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# 中国南方航空股份有限公司 CHINA SOUTHERN AIRLINES COMPANY LIMITED

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

## 2025 ANNUAL RESULTS

The board of directors (the “**Board**”) of China Southern Airlines Company Limited (the “**Company**”) hereby announces the annual results of the Company and its subsidiaries (the “**Group**”) for the year ended 31 December 2025 together with the comparative figures for 2024, which have been derived from the Group’s audited consolidated financial statements for the year ended 31 December 2025.

### FINANCIAL RESULTS

#### A. PREPARED IN ACCORDANCE WITH IFRS ACCOUNTING STANDARDS

#### CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2025

	Note	2025 RMB million	2024 RMB million
<b>Operating revenue</b>			
Traffic revenue		173,314	165,145
Other operating revenue		8,942	9,079
<b>Total operating revenue</b>	4	182,256	174,224
<b>Operating expenses</b>			
Flight operation expenses	5	83,452	83,046
Maintenance expenses		15,410	14,853
Aircraft and transportation service expenses		31,895	31,006
Promotion and selling expenses		7,154	6,831
General and administrative expenses		4,575	4,435
Depreciation and amortisation	6	31,209	28,341
Provision for/(reversal of) impairment losses			
on property, plant and equipment		3	(302)
Others		3,267	3,596

	<i>Note</i>	<b>2025</b> <b>RMB million</b>	2024 <i>RMB million</i>
<b>Total operating expenses</b>		<b>176,965</b>	171,806
<b>Other net income</b>	7	<b>4,292</b>	5,909
<b>Operating profit</b>		<b>9,583</b>	8,327
Interest income		<b>338</b>	215
Interest expense	8	<b>(5,553)</b>	(5,758)
Exchange gain/(loss), net	16	<b>345</b>	(912)
Share of associates' results		<b>(754)</b>	(1,244)
Share of joint ventures' results		<b>817</b>	628
Changes in fair value of financial assets/liabilities		<b>32</b>	195
<b>Profit before income tax</b>		<b>4,808</b>	1,451
Income tax expense	9	<b>(2,125)</b>	(1,426)
<b>Profit for the year</b>		<b>2,683</b>	25
<b>Profit/(loss) attributable to:</b>			
Equity shareholders of the Company		<b>855</b>	(1,769)
Non-controlling interests		<b>1,828</b>	1,794
<b>Profit for the year</b>		<b>2,683</b>	25
<b>Profit/(loss) per share</b>			
Basic and diluted (expressed in RMB per share)	10	<b>0.05</b>	(0.10)

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2025

	2025 <i>RMB million</i>	2024 <i>RMB million</i>
<b>Profit for the year</b>	<u>2,683</u>	<u>25</u>
<b>Other comprehensive income:</b>		
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)	(15)	(114)
– Income tax effect of the above items	4	29
Items that are or may be reclassified subsequently to profit or loss		
– Differences resulting from the translation of foreign currency financial statements	<u>(1)</u>	<u>–</u>
<b>Other comprehensive income for the year</b>	<u>(12)</u>	<u>(85)</u>
<b>Total comprehensive income/(loss) for the year</b>	<u><u>2,671</u></u>	<u><u>(60)</u></u>
<b>Total comprehensive income/(loss) attributable to:</b>		
Equity shareholders of the Company	849	(1,816)
Non-controlling interests	<u>1,822</u>	<u>1,756</u>
<b>Total comprehensive income/(loss) for the year</b>	<u><u>2,671</u></u>	<u><u>(60)</u></u>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2025

		<b>31 December 2025</b>	31 December 2024
	<i>Note</i>	<b>RMB million</b>	<i>RMB million</i>
<b>Non-current assets</b>			
Property, plant and equipment, net		<b>112,846</b>	101,217
Construction in progress		<b>23,944</b>	34,562
Right-of-use assets		<b>143,459</b>	128,872
Goodwill		<b>237</b>	237
Interests in associates		<b>2,987</b>	2,835
Interests in joint ventures		<b>4,647</b>	4,334
Aircraft lease deposits		<b>382</b>	420
Other equity instrument investments		<b>415</b>	431
Other non-current financial assets		<b>126</b>	3,017
Derivative financial assets		<b>26</b>	18
Amounts due from related companies		<b>57</b>	171
Deferred tax assets		<b>12,378</b>	12,873
Other assets		<b>5,952</b>	3,229
		<b>307,456</b>	292,216
<b>Current assets</b>			
Inventories		<b>3,298</b>	2,002
Trade receivables	<i>12</i>	<b>3,815</b>	3,306
Other receivables	<i>13</i>	<b>21,852</b>	15,378
Cash and cash equivalents		<b>9,402</b>	12,984
Assets held for sale		<b>–</b>	118
Restricted bank deposits		<b>154</b>	139
Prepaid expenses and other current assets		<b>797</b>	818
Other financial assets		<b>2,853</b>	2,695
Amounts due from related companies		<b>426</b>	323
		<b>42,597</b>	37,763

