technology promotion and application service
Guangzhou Yunlian Aviation Service Co., Ltd.	PRC	15%	–	15%	15%	Air transport service
Yuanhang Warehouse Management (Guangzhou) Co., Ltd.	PRC	40%	–	40%	40%	Handling and warehousing service
Tangyi Technology (Guangzhou) Co., Ltd.	PRC	40%	–	40%	40%	Software and information technology service
Shenyang Airport Logistics Company Limited	PRC	45%	45%	–	45%	transportation business
Xiamen Airlines China Duty Free Products Co., Ltd.	PRC	49%	–	49%	49%	Sales of duty-free goods

There is no associate that is individually material to the Group.

The Group has interests in a number of individually immaterial associates that are accounted for using the equity method. The aggregate financial information of these associates is summarised as following:

	2024 RMB million	2023 RMB million
Aggregate carrying amount of individually immaterial associates	**2,835**	2,714
Aggregate amounts of the Group's share of:		
Loss from continuing operations and total comprehensive income (Note)	**(1,244)**	(2,244)

Note: In 2024, the Group made a capital contribution of RMB1,385 million to Sichuan Airlines. Given the fact that the carrying amount of the Group's interest in Sichuan Airlines was reduced to zero in previous year and there was share of losses not recognised, the Group recognised investment losses of RMB1,385 million which was lower than the accumulated unrecognised losses.

25 Interests in joint ventures

	2024 RMB million	2023 RMB million
Share of net assets	4,334	4,005

All the Group's joint ventures are unlisted without quoted market price. The particulars of the Group's principal joint ventures as at 31 December 2024 are as follows:

	Place of establishment/ operation	Group's effective interest	Proportion of ownership interest held by The Company	Proportion of ownership interest held by Subsidiaries	Proportion of voting rights held by the Group	Principal activity
Guangzhou Aircraft Maintenance Engineering Co., Ltd. ("GAMECO")	PRC	50%	50%	–	50%	Aircraft repair and maintenance services
MTU Maintenance Zhuhai Co., Ltd. ("MTU")	PRC	50%	50%	–	50%	Engines repair and maintenance services

There is no joint venture that is individually material to the Group.

The Group has interests in a number of individually immaterial joint ventures that are accounted for using the equity method. The aggregate financial information of these joint ventures is summarised as follows:

	2024 RMB million	2023 RMB million
Aggregate carrying amount of individually immaterial joint ventures	4,334	4,005
Aggregate amounts of the Group's share of:		
Profit from continuing operations and total comprehensive income	628	546

26 Financial assets

	Note	2024 RMB million	2023 RMB million
Other equity instrument investments (FVOCI)			
– Non-tradable listed shares	(i)	**431**	547
		431	547
Other non-current financial assets (FVPL)	(i)		
– Listed shares		**–**	26
– Non-listed shares		**33**	31
– Certificates of deposit	(iii)	**2,774**	3,065
Other non-current financial assets (amortised cost)	(ii)		
– Long-term receivables		**210**	297
		3,017	3,419
Other financial assets (FVPL)			
– Certificates of deposit	(iii)	**2,695**	3,157
		2,695	3,157

Notes:

(i) Dividend income generated from the investments amounted to RMB15 million for the year of 2024 in total (2023: RMB5 million).

(ii) In previous year, the Group derecognised certain aircraft under finance lease agreements as a lessor and recognised long-term receivables. As at 31 December 2024, long-term receivables (including the portion due within one year) was RMB559 million (31 December 2023: RMB739 million), among which RMB262 million (31 December 2023: RMB354 million) (Note 42(a)) was recorded in the amounts due from related companies.

(iii) As at 31 December 2024, the fair value of the negotiable certificates of deposit was RMB5,469 million. The Group expected to sell the certificates of deposit rather than held-to-maturity, and based on the Group's working capital forecast, RMB2,695 million was expected to be sold within one year and was then recorded in other financial assets (FVPL), while RMB2,774 million was expected to be sold over one year and was then recorded in other non-current financial assets (FVPL).

27 Derivative financial assets/(liabilities)

	Note	2024 RMB million	2023 RMB million
Derivative financial assets:			
Crude oil forward contracts			
– Current	4(e)	–	4
Put-back option			
– Non-current	(i)	18	–
Derivative financial liabilities:			
Derivative component of convertible bonds			
– Current	36(a)(ii)	(908)	(907)

Note:

(i) As at 31 December 2024, the Group recognized a derivative financial asset of approximately RMB18 million in respect of the put-back option agreed in the capital increase agreement of an associate, and recognized a loss of RMB1 million (Note 28) in respect of changes in fair value of financial assets during the year.

28 Changes in fair value of financial assets/liabilities

	2024 RMB million	2023 RMB million
Other financial assets	89	32
Other non-current financial assets	112	52
Interest rate swaps	–	(15)
Crude oil forward contracts	(4)	4
Derivative component of convertible bonds (Note 36(a)(ii))	(1)	801
Put-back option(Note 27(i))	(1)	–
	195	874

(Expressed in Renminbi unless otherwise indicated)

29 Deferred tax assets/(liabilities)

(a) Movements of net deferred tax assets are as follows:

	At 31 December 2023 RMB million	Credit/ (charged) to consolidated income statement RMB million	Credited to other comprehensive income RMB Million	At 31 December 2024 RMB million
For the year ended 31 December 2024				
Deferred tax assets:				
Lease liabilities	10,015	615	–	10,630
Accrued expenses	2,606	803	–	3,409
Provision for major overhauls	638	(28)	–	610
Contract liabilities/other non-current liabilities	32	(1)	–	31
Provision for impairment losses	337	(204)	–	133
Provision for tax losses	7,743	(36)	–	7,707
Others	270	209	–	479
	21,641	1,358	–	22,999
Deferred tax liabilities:				
Right-of-use assets	(8,489)	(733)	–	(9,222)
Depreciation allowances under tax in excess of the related depreciation under accounting	(647)	(10)	–	(657)
Change in fair value of derivative financial instruments	(67)	(3)	–	(70)
Change in fair value of other equity instrument investments	(127)	–	29	(98)
Change in fair value of other non-current financial assets	(22)	(17)	–	(39)
Change in fair value of other financial assets	(8)	(17)	–	(25)
Fair value re-measurement of identifiable assets in business combination	(22)	–	–	(22)
Others	(3)	3	–	–
	(9,385)	(777)	29	(10,133)
Net deferred tax assets	12,256	581	29	12,866

29 Deferred tax assets/(liabilities) (continued)

(a) Movements of net deferred tax assets are as follows: (continued)

	At 31 December 2022 RMB million	Credit/ (charged) to consolidated income statement RMB million	Charged to other comprehensive income RMB Million	At 31 December 2023 RMB million
For the year ended 31 December 2023				
Deferred tax assets:				
Lease liabilities	9,925	90	–	10,015
Accrued expenses	2,330	276	–	2,606
Provision for major overhauls	586	52	–	638
Contract liabilities/other non-current liabilities	35	(3)	–	32
Provision for impairment losses	618	(281)	–	337
Provision for tax losses	7,960	(217)	–	7,743
Change in fair value of derivative financial instruments	131	(131)	–	–
Others	190	80	–	270
	21,775	(134)	–	21,641
Deferred tax liabilities:				
Right-of-use assets	(8,452)	(37)	–	(8,489)
Depreciation allowances under tax in excess of the related depreciation under accounting	(685)	38	–	(647)
Change in fair value of derivative financial instruments	–	(67)	–	(67)
Change in fair value of other equity instrument investments	(155)	–	28	(127)
Change in fair value of other non-current financial assets	(9)	(13)	–	(22)
Change in fair value of other financial assets	–	(8)	–	(8)
Fair value re-measurement of identifiable assets in business combination	(23)	1	–	(22)
Others	(4)	1	–	(3)
	(9,328)	(85)	28	(9,385)
Net deferred tax assets	12,447	(219)	28	12,256

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 tax losses of the Company and aviation subsidiaries occurred in 2020 can be carried forward for 8 years, and the Group's tax losses occurred in other years can be carried forward for 5 years.