		<b>31 December 2025</b>	31 December 2024
	<i>Note</i>	<b><i>RMB million</i></b>	<i>RMB million</i>
<b>Current liabilities</b>			
Derivative financial liabilities	<i>14</i>	<b>965</b>	908
Borrowings	<i>15</i>	<b>86,063</b>	73,954
Lease liabilities	<i>16</i>	<b>19,372</b>	18,378
Trade and bills payables	<i>17</i>	<b>6,003</b>	3,577
Contract liabilities		<b>1,938</b>	1,749
Sales in advance of carriage		<b>8,796</b>	9,295
Current income tax		<b>410</b>	584
Amounts due to related companies		<b>488</b>	525
Accrued expenses		<b>21,938</b>	21,074
Other liabilities		<b>8,150</b>	8,358
		<u><b>154,123</b></u>	<u>138,402</u>
<b>Net current liabilities</b>		<u><b>(111,526)</b></u>	<u>(100,639)</u>
<b>Total assets less current liabilities</b>		<u><b>195,930</b></u>	<u>191,577</u>
<b>Non-current liabilities</b>			
Borrowings	<i>15</i>	<b>48,216</b>	56,870
Lease liabilities	<i>16</i>	<b>84,765</b>	74,154
Other non-current liabilities		<b>1,800</b>	1,662
Amounts due to related companies		–	6
Provision for major overhauls		<b>5,064</b>	5,322
Deferred benefits and gains		<b>814</b>	720
Deferred tax liabilities		<b>21</b>	7
		<u><b>140,680</b></u>	<u>138,741</u>
<b>Net assets</b>		<u><b>55,250</b></u>	<u>52,836</u>
<b>Capital and reserves</b>			
Share capital		<b>18,121</b>	18,121
Reserves		<b>17,671</b>	16,822
<b>Total equity attributable to equity shareholders of the Company</b>		<u><b>35,792</b></u>	<u>34,943</u>
<b>Non-controlling interests</b>		<u><b>19,458</b></u>	<u>17,893</u>
<b>Total equity</b>		<u><b>55,250</b></u>	<u>52,836</u>

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

### 1 CORPORATE INFORMATION

China Southern Airlines Company Limited (the “**Company**”), a joint stock limited company, was incorporated in the People’s Republic of China (the “**PRC**”) on 25 March 1995. The address of the Company’s registered office is Unit 301, 3/F, Office Tower, Guanhao Science Park Phase I, 12 Yuyan Street, Huangpu District, Guangzhou, Guangdong Province, 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 BASIS OF PREPARATION

The financial information is extracted from the audited consolidated financial statements prepared under IFRS Accounting Standards.

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

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

The consolidated financial statements for the year ended 31 December 2025 comprise the Group and the Group’s interests in associates and joint ventures.

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

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

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

### 3 CHANGES IN ACCOUNTING POLICIES

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

The Group has applied the amendments to IAS 21, *The effects of changes in foreign exchange rates – Lack of exchangeability* to these financial statements for the current accounting period. The amendments do not have a material impact on these financial statements.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

### 4 REVENUE AND SEGMENT INFORMATION

#### (a) Operating revenue

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

#### (i) Disaggregation of revenue

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

	2025 <i>RMB million</i>	2024 <i>RMB million</i>
<b>Revenue from contracts with customers within the scope of IFRS 15:</b>		
Disaggregated by service lines		
– Traffic revenue		
– Passenger	153,644	146,450
– Cargo and mail	19,670	18,695
– Commission income	3,044	3,261
– Cargo handling income	939	992
– Hotel and tour operation income	778	832
– Ground services income	1,208	805
– Air catering service income	608	535
– Others	1,870	2,268
	181,761	173,838
<b>Revenue from other sources:</b>		
– Rental income		
– Lease payments that are fixed or depend on an index or a rate	364	302
– Variable lease payments that do not depend on an index or a rate	131	84
	495	386
	182,256	174,224

Disaggregation of revenue from contracts with customers by geographic markets is disclosed in Note 4(c).

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

As at 31 December 2025, 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 RMB3,307 million (31 December 2024: RMB3,043 million). This amount represents revenue expected to be recognised in the future when the customers obtain control of the goods or services.

(b) **Business segments**

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

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

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

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

The segment results of the Group for the year ended 31 December 2025 are as follows:

	Airline transportation operations <i>RMB million</i>	Other segments <i>RMB million</i>	Elimination <i>RMB million</i>	Unallocated* <i>RMB million</i>	Total <i>RMB million</i>
Revenue from external customers	179,834	2,422	-	-	182,256
Inter-segment sales	815	7,303	(8,118)	-	-
<b>Reportable segment revenue</b>	<b>180,649</b>	<b>9,725</b>	<b>(8,118)</b>	<b>-</b>	<b>182,256</b>
<b>Reportable segment profit before taxation</b>	<b>3,604</b>	<b>1,076</b>	<b>20</b>	<b>111</b>	<b>4,811</b>
<b>Reportable segment profit after taxation</b>	<b>1,642</b>	<b>923</b>	<b>17</b>	<b>103</b>	<b>2,685</b>
<b>Other segment information</b>					
Income tax expense	1,962	153	3	8	2,126
Interest income	287	53	(2)	-	338
Interest expense	5,538	63	(48)	-	5,553
Depreciation and amortisation	31,039	167	-	-	31,206
Impairment losses	4	9	-	-	13
Credit losses	20	3	-	-	23
Share of associates and joint ventures’ results	-	-	-	63	63
Changes in fair value of financial assets/liabilities	-	-	-	32	32
Non-current assets additions during the year <sup>#</sup>	49,764	1,005	(728)	-	50,041