29 Deferred tax assets/(liabilities) (continued)

(b) Reconciliation to the consolidated statement of financial position:

	2024 RMB million	2023 RMB million
Net deferred tax assets in the statement of financial position	12,873	12,279
Net deferred tax liabilities in the statement of financial position	(7)	(23)
	12,866	12,256

(c) Deferred tax assets not recognised

The Group's unused tax losses of RMB49,665 million (2023: RMB48,452 million) have not been recognised as deferred tax assets, as it was determined by management that it is not probable that future taxable profits against which the losses can be utilised will be available before they expire. The expiry dates of unrecognised unused tax losses are analysed as follows:

	2024 RMB million	2023 RMB million
Expiring in：		
2024	–	336
2025	9	100
2026	8,996	6,285
2027	27,715	27,502
2028	12,164	14,229
2029	781	–
	49,665	48,452

As at 31 December 2024, the Group's other deductible temporary differences amounting to RMB1,220 million (31 December 2023: RMB1,704 million) have not been recognised as deferred tax assets as it was determined by management that it is not probable that future taxable profits will be available for these deductible temporary differences to reverse in the foreseeable future.

30 Other assets

	Software RMB million	Leasehold improvements RMB million	Others RMB Million (Note)	Total RMB million
At 1 January 2023	1,066	165	1,043	2,274
Additions	91	29	227	347
Transferred from construction in progress (Note 20)	317	20	–	337
Disposal	(1)	–	–	(1)
Amortisation for the year	(365)	(89)	(81)	(535)
At 31 December 2023	1,108	125	1,189	2,422
At 1 January 2024	**1,108**	**125**	**1,189**	**2,422**
Additions	**444**	**28**	**563**	**1,035**
Transferred from construction in progress	**364**	**57**	**–**	**421**
Amortisation for the year	**(481)**	**(70)**	**(98)**	**(649)**
At 31 December 2024	**1,435**	**140**	**1,654**	**3,229**

Note: As at 31 December 2024, the amounts include prepayments of RMB429 million made to related parties for acquisition of long-term assets (31 December 2023: RMB429 million) (Note 42(b)&50(c)).

31 Inventories

	2024 RMB million	2023 RMB million
Consumable spare parts and maintenance materials	**1,958**	1,558
Other supplies	**254**	217
	2,212	1,775
Less: provision	**(210)**	(210)
	2,002	1,565

Provision for inventories is shown as below:

	2024 RMB million	2023 RMB million
At 1 January	**210**	210
Provision for inventories	**2**	8
Written off upon disposal	**(2)**	(8)
At 31 December	**210**	210

32 Trade receivables

	2024 RMB million	2023 RMB million
Trade receivables	**3,396**	3,225
Less: loss allowance	**(90)**	(64)
	3,306	3,161

(a) Aging analysis

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

	2024 RMB million	2023 RMB million
Within 1 month	**2,506**	2,259
More than 1 month but less than 3 months	**358**	517
More than 3 months but less than 12 months	**322**	315
More than 1 year	**210**	134
	3,396	3,225
Less: loss allowance	**(90)**	(64)
	3,306	3,161

All of the trade receivables are expected to be recovered within one year. Further details on the Group's credit policy and credit risk arising from trade receivables are set out in note 4(d).

(b) Trade receivables by currencies

The carrying amounts of the Group's trade receivables are denominated in the following currencies:

	2024 RMB million	2023 RMB million
RMB	**3,171**	2,952
USD	**88**	110
EURO	**8**	54
HKD	**15**	11
AUD	**3**	22
BDT	**18**	3
Others	**93**	73
	3,396	3,225

33 Other receivables

	Note	2024 RMB million	2023 RMB million
VAT recoverable		**9,344**	7,062
Government grants receivables	(i)	**1,170**	826
Rebate receivables		**1,578**	329
Other deposits		**130**	186
Others	(ii)	**3,267**	898
		15,489	9,301
Less: loss allowance	(iii)	**(111)**	(134)
		15,378	9,167

Notes:

(i) Government grants receivables are recognised as there is reasonable assurance that they will be received and the Group has complied with the conditions attaching to them.

(ii) The amounts include term deposits of RMB2,871 million (31 December 2023: RMB256 million), which have a maturity over 3 months at acquisition. The weighted average annualised interest rate of term deposits as at 31 December 2024 was 2.97% (31 December 2023: 1.89%).

(iii) The Group lost control of China Southern West Australian Flying College Pty Ltd.("Flying College") in December 2020, therefore prepayment of training expenses made to Flying College amounting to RMB148 million was fully impaired. In 2022 and 2024, as the unsecured creditor, the Group received interim amount of the liquidation distribution from Flying College in the amount of RMB29 million and RMB19 million, and thus reversed loss allowance accordingly. And as at 31 December 2024, the loss allowance was RMB100 million (31 December 2023: RMB119 million).

34 Cash and cash equivalents

(a) Cash and cash equivalents comprise:

	2024 RMB million	2023 RMB million
Cash at bank and other financial institution and on hand	**12,984**	9,531
Cash and cash equivalents in the consolidated statement of financial position	**12,984**	9,531

34 Cash and cash equivalents (continued)

(a) *Cash and cash equivalents comprise: (continued)*

The carrying amounts of the Group's cash and cash equivalents are denominated in the following currencies:

	2024 RMB million	2023 RMB million
RMB	11,357	8,049
USD	993	1,203
EURO	48	57
AUD	33	16
JPY	10	10
HKD	19	28
Others	524	168
	12,984	9,531

(b) *Reconciliation of profit/(loss) before income tax to cash generated from operating activities:*

	Note	2024 RMB million	2023 RMB million
Profit/(loss) before income tax		1,451	(1,521)
Adjustments for:			
Depreciation and amortisation	12	28,341	27,165
Reversal of impairment losses on property, plant and equipment	19	(302)	(123)
Credit losses	11	5	9
Share of associates' results	24	1,244	2,244
Share of joint ventures' results	25	(628)	(546)
Gains on disposal of property, plant and equipment, right-of-use assets and assets held for sale	14	(265)	(360)
Changes in fair value of financial assets/liabilities	28	(195)	(874)
Interest income		(215)	(361)
Interest expense	15	5,758	5,928
Dividends income from other non-current financial assets	26	(15)	(5)
Exchange loss, net		934	609
Changes in working capital:			
Increase in inventories		(437)	(178)
Increase/(decrease) in contract liabilities and other non-current liabilities		468	(304)
Increase in sales in advance of carriage		2,116	3,796
Decrease in deferred benefits and gains	46	(32)	(8)
Increase in operating receivables		(3,716)	(2,064)
(Decrease)/increse in operating payables		(1,435)	7,963
Cash generated from operating activities		33,077	41,370

34 Cash and cash equivalents (continued)

(c) Reconciliation of liabilities arising from financing activities:

	Borrowings RMB million (Note 36)	Lease liabilities RMB million (Note 37)	Derivative component of convertible bonds RMB million (Note 27)	Total RMB million
At 1 January 2024	116,216	88,493	907	205,616
Changes from financing cash flows:				
Proceeds from bank borrowings	54,746	–	–	54,746
Proceeds from ultra-short-term financing bills	13,400	–	–	13,400
Proceeds from corporate bonds	18,900	–	–	18,900
Repayment of bank borrowings	(61,193)	–	–	(61,193)
Repayment of ultra-short-term financing bills	(2,700)	–	–	(2,700)
Repayment of corporate bonds	(9,000)	–	–	(9,000)
Capital element of lease rentals paid (Note 34(d))	–	(20,242)	–	(20,242)
Total changes from financing cash flows	14,153	(20,242)	–	(6,089)
Exchange adjustments	43	533	–	576
Changes in fair value	–	–	1	1
Other changes:				
Increase in lease liabilities from entering into new leases during the year	–	24.417	–	24,417
Impact of early termination of leases	–	(669)	–	(669)
Amortisation amount of convertible bonds	268	–	–	268
Impact of accrued interest expense	144	–	–	144
Total other changes	412	23,748	–	24,160
At 31 December 2024	130,824	92,532	908	224,264