The segment results of the Group for the year ended 31 December 2024 are as follows:

	Airline transportation operations <i>RMB million</i>	Other segments <i>RMB million</i>	Elimination <i>RMB million</i>	Unallocated* <i>RMB million</i>	Total <i>RMB million</i>
Revenue from external customers	171,829	2,395	–	–	174,224
Inter-segment sales	595	6,009	(6,604)	–	–
<b>Reportable segment revenue</b>	<b>172,424</b>	<b>8,404</b>	<b>(6,604)</b>	<b>–</b>	<b>174,224</b>
<b>Reportable segment profit/(loss) before taxation</b>	<b>1,129</b>	<b>867</b>	<b>(12)</b>	<b>(403)</b>	<b>1,581</b>
<b>Reportable segment profit/(loss) after taxation</b>	<b>(115)</b>	<b>736</b>	<b>(15)</b>	<b>(452)</b>	<b>154</b>
<b>Other segment information</b>					
Income tax expense	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)
Change in fair value of financial assets/liabilities	–	–	–	195	195
Non-current assets additions during the year <sup>#</sup>	40,498	658	(368)	–	40,788

The segment assets and liabilities of the Group as at 31 December 2025 and 31 December 2024 are as follows:

	Airline transportation operations <i>RMB million</i>	Other segments <i>RMB million</i>	Elimination <i>RMB million</i>	Unallocated* <i>RMB million</i>	Total <i>RMB million</i>
<b>As at 31 December 2025</b>					
Reportable segment assets	333,451	13,403	(7,968)	10,928	349,814
Reportable segment liabilities	295,096	6,629	(7,887)	965	294,803
<b>As at 31 December 2024</b>					
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

\* 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.

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

(c) **Geographical information**

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

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

- (1) Traffic revenue from services of both origin and destination within 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 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.
- (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.

	<b>2025</b> <i>RMB million</i>	2024 <i>RMB million</i>
Domestic	122,391	122,121
International	57,603	50,025
Hong Kong, Macau and Taiwan	<u>2,262</u>	<u>2,078</u>
	<u><b>182,256</b></u>	<u>174,224</u>

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.

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

	<b>2025</b> <i>RMB million</i>	2024 <i>RMB million</i>
<b>Profit before income tax</b>		
Reportable segment profit before taxation	4,811	1,581
Capitalisation of exchange difference of specific loans	(4)	(5)
Government grants	1	1
Reversal of impairment losses on property, plant and equipment	<u>-</u>	<u>(126)</u>
Consolidated profit before income tax	<u><b>4,808</b></u>	<u>1,451</u>

	<b>31 December 2025</b>	31 December 2024
	<b><i>RMB million</i></b>	<i>RMB million</i>
<b>Asset</b>		
Reportable segment assets	<b>349,814</b>	329,738
Capitalisation of exchange difference of specific loans	<b>2</b>	6
Government grants	<b>(1)</b>	(2)
Adjustments arising from business combinations under common control	<b>237</b>	237
Others	<b>1</b>	–
	<hr/>	<hr/>
Consolidated total assets	<b><u>350,053</u></b>	<b><u>329,979</u></b>

### **Liabilities**

As at 31 December 2025 and 2024, there is no difference between the amount of reportable segment liabilities and consolidated total liabilities.

## **5 FLIGHT OPERATION EXPENSES**

	<b>2025</b>	2024
	<b><i>RMB million</i></b>	<i>RMB million</i>
Jet fuel costs	<b>52,526</b>	54,989
Flight personnel payroll and welfare	<b>14,204</b>	12,542
Air catering expenses	<b>4,871</b>	4,406
Civil Aviation Development Fund	<b>1,406</b>	1,367
Aircraft operating lease charges	<b>1,837</b>	1,613
Training expenses	<b>785</b>	751
Others	<b>7,823</b>	7,378
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	<b><u>83,452</u></b>	<b><u>83,046</u></b>

## **6 DEPRECIATION AND AMORTISATION**

	<b>2025</b>	2024
	<b><i>RMB million</i></b>	<i>RMB million</i>
Depreciation of long-term assets	<b>30,481</b>	27,692
Other amortisation	<b>728</b>	649
	<hr/>	<hr/>
	<b><u>31,209</u></b>	<b><u>28,341</u></b>

## **7 OTHER NET INCOME**

	<b>2025</b>	2024
	<b><i>RMB million</i></b>	<i>RMB million</i>
Government grants	<b>3,325</b>	3,301
Gains on disposal of property, plant and equipment, right-of-use assets and assets held for sale		
– Aircraft and spare engines	<b>41</b>	55
– Other property, plant and equipment and right-of-use assets	<b>36</b>	210
Others	<b>890</b>	2,343
	<hr/>	<hr/>
	<b><u>4,292</u></b>	<b><u>5,909</u></b>

## 8 INTEREST EXPENSE

	<b>2025</b> <i>RMB million</i>	2024 <i>RMB million</i>
Interest on borrowings	<b>3,141</b>	3,218
Interest relating to lease liabilities	<b>2,900</b>	3,222
	<hr/>	<hr/>
Total interest expense on financial liabilities not at fair value through profit or loss	<b>6,041</b>	6,440
Less: interest expense capitalised ( <i>Note</i> )	<b>(488)</b>	(682)
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	<b>5,553</b>	5,758
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*Note:* The weighted average interest rate used for interest capitalisation was 2.30% per annum in 2025 (2024: 2.59%).