34 Cash and cash equivalents (continued)

(c) Reconciliation of liabilities arising from financing activities (continued):

	Borrowings RMB million (Note 36)	Lease liabilities RMB million (Note 37)	Interest rate swaps (liabilities/ (assets)) RMB million (Note 27)	Derivative component of convertible bonds RMB million (Note 27)	Total RMB million
At 1 January 2023	119,780	94,762	(29)	1,708	216,221
Changes from financing cash flows:					
Proceeds from bank borrowings	70,978	–	–	–	70,978
Proceeds from ultra-short-term financing bills	10,700	–	–	–	10,700
Proceeds from corporate bonds	2,000	–	–	–	2,000
Repayment of bank borrowings	(56,050)	–	–	–	(56,050)
Repayment of ultra-short-term financing bills	(23,200)	–	–	–	(23,200)
Repayment of corporate bonds	(8,000)	–	–	–	(8,000)
Proceeds from disposal of derivative financial instruments	–	–	21	–	21
Capital element of lease rentals paid (Note 34(d))	–	(23,058)	–	–	(23,058)
Total changes from financing cash flows	(3,572)	(23,058)	21	–	(26,609)
Exchange adjustments	(49)	612	–	–	563
Changes in fair value	–	–	15	(801)	(786)
Other changes:					
Increase in lease liabilities from entering into new leases during the year	–	16,177	–	–	16,177
Amortisation amount of convertible bonds	262	–	–	–	262
Impact of accrued interest expense	(205)	–	–	–	(205)
Others	–	–	(7)	–	(7)
Total other changes	57	16,177	(7)	–	16,227
At 31 December 2023	116,216	88,493	–	907	205,616

34 Cash and cash equivalents (continued)

(d) Total cash outflow for leases

Amounts included in the cash flow statement for leases comprise the following:

	2024 RMB million	2023 RMB million
Within operating cash flows	(5,185)	(5,236)
Within investing cash flows	(637)	(106)
Within financing cash flows	(20,242)	(23,058)
	(26,064)	(28,400)

These amounts relate to the following:

	2024 RMB million	2023 RMB million
Lease rentals paid	(25,427)	(28,294)
Acquisition of land use rights	(637)	(106)
	(26,064)	(28,400)

35 Assets held for sale

	2024 RMB million	2023 RMB million
Aircraft and other flight equipment	118	198

As at 31 December 2024, assets held for sale represents certain aircraft and other flight equipment to be delivered. The carrying amount of aircraft and other flight equipment is RMB118 million (31 December 2023: RMB198 million). As at 31 December 2024, the transaction price with third party is no less than the carrying amount of the assets, and the sale is expected to be completed in 2025.

36 Borrowings

(a) Borrowings are analysed as follows:

	2024 RMB million	2023 RMB million (restated)
Non-current		
Long-term borrowings	35,985	38,130
Medium-term notes (Note (iii))	20,885	6,894
	56,870	45,024
Current		
Current portion of long-term borrowings	11,823	5,153
Short-term borrowings	40,440	51,362
Ultra-short-term financing bills	10,744	–
Current portion of corporate bonds and medium-term notes (Notes (iii))	5,172	9,167
Convertible bonds (Note(ii))	5,775	5,510
	73,954	71,192
Total borrowings	130,824	116,216
The borrowings are repayable:		
Within one year	73,954	71,192
In the second year	34,020	16,334
In the third to fifth year	19,908	26,308
After the fifth year	2,942	2,382
Total borrowings	130,824	116,216

36 Borrowings (continued)

(a) Borrowings are analysed as follows: (continued)

Notes:

(i) As at 31 December 2024, the Group had secured borrowings amounting to RMB1,867 million (31 December 2023: nil).

(ii) 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 2024, 290 convertible bonds were converted to A shares at the conversion price of RMB6.17 per share (for the year ended 31 December 2023, 870 convertible bonds were converted to A shares at the conversion price of RMB6.17 per share).

As at 31 December 2024, for the remaining 58,962,850 A share convertible bonds, the carrying amount of liability component and the fair value of the derivative component were RMB5,775 million and RMB908 million respectively (31 December 2023: for 58,963,140 A share convertible bonds, RMB5,510 million and RMB907 million respectively). For the year ended 31 December 2024, the loss on the changes in fair value of the derivative component amounted to RMB1 million was recognised (31 December 2023: gain on the changes in fair value amounted to RMB801 million) (Note 28).

(iii) The Company issued medium-term notes with aggregate nominal value of RMB8,000 million in 2020 at annual interest rates ranging from 2.44% to 3.28% with terms of 3 to 5 years. The medium-term notes with aggregate nominal value of RMB7,000 million were redeemed by the Company in 2023 upon maturity. As at 31 December 2024, the medium-term notes with aggregate nominal value of RMB1,000 million will mature within 1 year.

The Company issued medium-term notes with aggregate nominal value of RMB9,000 million in 2021 at annual interest rates ranging from 2.90% to 3.20% with terms of 3 years. The medium-term notes with aggregate nominal value of RMB9,000 million were redeemed by the Company in 2024 upon maturity.

The Company issued medium-term notes with aggregate nominal value of RMB3,800 million in 2022 at annual interest rates ranging from 2.69% to 2.95% with terms of 3 years. As at 31 December 2024, the medium-term notes will mature within 1 year.

The Company issued medium-term notes with aggregate nominal value of RMB2,000 million in 2023 at annual interest rate of 2.98% with terms of 3 years. As at 31 December 2024, the medium-term notes will mature over 1 year.

The Company issued medium-term notes with aggregate nominal value of RMB18,400 million in 2024 at annual interest rate of 2.12% to 2.49% with terms of 3 to 5 years. As at 31 December 2024, the medium-term notes will mature over 1 year.

Xiamen Airlines issued medium-term notes with aggregate nominal value of RMB100 million in 2022 at annual interest rate of 3.00% per annum with a term of 3 years. As at 31 December 2024, the medium-term notes will mature within 1 year.

Xiamen Airlines issued medium-term notes with aggregate nominal value of RMB500 million in 2024 at annual interest rate of 2.35% per annum with a term of 3 years. As at 31 December 2024, the medium-term notes will mature over 1 year.

36 Borrowings (continued)

(b) As at 31 December 2024, the Group's weighted average interest rates on short-term borrowings were 2.61% per annum (31 December 2023: 2.99% per annum).

(c) Details of borrowings with original maturity over one year are as follows:

	2024 RMB million	2023 RMB million (restated)
Renminbi denominated borrowings		
Fixed interest rates at 1.20%~3.43% per annum as at 31 December 2024	43,444	40,278
Medium-term notes – Fixed interest rates at 2.12%~3.28%	26,057	16,061
Convertible bond – Fixed interest rate (Note36(a)(ii))	5,775	5,510
Floating interest rates at 51%~83% of benchmark interest rate (stipulated by PBOC) as at 31 December 2024	4,364	3,005
	79,640	64,854
Less: borrowings due within one year classified as current liabilities	(22,770)	(19,830)
	56,870	45,024

(d) The carrying amounts of the borrowings are denominated in the following currencies:

	2024 RMB million	2023 RMB million
Renminbi	127,539	109,153
US Dollars	3,285	7,063
	130,824	116,216

(e) The balance of short-term and long-term borrowings as at 31 December 2024 included entrusted loans from CSAH via Finance Company to the Group amounted to RMB15,008 million (31 December 2023: RMB15,008 million), among which RMB3,008 million were repayable within one year (31 December 2023: RMB8 million), and RMB12,000 million were repayable over one year (31 December 2023: RMB15,000 million) (Note 50(d)(ii)).