## 9 INCOME TAX

### (a) Income tax expense in the consolidated income statement

	<b>2025</b> <i>RMB million</i>	2024 <i>RMB million</i>
Current tax		
– Provision for the year	<b>1,624</b>	2,044
– Over-provision in prior year	<b>(12)</b>	(37)
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	<b>1,612</b>	2,007
Deferred tax		
Origination and reversal of temporary differences	<b>513</b>	(581)
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Income tax expense	<b>2,125</b>	1,426
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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 2025, the Company and its branches and subsidiaries in Chinese Mainland are subject to income tax rates ranging from 15% to 25% (2024: 15% to 25%), and certain subsidiaries of the Company in Hong Kong are subject to income tax at 16.5% (2024: 16.5%).

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

	<b>2025</b>	2024
	<b><i>RMB million</i></b>	<i>RMB million</i>
Profit before income tax	<b>4,808</b>	1,451
Notional tax on profit before taxation, calculated at the rates applicable to profit in the tax jurisdictions concerned	<b>1,205</b>	374
Adjustments for tax effect of:		
Non-deductible expenses	<b>185</b>	140
Share of results of associates and joint ventures and other non-taxable income	<b>(17)</b>	151
Unrecognized tax losses and temporary differences	<b>801</b>	854
Over-provision in prior year	<b>(12)</b>	(37)
Super deduction of research and development expenses	<b>(37)</b>	(56)
Income tax expense	<b>2,125</b>	1,426

**10 PROFIT/(LOSS) PER SHARE**

The calculation of basic profit per share for the year ended 31 December 2025 is based on the profit attributable to equity shareholders of the Company of RMB855 million (2024: the loss attributable to equity shareholders of the Company of RMB1,769 million) and the weighted average of 18,120,915,659 shares in issue during the year (2024: 18,120,907,985 shares).

	<b>2025</b>	2024
	<b><i>RMB million</i></b>	<i>RMB million</i>
Issued ordinary shares at 1 January	<b>18,121</b>	18,121
Weighted average number of ordinary shares at 31 December	<b>18,121</b>	18,121

The amount of diluted profit/(loss) per share is the same as basic profit/(loss) per share as the effect of convertible bonds is anti-dilutive for the year ended 31 December 2025 and for the year ended 31 December 2024.

**11 DIVIDENDS**

The Board did not recommend any final dividend in respect of the years ended 31 December 2025 and 2024.

## 12 TRADE RECEIVABLES

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

	2025 <i>RMB million</i>	2024 <i>RMB million</i>
Within 1 month	2,755	2,506
More than 1 month but less than 3 months	594	358
More than 3 months but less than 12 months	408	322
More than 1 year	161	210
	<u>3,918</u>	<u>3,396</u>
Less: loss allowance	(103)	(90)
	<u><u>3,815</u></u>	<u><u>3,306</u></u>

## 13 OTHER RECEIVABLES

	2025 <i>RMB million</i>	2024 <i>RMB million</i>
VAT recoverable	10,741	9,344
Government grants receivables	760	1,170
Rebate receivables on aircraft acquisitions	2,090	1,578
Other deposits	180	130
Term deposits over 3 months	7,417	2,871
Others	778	396
	<u>21,966</u>	<u>15,489</u>
Less: loss allowance	(114)	(111)
	<u><u>21,852</u></u>	<u><u>15,378</u></u>

## 14 DERIVATIVE FINANCIAL LIABILITIES

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

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

For the year ended 31 December 2025, 650 convertible bonds were converted to A shares at the conversion price of RMB6.17 per share (for the year ended 31 December 2024, 290 convertible bonds were converted to A shares at the conversion price of RMB6.17 per share).

As at 31 December 2025, for the remaining 58,962,200 A share convertible bonds, the carrying amount of liability component and the fair value of the derivative component were RMB6,014 million and RMB965 million respectively (31 December 2024: for 58,962,850 A share convertible bonds, RMB5,775 million and RMB908 million respectively). For the year ended 31 December 2025, the loss on the changes in fair value of the derivative component amounted to RMB57 million was recognised (for the year ended 31 December 2024: RMB1 million).