(f) Certain of the Group's banking facilities are subject to the fulfilment of covenants relating to the Group's certain financial ratios, as are commonly found in lending arrangements with financial institutions. If the Group were to breach the covenants, the drawn down facilities would become payable on demand. The Group regularly monitors its compliance with these covenants. The Group did not identify any difficulties complying with the covenants. Further details of the Group's management of liquidity risk are set out in Note 4(a). As at 31 December 2024, none of the covenants relating to drawn down facilities had been breached.

37 Lease liabilities

At 31 December 2024, the lease liabilities were payable as follows:

	2024 RMB million	2023 RMB million
Within 1 year	18,378	19,261
After 1 year but within 2 years	15,887	15,994
After 2 years but within 5 years	35,344	34,623
After 5 years	22,923	18,615
	92,532	88,493

For the year ended 31 December 2024	Obligations by denominated currencies						
	Effective interest rate	USD RMB million	Japanese Yen RMB million	Renminbi RMB million	Euro RMB million	Other currencies RMB million	Total RMB million
Fixed interest rates	2.62%~4.90%	36,188	2	9,176	5	26	45,397
Floating interest rates	0.65%~7.53%	69	–	45,593	1,473	–	47,135
		36,257	2	54,769	1,478	26	92,532

For the year ended 31 December 2023	Obligations by denominated currencies						
	Effective interest rate	USD RMB million	Japanese Yen RMB million	Renminbi RMB million	Euro RMB million	Other currencies RMB million	Total RMB million
Fixed interest rates	1.76%~4.90%	35,964	4	5,980	8	24	41,980
Floating interest rates	0.83%~8.09%	715	176	43,662	1,960	–	46,513
		36,679	180	49,642	1,968	24	88,493

The Group has significant lease liabilities which are denominated in USD as at 31 December 2024. The net exchange loss of RMB912 million for the year ended 31 December 2024 (2023: net exchange loss of RMB687 million) was mainly attributable to the translation of balances of lease liabilities which are denominated in USD.

38 Trade and bills payables

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

	2024 RMB million	2023 RMB million
Within 1 month	**1,182**	756
More than 1 month but less than 3 months	**1,720**	674
More than 3 months but less than 6 months	**245**	271
More than 6 months but less than 1 year	**224**	109
More than 1 year	**206**	194
	3,577	2,004

The carrying amounts of the Group's trade and bills payables are denominated in the following currencies:

	2024 RMB million	2023 RMB million
Renminbi	**3,030**	1,436
USD	**543**	554
Others	**4**	14
	3,577	2,004

39 Contract liabilities

	2024 RMB million	2023 RMB million
Unredeemed credits under the frequent flyer award programmes (Note)	**1,666**	1,460
Others	**83**	49
	1,749	1,509

Note: As at 31 December 2024, unredeemed credits under the frequent flyer award programmes represent the aggregated amounts of the transaction price allocated to the remaining performance obligation, which is expected to be recognised as revenue in the future when the customers obtain control of the goods or services. Movement of unredeemed credits under the frequent flyer award programmes is set out below:

39 Contract liabilities (continued)

	2024 RMB million	2023 RMB million
Balance at 1 January	2,893	3,173
– Current	1,460	1,423
– Non-current	1,433	1,750
Addition as a result of increase of the unredeemed credits under the frequent flyer award programmes	2,281	2,191
Reduction as a result of revenue recognised during the year	(2,131)	(2,471)
– Recognised as revenue from opening balance of contract liabilities	(1,445)	(1,892)
– Recognised as revenue from current year addition of contract liabilities	(686)	(579)
Balance at 31 December	3,043	2,893
Representing:		
– Current	1,666	1,460
– Non-current (Note 41)	1,377	1,433

40 Sales in advance of carriage

As at 31 December 2024, the amount of sales in advance of carriage represents revenue expected to be recognised in the future when the customers obtain control of and accept the passenger transportation services to be provided by the Group. During the year, RMB6,265 million which was included in the opening balance of the sales in advance of carriage (2023: RMB2,349 million) was recognised as revenue.

41 Other non-current liabilities

	Note	2024 RMB million	2023 RMB million
Unredeemed credits under the frequent flyer award programmes	39	1,377	1,433
Long-term payables (Note)		1	64
Others		284	–
		1,662	1,497

Note: In 2020 and 2022, the Group disposed certain aircraft through sale and leaseback agreement, and the long-term payables were additional financing provided by buyer-lessor to the Group in aircraft sale and leaseback transactions. As at 31 December 2024, long-term payables (including the portion due within one year) was RMB91 million (31 December 2023: RMB289 million), among which, RMB48 million was recorded in the amounts due to related companies (31 December 2023: RMB85 million) (Note 42(c)).

42 Balances with related companies

(a) Amounts due from related companies

	Note	2024 RMB million	2023 RMB million
Current			
CSAH and its affiliates		28	27
Associates		267	268
Joint ventures		27	29
Other related company		1	–
	50(c)	323	324

	Note	2024 RMB million	2023 RMB million
Non-current			
Associates	50(c)	171	262

As at 31 December 2024, the amounts due from associates include long-term receivables of RMB262 million (including the portion due within one year) relating to finance lease arrangements (31 December 2023: RMB354 million) (Note26(ii)). Other than that, the remaining amounts due from related companies are unsecured, interest-free and have no fixed terms of repayment. They are expected to be recovered within one year.

(b) Prepayments to related companies for acquisition of long-term assets

	Note	2024 RMB million	2023 RMB million
Non-current			
CSAH and its affiliates	30&50(c)	429	429

42 Balances with related companies (continued)

(c) Amounts due to related companies

	Note	2024 RMB million	2023 RMB million
Current			
CSAH and its affiliates		**326**	308
Associates		**5**	4
Joint ventures		**194**	282
	50(c)	**525**	594

	Note	2024 RMB million	2023 RMB million
Non-current			
CSAH and its affiliates	50(c)	**6**	36

As at 31 December 2024, the amounts due to CSAH and its affiliates include long-term payables of RMB48 million (including the portion due within one year) relating to finance lease arrangements (31 December 2023: RMB85 million) (Note 41). Other than that, the remaining amounts due to related companies are unsecured, interest-free and have no fixed terms of repayment. They are expected to be settled within one year.

43 Accrued expenses

	2024 RMB million	2023 RMB million
Repairs and maintenance	**6,106**	7,649
Salaries and welfare	**4,716**	4,968
Landing and navigation fees	**2,308**	2,413
Jet fuel costs	**2,285**	2,708
Computer reservation services	**2,513**	1,889
Provision for major overhauls (Note 45)	**847**	879
Others	**2,299**	2,636
	21,074	23,142

44 Other liabilities

	2024 RMB million	2023 RMB million
Payable for purchase of property, plant and equipment	**2,547**	3,217
Civil Aviation Development Fund and airport tax payable	**1,956**	1,638
Sales agent deposits	**454**	463
Other taxes payable	**810**	757
Deposit received for chartered flights	**227**	216
Others	**2,364**	2,509
	8,358	8,800

45 Provision for major overhauls

Details of provision for major overhauls in respect of aircraft held under leases are as follows:

	2024 RMB million	2023 RMB million
At 1 January	6,610	5,795
Additional provision	1,251	1,105
Utilisation	(1,692)	(290)
At 31 December	6,169	6,610
Less: current portion (Note 43)	(847)	(879)
	5,322	5,731

46 Deferred benefits and gains

	2024 RMB million	2023 RMB million
Maintenance rebates	351	430
Government grants	367	318
Others	2	4
	720	752

47 Share capital

	2024 RMB million	2023 RMB million
Registered, issued and paid-up capital:		
Trade-restricted:		
803,571,428 A shares of RMB1.00 each owned by CSAH (2023: 803,571,428 shares of RMB1.00 each)	804	804
	804	804
Tradable:		
8,600,897,508 A shares of RMB1.00 each owned by CSAH (2023: 8,600,897,508 shares of RMB1.00 each)	8,600	8,600
4,072,445,260 A shares of RMB1.00 each (2023: 4,072,440,562 shares of RMB1.00 each)	4,073	4,073
4,643,997,308 H shares of RMB1.00 each (2023: 4,643,997,308 shares of RMB1.00 each)	4,644	4,644
	17,317	17,317
	18,121	18,121

Note: All the A and H shares rank pari passu in all material respects. The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

48 Reserves

(a) Dividends

The directors did not propose any final dividend in respect of the years ended 31 December 2024 and 2023.

(b) Share premium

The share premium represents the difference between the par value of the shares of the Company and consideration for the shares issued.

(c) Fair value reserve (non-recycling)

The fair value reserve (non-recycling) mainly comprises the Group's and share of an associate's cumulative net change in the fair value of equity investments designated at FVOCI under IFRS 9 that are held at the end of the reporting period (see Note 2(g)).

(d) Other reserves

Other reserves mainly comprise statutory surplus reserve. According to the PRC Company Law and the Articles of Association of the Company and its certain subsidiaries, the Company and the relevant subsidiaries are required to transfer 10% of their annual net profits after taxation, as determined under the PRC accounting rules and regulations, to a statutory surplus reserve until the reserve balance reaches 50% of the registered capital. The transfer to this reserve must be made before distribution of dividend to shareholders and when there are retained earnings at the end of the financial year.

Statutory surplus reserve can be used to offset prior years' losses, if any, and may be converted into share capital by the issue of new shares to shareholders in proportion to their existing shareholding or by increasing the par value of the shares currently held by them, provided that the balance after such issue is not less than 25% of the registered capital.

For the year ended 31 December 2024, the Company did not make any appropriation of statutory surplus reserve as the Company recorded a net loss in 2024 (2023: nil).

49 Commitments

(a) Capital commitments

Capital commitments outstanding as at 31 December 2024 not provided for in the financial statements were as follows:

	2024 RMB million	2023 RMB million
Commitments in respect of aircraft, engines and flight equipment		
– authorised and contracted for	128,640	102,883
Investment commitments		
– authorised and contracted for		
– share of capital commitments of a joint venture	8	19
– capital contributions for acquisition of interests in an associate	1,027	2,431
– authorised but not contracted for		
– share of capital commitments of a joint venture	15	46
	1,050	2,496
Commitments for other property, plant and equipment		
– authorised and contracted for	7,117	3,597
– authorised but not contracted for	7,630	5,878
	14,747	9,475
	144,437	114,854

As at 31 December 2024, the approximate total future payments, including estimated amounts for price escalation through anticipated delivery dates for aircraft, engines and flight equipment are as follows:

	2024 RMB million	2023 RMB million
2024	–	21,059
2025	25,521	25,591
2026	32,433	22,708
2027	22,687	25,681
2028 and the years after 2028	47,999	7,844
	128,640	102,883

50 Material related party transactions

(a) Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors (excluding independent non-executive directors) as disclosed in Note 58, is as follows:

	2024 RMB '000	2023 RMB '000
Salaries, wages and welfare	6,502	9,473
Retirement scheme contributions	1,027	1,304
	7,529	10,777

	2024 RMB '000	2023 RMB '000
Directors and supervisors (Note 58)	1,512	1,508
Senior management	6,017	9,269
	7,529	10,777

Total remuneration is included in "staff costs" (Note 13).

(b) Transactions with CSAH and its affiliates, associates, joint ventures and other related companies of the Group

The Group provided various operational services to CSAH and its affiliates, associates, joint ventures and other related companies of the Group during the normal course of its business. The Group also received operational services provided by these entities.

Details of the significant transactions carried out by the Group are as follows:

	Note	2024 RMB million	2023 RMB million
Income from CSAH and its affiliates			
Aviation material sales income*	(ii)/(iv)	40	36
Entrusted management income*	(iii)	43	39
Others*		31	29
Purchase of goods and services from CSAH and its affiliates			
Commission expenses and service fee*	(v)	33	41
Maintenance material purchase expense and lease charges for maintenance materials	(ii)	101	58
Air catering supplies expenses*	(i)	161	128
Lease charges for land and buildings*	(vi)	371	417
Property management fee*	(vii)	198	177
Others*		18	52

50 Material related party transactions (continued)

(b) Transactions with CSAH and its affiliates, associates, joint ventures and other related companies of the Group (continued)

	Note	2024 RMB million	2023 RMB million
Purchase of goods and services from joint ventures and associates			
Repairing charges	(viii)	**3,906**	2,867
Repairing charges and maintenance material purchase expenses	(ix)	**3,266**	2,571
Ground service expenses	(x)	**129**	15
Advertising expenses*	(xi)	**126**	105
Lease charges for land and buildings	(xiii)	**10**	173
Cargo handling expenses	(xviii)	**202**	154
Others		**73**	37
Income received from joint ventures and associates			
Cargo and mail revenue	(xviii)	**829**	566
Maintenance material sales and handling income	(xv)	**53**	78
Entrustment income for advertising media business*	(xi)	**5**	2
Air catering supplies income	(xiv)	**31**	24
Ground service income	(xiv)/(xviii)	**68**	57
Building and equipment leasing income	(xviii)/(ix)	**27**	11
Others*		**80**	58
Purchase of goods and services from other related companies			
Computer reservation services	(xvi)	**947**	964
Airport landing services	(xii)	**611**	–
Others		**11**	12
Aircraft related transactions with CSAH and its affiliates			
Payment of lease charges on aircraft*	(xvii)	**6,185**	6,306

(i) Shenzhen Air Catering Co., Ltd. ("SACC") is an associate of CSAH.

Air catering supplies expenses are payable by the Group in respect of certain in-flight meals and related services with SACC.

(ii) China Aviation Supplies Holding Company ("CASC") is an associate of CSAH.

The Group purchases software service, as well as purchases and leases maintenance materials from CASC, and CASC also purchases maintenance materials from the Group.

50 Material related party transactions (continued)

(b) Transactions with CSAH and its affiliates, associates, joint ventures and other related companies of the Group (continued)

(iii) China Northern Airlines Co., Ltd. ("CNAC") is a wholly-owned subsidiary of CSAH.

The Group provides entrusted management service to CSAH and CNAC.

(iv) China Southern Airlines General Aviation Limited ("General Aviation Limited"), which became a subsidiary of CSAH in 2022, purchases maintenance materials from the Group.

(v) Commission is earned by Shenzhen Baiyun Air Service Co.,Ltd., a wholly-owned subsidiary of CSAH, in connection with the air tickets sold by them on behalf of the Group. Commission is calculated based on the rates stipulated by the Civil Aviation Administration of China and International Air Transportation Association.

Service fee is earned by Shenzhen Baiyun Air Service Co.,Ltd., a wholly-owned subsidiary of CSAH, for providing transportation and accommodation services to the Group. Service fee is calculated based on the rates stipulated by the Civil Aviation Administration of China and International Air Transportation Association.

(vi) The Group leases certain land and buildings in the PRC from CSAH and its affiliates. The amount represents rental expenses for land and buildings paid or payable to CSAH and its affiliates.

(vii) China Merchants Property Operation & Service Co., Ltd. (previous name: China Southern Airlines Group Property Management Co., Ltd.), became an associate of CSAH in 2022, provides property management services to the Group.

(viii) MTU, a joint venture of the Group, provides comprehensive maintenance services to the Group.

(ix) GAMECO, a joint venture of the Group, provides comprehensive maintenance services to the Group. The Group also purchases maintenance material from GAMECO.

In addition, the Group provides building and building lease services and ground services to GAMECO.

(x) Beijing Aviation Ground Services Co.,Ltd., Sichuan Airlines and Shenyang Konggang Logistic Co., Ltd., associates of the Group, provide ground services to the Group.