## 15 BORROWINGS

Borrowings are analysed as follows:

	2025 <i>RMB million</i>	2024 <i>RMB million</i>
<b>Non-current</b>		
Long-term borrowings	7,831	35,985
Medium-term notes	<u>40,385</u>	<u>20,885</u>
	<u>48,216</u>	<u>56,870</u>
<b>Current</b>		
Current portion of long-term borrowings	32,357	11,823
Short-term borrowings	34,188	40,440
Ultra-short-term financing bills	11,231	10,744
Current portion of corporate bonds and medium-term notes	2,273	5,172
Convertible bonds	<u>6,014</u>	<u>5,775</u>
	<u>86,063</u>	<u>73,954</u>
Total borrowings	<u><u>134,279</u></u>	<u><u>130,824</u></u>
The borrowings are repayable:		
Within one year	86,063	73,954
In the second year	17,437	34,020
In the third to fifth year	28,095	19,908
After the fifth year	<u>2,684</u>	<u>2,942</u>
Total borrowings	<u><u>134,279</u></u>	<u><u>130,824</u></u>

## 16 LEASE LIABILITIES

At 31 December 2025, the lease liabilities were payable as follows:

	<b>2025</b>	2024
	<b><i>RMB million</i></b>	<i>RMB million</i>
Within 1 year	<b>19,372</b>	18,378
After 1 year but within 2 years	<b>17,377</b>	15,887
After 2 years but within 5 years	<b>37,158</b>	35,344
After 5 years	<b>30,230</b>	22,923
	<hr/> <b>104,137</b> <hr/>	<hr/> 92,532 <hr/>
Representing:		
– Current	<b>19,372</b>	18,378
– Non-current	<b>84,765</b>	74,154

The Group has significant lease liabilities which are denominated in USD as at 31 December 2025. The net exchange gain of RMB345 million for the year ended 31 December 2025 (2024: net exchange loss of RMB912 million) was mainly attributable to the translation of balances of lease liabilities which are denominated in USD.

## 17 TRADE AND BILLS PAYABLES

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

	<b>2025</b>	2024
	<b><i>RMB million</i></b>	<i>RMB million</i>
Within 1 month	<b>1,114</b>	1,182
More than 1 month but less than 3 months	<b>3,899</b>	1,720
More than 3 months but less than 6 months	<b>626</b>	245
More than 6 months but less than 1 year	<b>163</b>	224
More than 1 year	<b>201</b>	206
	<hr/> <b>6,003</b> <hr/>	<hr/> 3,577 <hr/>

**B. PREPARED IN ACCORDANCE WITH THE PRC GAAP****CONSOLIDATED INCOME STATEMENT***For the year ended 31 December 2025*

	2025 <i>RMB million</i>	2024 <i>RMB million</i>
<b>Revenue</b>	<b>182,256</b>	174,224
Less: Operating costs	<b>163,780</b>	159,571
Taxes and surcharges	<b>590</b>	608
Selling and distribution expenses	<b>7,497</b>	7,122
General and administrative expenses	<b>4,288</b>	4,113
Research and development expenses	<b>607</b>	544
Finance expenses	<b>5,034</b>	6,628
Including: interest expense	<b>5,553</b>	5,758
interest income	<b>338</b>	215
Add: Other income	<b>3,322</b>	3,298
Investment profit/(loss)	<b>79</b>	(599)
Including: profit/(loss) from investment in associates and joint ventures	<b>63</b>	(616)
Changes in fair value of financial assets/liabilities	<b>32</b>	195
Provision of credit losses	<b>(23)</b>	(5)
Impairment losses	<b>(13)</b>	(5)
Gain on assets disposals	<b>110</b>	731
<b>Operating profit/(loss)</b>	<b>3,967</b>	(747)
Add: Non-operating income	<b>955</b>	2,434
Less: Non-operating expenses	<b>111</b>	106
<b>Profit before income tax</b>	<b>4,811</b>	1,581
Less: Income tax expense	<b>2,126</b>	1,427
<b>Net profit for the year</b>	<b>2,685</b>	154
(1) Net profit classified by continuity of operations:		
1. Net profit from continuing operations	<b>2,685</b>	154
(2) Net profit/(loss) classified by ownership:		
1. Shareholders of the Company	<b>857</b>	(1,696)
2. Non-controlling interests	<b>1,828</b>	1,850

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2025

	<b>31 December 2025</b>	31 December 2024
	<b><i>RMB million</i></b>	<i>RMB million</i>
<b>Assets</b>		
<b>Current assets</b>		
Cash at bank and on hand	<b>16,973</b>	15,994
Other financial assets	<b>2,853</b>	2,695
Account receivables	<b>3,954</b>	3,463
Prepayments	<b>803</b>	819
Other receivables	<b>3,817</b>	3,095
Inventories	<b>3,298</b>	2,002
Non-current assets due within one year	<b>145</b>	178
Other current assets	<b>10,755</b>	9,397
	<hr/>	<hr/>
<b>Total current assets</b>	<b>42,598</b>	37,643
	<hr/> <hr/>	<hr/> <hr/>
<b>Non-current assets</b>		
Long-term equity investments	<b>7,633</b>	7,168
Other equity instrument investment	<b>415</b>	431
Other non-current financial assets	<b>1</b>	2,807
Derivative financial instruments	<b>26</b>	18
Investment properties	<b>515</b>	564
Fixed assets	<b>112,298</b>	100,691
Construction in progress	<b>23,955</b>	34,584
Right-of-use assets	<b>137,678</b>	123,023
Intangible assets	<b>7,547</b>	7,341
Long-term receivables	<b>182</b>	381
Aircraft lease deposits	<b>382</b>	420
Long-term deferred expenses	<b>427</b>	462
Deferred tax assets	<b>12,377</b>	12,873
Other non-current assets	<b>3,780</b>	1,332
	<hr/>	<hr/>
<b>Total non-current assets</b>	<b>307,216</b>	292,095
	<hr/> <hr/>	<hr/> <hr/>
<b>Total assets</b>	<b>349,814</b>	329,738
	<hr/> <hr/>	<hr/> <hr/>