(xi) SACM, an associate of the Group, provides advertising services to the Group. The Group provides certain media resources to SACM.

50 Material related party transactions (continued)

(b) Transactions with CSAH and its affiliates, associates, joint ventures and other related companies of the Group (continued)

(xii) Shenzhen Airport(Group)Co.,Ltd. became a connected entity of CSAH in 2024, providing airport landing services to the Group.

(xiii) Sichuan Airlines, Beijing Xingming Lake Jinyan Hotel Co., Ltd. and Xinjiang Civil Aviation Property Management Ltd., associates of the Group, provide land and buildings lease services to the Group.

(xiv) The Group provides air catering supplies service to Sichuan Airlines. In addition, the Group provides ground service to Sichuan Airlines.

(xv) The Group imports and sells maintenance materials to GAMECO and MTU, and earns maintenance materials sales and handling income.

(xvi) China Travel Sky Holding Company is a related party of the Group as a key management personnel of the Group was appointed as the director of China Travel Sky Holding Company. It provides computer reservation services to the Group.

(xvii) China Southern Airlines International Finance Leasing Co., Ltd. ("CSA International"), a joint venture of CSAH, provides aircraft and engines lease services to the Group.

(xviii) Shangzhou Aviation Logistics Co., Ltd., an associate of the Group, provides cargo handling services to the Group. The Group also provides cargo and mail service, building and equipment lease services and ground services to Shangzhou Aviation Logistics Co., Ltd.

* These related party transactions also constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules. The disclosures required by Chapter 14A of the Listing Rules are provided in section "CONNECTED TRANSACTION" of the Report of Director.

50 Material related party transactions (continued)

(c) Balances with CSAH and its affiliates, associates, joint ventures and other related companies of the Group

Details of amounts due from/to CSAH and its affiliates, associates, joint ventures and other related companies of the Group:

	Note	**2024 RMB million**	2023 RMB million
Current receivables:			
CSAH and its affiliates		**28**	27
Associates		**267**	268
Joint ventures		**27**	29
Other related companies		**1**	–
	42(a)	**323**	324

	Note	**2024 RMB million**	2023 RMB million
Long-term receivables:			
Associates	42(a)	**171**	262

	Note	**2024 RMB million**	2023 RMB million
Prepayments of acquisition of long-term assets:			
CSAH and its affiliates	30&42(b)	**429**	429

	Note	**2024 RMB million**	2023 RMB million
Payables:			
CSAH and its affiliates		**326**	308
Associates		**5**	4
Joint ventures		**194**	282
	42(c)	**525**	594

	Note	**2024 RMB million**	2023 RMB million
Long-term payables:			
CSAH and its affiliates	42(c)	**6**	36

50 Material related party transactions (continued)

(c) Balances with CSAH and its affiliates, associates, joint ventures and other related companies of the Group (continued)

	2024 RMB million	2023 RMB million
Accrued expenses:		
CSAH and its affiliates	**144**	144
Associates	**82**	76
Joint ventures	**1,446**	1,471
Other related companies	**2,528**	1,819
	4,200	3,510
Lease liabilities:		
CSAH and its affiliates	**27,371**	25,854
Associates	**54**	48
	27,425	25,902

Except the long-term receivables, long-term payables and lease liabilities, the amounts due from/to CSAH and its affiliates, associates, joint ventures and other related companies of the Group are unsecured, interest-free and have no fixed terms of repayment.

(d) Loans from and deposits placed with related parties

(i) Loans from Finance Company*

At 31 December 2024, loans from Finance Company to the Group amounted to RMB10,808 million (31 December 2023: RMB7,442 million).

The unsecured loans are repayable as follows:

	2024 RMB million	2023 RMB million
Within 1 year	**10,808**	7,442

Interest expense charged on such loans amounted to RMB174 million (2023: RMB220 million) and the interest rates range from 2.65% to 2.80% per annum during the year ended 31 December 2024 (2023: 2.80% to 3.30%).

50 Material related party transactions (continued)

(d) Loans from and deposits placed with related parties (continued)

(ii) Entrusted loans from CSAH*

In 2022, CSAH, Finance Company and the Group entered into entrusted loan agreements, pursuant to which, CSAH, as the lender, entrusted Finance Company to lend RMB13,000 million to the Group. RMB10,000 million was repaid in 2023.

In 2023, CSAH, Finance Company and the Group entered into entrusted loan agreements, pursuant to which, CSAH, as the lender, entrusted Finance Company to lend RMB12,000 million to the Group.

In 2024, there is no such an entrusted loan lent from CSAH and no repayment was made by the Group.

As at 31 December 2024, the unsecured entrusted loans of RMB3,008 million (including accrued interest expense of RMB8 million) were repayable within one year (31 December 2023: RMB8 million) and RMB12,000 million were repayable over one year (31 December 2023: RMB15,000 million) (Note 36(e)).

Interest expense charged on such loans amounted to RMB301 million (2023: RMB227 million) and the interest rate was 2.00% to 3.43% per annum during the year ended 31 December 2024 (2023: 2.00% to 3.43% per annum).

(iii) Deposits placed with Finance Company*

As at 31 December 2024, the Group's deposits with Finance Company are presented in the table below. The applicable interest rates are determined in accordance with the rates published by the PBOC.

	2024 **RMB million**	2023 RMB million
Deposits placed with Finance Company	**14,580**	8,940

Interest income from such deposits amounted to RMB183 million during the year ended 31 December 2024 (2023: RMB185 million).

* These related party transactions also constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules. The disclosures required by Chapter 14A of the Listing Rules are provided in section "CONNECTED TRANSACTION" of the Report of Director.

(e) Other assets related transactions with CSAH and its affiliates

	2024 **RMB million**	2023 RMB million
Other flight equipment	**–**	58
Aircraft	**220**	–

51 Employee benefits plan

(a) Retirement benefits

Employees of the Group participate in several defined contribution retirement schemes organised separately by the PRC municipal and provincial governments in regions where the major operations of the Group are located. The Group is required to contribute to these schemes at rates ranging from 14% to 16% (2023: 14% to 16%) of salary costs including certain allowances. A member of the retirement schemes is entitled to pension benefits from the Local Labour and Social Security Bureau upon his/her retirement. The retirement benefit obligations of all retired staff of the Group are assumed by these schemes. The Group, at its sole discretion, had made certain welfare subsidy payments to these retirees.

In 2014, the Company and its major subsidiaries joined a new defined contribution retirement scheme ("Pension Scheme") that was implemented by CSAH. The annual contribution to the Pension Scheme is based on a fixed specified percentage of prior year's annual wage. There will be no further obligation beyond the annual contribution according to the Pension Scheme. The total contribution into the Pension Scheme in 2024 was approximately RMB1,142 million (2023：RMB1,080 million).

For the year ended 31 December 2024, there is no forfeited contribution under the retirement schemes and Pension Scheme which may be used by the Group to reduce the contribution payable in future years.

(b) Housing benefits

The Group contributes on a monthly basis to housing funds organised by municipal and provincial governments based on certain percentages of the salaries of employees. The Group's liability in respect of these funds is limited to the contributions payable in each year.

The Group also pays cash housing subsidies on a monthly basis to eligible employees. The monthly cash housing subsidies are charged to income statement.

52 Supplementary information to the consolidated cash flow statement

Non-cash transactions

Introducing aircraft and other assets under leases are non-cash transactions for the Group. During the year ended 31 December 2024, the Group newly introduced such assets under leases amounted to RMB24,417 million, and as a result of early termination of certain lease arrangements, a decrease of RMB669 million incurred.

53 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 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 2023: RMB696 million) that can be drawn by the pilot trainees to finance their respective flight training expenses. As at 31 December 2024, total personal bank loans of RMB64 million (31 December 2023: RMB102 million), under these guarantees, were drawn down from the banks. During the year, RMB0.1 million has been made by the Group (31 December 2023: RMB0.1 million) due to the default of payments of certain pilot trainees.

54 Immediate and ultimate controlling party

As at 31 December 2024, the Directors of the Company consider the immediate parent and ultimate controlling party of the Group to be CSAH, a state-owned enterprise established in the PRC.

55 Non-adjusting events after the financial year end

After the financial year end, there were no non-adjusting events occurred up to the date of issue of these financial statements.

(Expressed in Renminbi unless otherwise indicated)

56 Company-level statement of financial position

	31 December 2024 RMB million	31 December 2023 RMB million (restated)
Non-current assets		
Property, plant and equipment, net	51,970	47,487
Construction in progress	25,783	23,243
Right-of-use assets	116,990	121,342
Investments in subsidiaries	14,512	13,164
Interests in associates	5,062	3,658
Interests in joint ventures	1,832	1,832
Aircraft lease deposits	382	346
Other non-current financial assets	–	397
Deferred tax assets	11,061	10,801
Amounts due from subsidiaries and other related companies	1,140	2,939
Derivative financial assets	18	–
Other assets	2,410	1,508
	231,160	226,717
Current assets		
Inventories	1,102	1,014
Trade receivables	933	789
Other receivables	9,553	6,093
Cash and cash equivalents	2,129	2,307
Restricted bank deposits	96	97
Prepaid expenses and other current assets	535	411
Other financial assets	2,695	3,157
Derivative financial assets	–	4
Amounts due from subsidiaries and other related companies	11,372	10,727
	28,415	24,599
Current liabilities		
Derivative financial liabilities	908	907
Borrowings	64,521	63,279
Lease liabilities	17,551	17,991
Trade payables	142	447
Contract liabilities	1,605	1,405
Sales in advance of carriage	7,566	5,782
Amounts due to subsidiaries and other related companies	2,962	2,563
Accrued expenses	16,636	17,851
Other liabilities	5,505	6,208
	117,396	116,433

56 Company-level statement of financial position (continued)

	Note	31 December 2024 RMB million	31 December 2023 RMB million (restated)
Non-current liabilities			
Borrowings		**54,046**	39,574
Lease liabilities		**60,487**	64,240
Other non-current liabilities		**1,321**	1,429
Amounts due to related companies		**6**	36
Provision for major overhauls		**2,631**	2,864
Deferred benefits and gains		**298**	297
		118,789	108,440
Net assets		**23,390**	26,443
Capital and reserves			
Share capital		**18,121**	18,121
Reserves	57	**5,269**	8,322
Total equity		**23,390**	26,443

57 Reserves movement of the Company

	Share premium RMB million	Fair value reserve (non-recycling) RMB million	Other reserves RMB million	Accumulated losses RMB million	Total RMB million
Balance at 1 January 2023	51,998	–	2,725	(43,561)	11,162
Changes in equity for 2023:					
Total comprehensive income for the year	–	–	–	(2,840)	(2,840)
Balance at 31 December 2023 and 1 January 2024	51,998	–	2,725	(46,401)	8,322
Changes in equity for 2024:					
Total comprehensive income for the year	–	–	–	(3,053)	(3,053)
Balance at 31 December 2024	51,998	–	2,725	(49,454)	5,269

58 Benefits and interests of directors and supervisors

(a) Directors' and supervisors' emoluments

The remuneration of every director and supervisor for the year ended 31 December 2024 is set out below:

Name	Directors' Fees RMB'000	Salaries, wages and welfare RMB'000	Housing allowance RMB'000	Employer's contribution to a retirement benefit scheme RMB'000	Total RMB'000
Executive directors					
Ma Xu Lun (Note (i))	–	–	–	–	–
Han Wen Sheng (Note (i))	–	–	–	–	–
Luo Lai Jun (Note (i))	–	–	–	–	–
Supervisors					
Ren Ji Dong (Note (i))	–	–	–	–	–
Lin Xiao Chun (Note (v) & (vi))	–	–	–	–	–
Wei Zhen Xing (Note (iv))	–	389	–	82	471
Yang Bin	–	865	–	176	1,041
Independent non-executive directors					
Guo Wei	200	–	–	–	200
Pansy Catilina Chiu King Ho (Note (ii))	200	–	–	–	200
Gu Hui Zhong (Note (v))	117	–	–	–	117
Cai Hong Ping (Note (v))	117	–	–	–	117
Zhang Jun Sheng (Note(iv))	83	–	–	–	83

58 Benefits and interests of directors and supervisors (continued)

(a) Directors' and supervisors' emoluments (continued)

The remuneration of every director and supervisor for the year ended 31 December 2023 is set out below:

Name	Directors' fees RMB'000	Salaries, wages and welfare RMB'000	Housing allowance RMB'000	Employer's contribution to a retirement benefit scheme RMB'000	Total RMB'000
Executive directors					
Ma Xu Lun (Note (i))	–	–	–	–	–
Han Wen Sheng (Note (i))	–	–	–	–	–
Luo Lai Jun (Note (i))	–	–	–	–	–
Supervisors					
Ren Ji Dong (Note (i))	–	–	–	–	–
Lin Xiao Chun (Note (v) & (vi))	–	418	–	81	499
Yang Bin	–	840	–	169	1,009
Independent non-executive directors					
Liu Chang Le (Note (iii))	117	–	–	–	117
Guo Wei	200	–	–	–	200
Pansy Catilina Chiu King Ho (Note (ii))	83	–	–	–	83
Gu Hui Zhong (Note (v))	200	–	–	–	200
Cai Hong Ping (Note (v))	200	–	–	–	200

58 Benefits and interests of directors and supervisors (continued)

(a) Directors' and supervisors' emoluments (continued)

Notes:

(i) These directors did not receive any remuneration for their services in the capacity of the directors of the Company. They also held management positions in CSAH and their salaries were borne by CSAH.

(ii) Appointed on 3 August 2023.

(iii) Resigned on 13 July 2023.

(iv) Appointed on 29 July 2024.

(v) Resigned on 29 July 2024.

(vi) Mr Lin Xiao Chun did not receive any remuneration for his service in the capacity of the supervisor of the Company since 1 July 2023. He also held management position in CSAH and his salary was borne by CSAH.

(b) Directors' and supervisors' termination benefits

None of the directors and supervisors received or will receive any termination benefits for the year ended 31 December 2024 (2023: nil).

(c) Consideration provided to third parties for making available directors' and supervisors' services

For the year ended 31 December 2024, the Group did not pay consideration to any third parties for making available directors' and supervisors' services (2023: nil).

(d) Information about loans, quasi-loans and other dealings in favour of directors and supervisors, controlled bodies corporate by and connected entities with such directors and supervisors

As at 31 December 2024, there is no loans, quasi-loans and other dealing arrangements in favour of directors and supervisors, controlled bodies corporate by and connected entities with such directors and supervisors (2023: nil).

(e) Directors' and supervisors' material interests in transactions, arrangements or contracts

No significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director or supervisor of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year (2023: nil).

59 Possible impact of amendments, new standards and interpretations issued but not yet effective for the year ended 31 December 2024

Up to the date of issue of these financial statements, the IASB has issued a number of new or amended standards, which are not yet effective for the year ended 31 December 2024 and which have not been adopted in these financial statements. These developments include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to IAS 21, *The effects of changes in foreign exchange rates – Lack of exchange ability*	1 January 2025
Amendments to IFRS 9, *Financial instruments* and HKFRS 7, *Financial instruments: disclosures – Amendments to the classification and measurement of financial instruments*	1 January 2026
Annual improvements to IFRSs – *Volume 11*	1 January 2026
IFRS 18, *Presentation and disclosure in financial statements*	1 January 2027
IFRS 19, *Subsidiaries without public accountability: disclosures*	1 January 2027

The Group is in the process of making an assessment of what the impact of these developments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

SUPPLEMENTARY FINANCIAL INFORMATION

For the year ended 31 December 2024
(Prepared in accordance with PRC Accounting Standards)

CONDENSED CONSOLIDATED INCOME STATEMENT

The following consolidated financial information is extracted from the consolidated financial statements of the Group, prepared under the PRC Accounting Standards.