	<b>31 December 2025</b>	31 December 2024
	<i>RMB million</i>	<i>RMB million</i>
<b>Liabilities and shareholders' equity</b>		
<b>Current liabilities</b>		
Short-term borrowings	34,188	40,440
Derivative financial liabilities	965	908
Bills payables	3,176	1,089
Account payables	20,622	18,490
Contract liabilities	1,938	1,749
Sales in advance of carriage	8,796	9,295
Employee benefits payable	3,881	4,716
Taxes payable	985	1,095
Other payables	8,298	8,644
Non-current liabilities due within one year	54,009	35,457
Other current liabilities	17,265	16,519
	<hr/>	<hr/>
<b>Total current liabilities</b>	<b>154,123</b>	<b>138,402</b>
	<hr/> <hr/>	<hr/> <hr/>
<b>Non-current liabilities</b>		
Long-term borrowings	7,831	35,985
Bonds payable	40,385	20,885
Lease liabilities	84,765	74,154
Long-term payable	–	7
Provision for major overhauls	5,064	5,322
Deferred income	814	720
Deferred tax liabilities	21	7
Other non-current liabilities	1,800	1,661
	<hr/>	<hr/>
<b>Total non-current liabilities</b>	<b>140,680</b>	<b>138,741</b>
	<hr/> <hr/>	<hr/> <hr/>
<b>Total liabilities</b>	<b>294,803</b>	<b>277,143</b>
	<hr/> <hr/>	<hr/> <hr/>

	<b>31 December 2025</b>	31 December 2024
	<b>RMB million</b>	<i>RMB million</i>
<b>Shareholders' equity</b>		
Share capital	<b>18,121</b>	18,121
Capital reserve	<b>52,444</b>	52,444
Other comprehensive income	<b>163</b>	169
Surplus reserve	<b>2,579</b>	2,579
Accumulated losses	<b>(37,727)</b>	(38,584)
<b>Total equity attributable to equity shareholders of the Company</b>	<b>35,580</b>	34,729
<b>Non-controlling interests</b>	<b>19,431</b>	17,866
<b>Total equity</b>	<b>55,011</b>	52,595
<b>Total liabilities and equity</b>	<b>349,814</b>	329,738

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

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

	Net profit/(loss) attributable to equity shareholders of the Company		Equity attributable to equity shareholders of the Company	
	2025	2024	31 December 2025	31 December 2024
	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>
Amounts under PRC GAAP	<b>857</b>	(1,696)	<b>35,580</b>	34,729
Adjustments:				
Capitalisation of exchange difference of specific loans	<b>(4)</b>	(5)	<b>2</b>	6
Government grants	<b>1</b>	1	<b>(1)</b>	(2)
Adjustment arising from the Company's business combination under common control	<b>-</b>	-	<b>237</b>	237
Reversal of impairment losses on property, plant and equipment	<b>-</b>	(126)	<b>-</b>	-
Income tax effect of the above adjustments	<b>1</b>	1	<b>1</b>	-
Effect of the above adjustments on non-controlling interests	<b>-</b>	56	<b>(27)</b>	(27)
<b>Amounts under IFRS Accounting Standards</b>	<b>855</b>	(1,769)	<b>35,792</b>	34,943

## **BUSINESS REVIEW**

In 2025, the global economic landscape remained complex and volatile. According to the report of World Economic Outlook published by International Monetary Fund (IMF), the global economy is projected to grow at 3.3% in 2025. China's economy continues to advance under pressure, developing in new and higher-quality directions, with high-quality development being steadily promoted. The GDP for the year reached RMB140.2 trillion, representing a year-on-year growth of 5.0%.

In 2025, 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 164.08 billion tonne kilometres, 770 million passengers and 10.172 million tonnes, representing a year-on-year increase of 10.5%, 5.5% and 13.3%, respectively. The Group coordinated safe production and operations, promoted the construction of a brand management system, and actively advanced reform and innovation and the implementation of major strategies. During the reporting period, the Group completed a total transportation turnover volume of 39.06 billion tonne kilometres, passenger transportation volume of 174 million passengers, and cargo and mail transportation volume of 1.958 million tonnes. The Group maintained the "Three-Star Diamond Award for Flight Safety", the top award for flight safety from the Civil Aviation Administration of China (CAAC), and has been honoured as the "Best Airline of the Year" by Civil Aviation Passenger Service Evaluation (CAPSE) for eight consecutive years and as the First Brand in Aviation Service Industry in China Brand Power Index for fifteen consecutive years.

### **1. Safety Management**

During the reporting period, the Group adhered to the overall safety management strategy of "focusing on two priorities and preventing one risk", and launched a three-year initiative to address the root causes of production safety issues, resulting in continuous improvement in safety and quality. We advanced the integration of the seven safety systems with the SMS framework, establishing a SMS-based "one chart, one manual and one platform" system and developing a core risk spectrum. We strengthened qualification and competency development, including the implementation of a dispatcher qualification management system, the promotion of specialized enhancement campaigns for flight training and technical management, and the creation of a simulator training monitoring model. We also undertook in-depth risk and hazard rectification by establishing a monthly safety and risk analysis meeting mechanism and an extreme weather warning and coordination mechanism, and carrying out specialized training for flight crews to handle emergency situations in response to prominent risks. During the reporting period, the Group achieved 3.309 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 closely tracked market changes to adjust its business strategies, dedicating full efforts to improving quality and enhancing efficiency. In terms of passenger transport, we continuously refined our OD structure and competitive strategy model, steadily optimizing and expanding passenger routes, with flight frequencies along the Belt and Road routes increasing by 15.4% year-on-year. A product management system was established to streamline end-to-end product management processes. We deepened the development of our customer management system, with the number of corporate clients and frequent flyer members increasing by 345 and 18.09 million year-on-year, respectively. In terms of cargo transport, we dynamically optimized freighter capacity in response to changing circumstances, effectively utilizing fifth freedom rights to enhance route network flexibility and strengthen our operational capabilities in emerging markets. We vigorously expanded our end-customer base in sectors such as automotive and electrical machinery, securing 247 new group customers. New products, such as air-land full-container transfer services, were introduced to create differentiated competitive advantages. We enhanced our professional capabilities by pioneering the establishment at Baiyun Airport of the first cargo terminal in China's civil aviation industry to implement a "dual pre-clearance arrangement with" security screening and customs inspection.

## **3. Operation Service**

During the reporting period, the Group steadily improved its operational quality, and its brand image continued to enhance. We enhanced the construction of a large-scale operations capability, unified the platform for capacity allocation, and established the AOC hub decision-making unit. We enhanced the rationality of flight schedules and set up mechanisms for handling large-scale disruptions and daily operational reporting. The flight punctuality rate from passengers' perspective increased by 5.75 percentage points year on year. We prioritised strengthening our capabilities in service compliance management, performance management, risk management, and brand management. This resulted in a year-on-year improvement in both the Net Promoter Score and overall passenger satisfaction. We optimised service standards for passengers with special needs and established a rapid complaint handling process. Additionally, we expanded our "Pets in Cabin" (愛寵進客艙) service to over 450 routes and introduced specialty regional meals covering 16 cities. During the reporting period, the Company was awarded the "Best Airline Award" by Civil Aviation Passenger Service Evaluation (CAPSE) for the eighth consecutive year.

#### **4. Implementation of Strategies**

During the reporting period, the Group accelerated the execution of its major strategies, demonstrating a positive and upward development trajectory. We advanced a new round of structural adjustments and optimizations across five key areas, further optimising our fleet composition and enhancing the efficiency of our real estate assets. The competitiveness of our hubs was strengthened, with transit passenger volumes at Guangzhou hub and Beijing hub increasing by 19.2% and 3.8% year-on-year, respectively. Progress in digital transformation was steady, with the formulation of a special “AI+” action implementation plan, the establishment of an enterprise-level large-scale model platform, and the launch of 417 intelligent agents. We also deepened codeshare and joint venture cooperation with international airlines, introducing interline through-ticketing and baggage through-check services across 11 overseas points of call.

#### **5. Reform and Development**

During the reporting period, the Group deepened reform and innovation, with its momentum and vitality significantly enhanced. We continued to improve corporate governance and advanced the reform of the supervisory committee; promoted full implementation of tenure system and contractual management, linked remuneration adjustments of subsidiaries to performance fulfilment and labour productivity, and formulated an action plan to further deepen the reform of the three institutional mechanisms. We also optimized the evaluation system for scientific and technological innovation, strengthened key technological research and development, and obtained 101 new invention patents. The “Tian Tong” (天瞳) system was selected for inclusion in the Recommended Catalog of Scientific and Technological Innovation Achievements of Central Enterprises (中央企業科技創新成果推薦目錄). In addition, we established an enterprise architect team to strengthen the application of enterprise architecture methodologies, completed intelligent and green upgrades of pilot industrial parks, and led the drafting of the Guidelines for the Construction of Internet of Things for Civil Aviation Airlines (《民航航空公司物聯網建設指南》).

#### **6. Social Responsibility**

During the reporting period, the Group actively fulfilled its social responsibilities and continued to advance green development, rural revitalization and employee care initiatives. We adhered to green and low-carbon development and were ranked fifth globally among airlines in the United Nations IAIO – NARDO ESG Assessment for the aviation industry. We strengthened employee care and support by continuously optimizing the operation and management of the “Employee Voice (員工心聲)” platform and responded to over 4,700 comments and suggestions. We also carried out assistance mechanism in a scientific and standardized manner, improved the relevant working mechanisms, advanced the “Rural Revitalisation Assistance Standardisation Year” initiative, explored new approaches to consumption-based assistance, and innovatively implemented industrial assistance, talent assistance, and aviation assistance tailored to local conditions.