	2024 RMB million	2023 RMB million
Revenue	**174,224**	159,929
Less: Operating costs	**159,571**	147,582
Taxes and surcharges	**608**	531
Selling and distribution expenses	**7,122**	6,629
General and administrative expenses	**4,113**	3,779
Research and development expenses	**544**	511
Finance expenses	**6,628**	6,393
Including: interest expense	**5,758**	5,928
interest income	**215**	361
Add: Other income	**3,298**	3,779
Investment loss	**(599)**	(1,688)
Including: loss from investment in associates and joint ventures	**(616)**	(1,698)
Changes in fair value of financial assets/liabilities	**195**	874
Provision of credit losses	**(5)**	(9)
Impairment losses	**(5)**	(11)
Gain on assets disposals	**731**	409
Operating loss	**(747)**	(2,142)
Add: Non-operating income	**2,434**	581
Less: Non-operating expenses	**106**	84
Profit/(loss) before income tax	**1,581**	(1,645)
Less: Income tax	**1,427**	1,437
Net profit/(loss) for the year	**154**	(3,082)
(1) Net profit/(loss) classified by continuity of operations:		
1. Net profit/(loss) from continuing operations	**154**	(3,082)
(2) Net profit/(loss) classified by ownership:		
1. Shareholders of the Company	**(1,696)**	(4,209)
2. Non-controlling interests	**1,850**	1,127

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	31 December 2024 RMB million	31 December 2023 RMB million (restated)
Assets		
Total current assets	**37,643**	27,741
Long-term equity investments	**7,168**	6,718
Fixed assets and construction in progress	**135,275**	127,275
Intangible assets and other non-current assets	**136,779**	135,212
Deferred tax assets	**12,873**	12,280
Total assets	**329,738**	309,226
Liabilities and equity		
Current liabilities	**138,402**	134,934
Deferred tax liabilities	**7**	23
Other non-current liabilities	**138,734**	122,272
Total liabilities	**277,143**	257,229
Total equity attributable to equity shareholders of the Company	**34,729**	36,784
Non-controlling interests	**17,866**	15,213
Total equity	**52,595**	51,997
Total liabilities and equity	**329,738**	309,226

RECONCILIATION OF DIFFERENCES IN FINANCIAL STATEMENTS PREPARED UNDER DIFFERENT GAAPS

(1) *The effect of the differences between PRC GAAP and IFRS Accounting Standards on loss attributable to equity shareholders of the Company is analysed as follows:*

	Note	2024 RMB million	2023 RMB million
Amounts under PRC GAAP		**(1,696)**	(4,209)
Adjustments:			
Capitalisation of exchange difference of specific loans	(a)	**(5)**	(3)
Government grants	(b)	**1**	1
Reversal of impairment losses on property, plant and equipment	(d)	**(126)**	126
Income tax effect of the above adjustments		**1**	1
Effect of the above adjustments on non-controlling interests		**56**	(56)
Amounts under IFRS Accounting Standards		**(1,769)**	(4,140)

(2) *The effect of the differences between PRC GAAP and IFRS Accounting Standards on equity attributable to equity shareholders of the Company is analysed as follows:*

	Note	2024 RMB million	2023 RMB million
Amounts under PRC GAAP		**34,729**	36,784
Adjustments:			
Capitalisation of exchange difference of specific loans	(a)	**6**	11
Government grants	(b)	**(2)**	(3)
Adjustment arising from the Company's business combination under common control	(c)	**237**	237
Reversal of impairment losses on property, plant and equipment	(d)	**–**	126
Income tax effect of the above adjustments		**–**	(1)
Effect of the above adjustments on non–controlling interests		**(27)**	(83)
Amounts under IFRS Accounting Standards		**34,943**	37,071

RECONCILIATION OF DIFFERENCES IN FINANCIAL STATEMENTS PREPARED UNDER DIFFERENT GAAPS (CONTINUED)

Notes:

(a) In accordance with the PRC GAAP, exchange difference arising on translation of specific loans and related interest denominated in a foreign currency is capitalised as part of the cost of qualifying assets. Under IFRS Accounting Standards, such exchange difference is recognised in income statement unless the exchange difference represents an adjustment to interest.

(b) In accordance with the PRC GAAP, assets related government grants (other than special funds) are deducted from the cost of the related assets. Special funds granted by the government and clearly defined in the approval documents as part of "capital reserve" are accounted for as increase in capital reserve. Under IFRS Accounting Standards, assets related government grants are deducted to the cost of the related assets. The difference is resulted from government grants received in previous years and recognised in capital reserve under PRC GAAP.

(c) In accordance with the PRC GAAP, the Company accounts for the business combination under common control by applying the pooling-of-interest method. Under the pooling-of-interest method, the difference between the historical carrying amount of the acquiree and the consideration paid is accounted for as an equity transaction. Business combinations under common control are accounted for as if the acquisition had occurred at the beginning of the earliest comparative year presented or, if later, at the date that common control was established; for this purpose, relevant comparative figures are restated under PRC GAAP. Under IFRS Accounting Standards, the Company adopts the purchase accounting method for acquisition of business under common control.

(d) In accordance with the PRC GAAP, impairment loss of non-current assets cannot be reversed. Under IFRS Accounting Standards, an impairment loss is reversed if there is indication that an impairment loss recognised in prior periods for an asset other than goodwill may no longer exist or may have decreased.

FIVE YEAR SUMMARY

The following consolidated financial information is extracted from the consolidated financial statements of the Group, prepared under International Financial Reporting Standards.

CONSOLIDATED INCOME STATEMENT SUMMARY

	Year ended 31 December				
	2024 RMB million	2023 RMB million	2022 RMB million	2021 RMB million	2020 RMB million
Operating revenue	**174,224**	159,929	87,059	101,644	92,561
Operating expenses	**(171,806)**	(159,052)	(115,262)	(116,340)	(109,111)
Other net income	**5,909**	4,680	5,661	4,767	4,686
Operating profit/(losses)	**8,327**	5,557	(22,542)	(9,929)	(11,864)
Interest income	**215**	361	457	675	322
Interest expense	**(5,758)**	(5,928)	(6,006)	(6,202)	(6,716)
Share of associates' results	**(1,244)**	(2,244)	(13)	9	(776)
Share of joint ventures' results	**628**	546	304	271	309
Exchange (loss)/gain, net	**(912)**	(687)	(3,619)	1,575	3,485
Other non-operating income/(expenses)	**195**	874	(131)	(309)	45
Profit/(loss) before income tax	**1,451**	(1,521)	(31,550)	(13,910)	(15,195)
Income tax	**(1,426)**	(1,436)	(2,166)	2,894	3,368
Profit/(loss) for the year	**25**	(2,957)	(33,716)	(11,016)	(11,827)
Profit/(loss) attributable to:					
Equity shareholders of the Company	**(1,769)**	(4,140)	(32,699)	(12,106)	(10,847)
Non-controlling interests	**1,794**	1,183	(1,017)	1,090	(980)
Profit/(loss) for the year	**25**	(2,957)	(33,716)	(11,016)	(11,827)
Loss per share					
Basic and diluted (expressed in RMB per share)	**(0.10)**	(0.23)	(1.90)	(0.75)	(0.77)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION SUMMARY

	As at 31 December				
	2024 RMB million	2023 RMB million (restated)	2022 RMB million (restated)	2021 RMB million (restated)	2020 RMB million (restated)
Non-current assets	**292,216**	281,657	278,792	285,345	287,398
Net current liabilities	**(100,639)**	(106,995)	(113,244)	(78,108)	(69,529)
Non-current liabilities	**138,741**	122,295	110,189	122,729	132,738
Total equity attributable to equity shareholders of the Company	**34,943**	37,071	41,275	67,851	69,584
Non-controlling interests	**17,893**	15,296	14,084	16,657	15,547

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