## OPERATING DATA SUMMARY

The following table sets forth operating data by geographic regions:

	For the year ended 31 December		Increase/ (decrease)
	2025	2024	(%)
<b>Traffic</b>			
<b>Revenue passenger kilometers (RPK) (million)</b>			
Domestic	242,365.06	231,264.49	4.80
Hong Kong, Macau and Taiwan	2,657.48	2,539.48	4.65
International	86,283.19	72,161.96	19.57
<b>Total:</b>	<b>331,305.73</b>	<b>305,965.93</b>	<b>8.28</b>
<b>Revenue tonne kilometers (RTK) (million)</b>			
Domestic	22,981.04	21,878.49	5.04
Hong Kong, Macau and Taiwan	262.27	251.43	4.31
International	15,812.59	14,077.87	12.32
<b>Total:</b>	<b>39,055.89</b>	<b>36,207.79</b>	<b>7.87</b>
<b>RTK – passenger (million)</b>			
Domestic	21,234.49	20,237.75	4.93
Hong Kong, Macau and Taiwan	233.46	222.02	5.15
International	7,580.97	6,333.06	19.70
<b>Total:</b>	<b>29,048.92</b>	<b>26,792.84</b>	<b>8.42</b>
<b>RTK – cargo (million)</b>			
Domestic	1,746.55	1,640.74	6.45
Hong Kong, Macau and Taiwan	28.81	29.41	(2.06)
International	8,231.62	7,744.80	6.29
<b>Total:</b>	<b>10,006.97</b>	<b>9,414.96</b>	<b>6.29</b>
<b>Passengers carried (thousand)</b>			
Domestic	150,787.09	145,171.02	3.87
Hong Kong, Macau and Taiwan	1,847.07	1,911.60	(3.38)
International	21,097.01	17,649.44	19.53
<b>Total:</b>	<b>173,731.17</b>	<b>164,732.05</b>	<b>5.46</b>

	For the year ended 31 December		Increase/ (decrease)
	2025	2024	(%)
<b>Cargo and mail carried (thousand tonnes)</b>			
Domestic	991.62	945.93	4.83
Hong Kong, Macau and Taiwan	26.96	26.86	0.39
International	939.52	861.12	9.11
<b>Total:</b>	<b>1,958.11</b>	<b>1,833.91</b>	<b>6.77</b>
<b>Capacity</b>			
<b>Available seat kilometres (ASK) (million)</b>			
Domestic	280,730.82	272,957.34	2.85
Hong Kong, Macau and Taiwan	3,355.45	3,254.27	3.11
International	102,343.09	86,397.43	18.46
<b>Total:</b>	<b>386,429.36</b>	<b>362,609.04</b>	<b>6.57</b>
<b>Available tonne kilometres (ATK) (million)</b>			
Domestic	31,192.90	30,646.01	1.78
Hong Kong, Macau and Taiwan	383.00	378.79	1.11
International	22,522.54	19,821.71	13.63
<b>Total:</b>	<b>54,098.44</b>	<b>50,846.51</b>	<b>6.40</b>
<b>Available tonne kilometres (ATK) – passenger (million)</b>			
Domestic	25,265.77	24,566.16	2.85
Hong Kong, Macau and Taiwan	301.99	292.88	3.11
International	9,210.88	7,775.77	18.46
<b>Total:</b>	<b>34,778.64</b>	<b>32,634.81</b>	<b>6.57</b>
<b>Available tonne kilometres (ATK) – cargo (million)</b>			
Domestic	5,927.13	6,079.85	(2.51)
Hong Kong, Macau and Taiwan	81.01	85.91	(5.70)
International	13,311.66	12,045.94	10.51
<b>Total:</b>	<b>19,319.80</b>	<b>18,211.70</b>	<b>6.08</b>

	For the year ended 31 December		Increase/ (decrease)
	2025	2024	percentage points
<b>Load Factor</b>			
<b>Passenger load factor (RPK/ASK) (%)</b>			
Domestic	86.33	84.73	1.61
Hong Kong, Macau and Taiwan	79.20	78.04	1.16
International	84.31	83.52	0.78
<b>Average:</b>	<b>85.74</b>	<b>84.38</b>	<b>1.36</b>
<b>Overall load factor (RTK/ATK) (%)</b>			
Domestic	73.67	71.39	2.28
Hong Kong, Macau and Taiwan	68.48	66.38	2.10
International	70.21	71.02	(0.81)
<b>Average:</b>	<b>72.19</b>	<b>71.21</b>	<b>0.98</b>
<b>Yield</b>			
<b>Yield per RPK (RMB)</b>			
Domestic	0.46	0.48	(4.17)
Hong Kong, Macau and Taiwan	0.76	0.73	4.11
International	0.46	0.46	0.00
<b>Average:</b>	<b>0.46</b>	<b>0.48</b>	<b>(4.17)</b>
<b>Yield per RFTK (RMB)</b>			
Domestic	0.88	0.88	0.00
Hong Kong, Macau and Taiwan	8.48	7.58	11.87
International	2.17	2.20	(1.36)
<b>Average:</b>	<b>1.97</b>	<b>1.99</b>	<b>(1.01)</b>
<b>Yield per RTK (RMB)</b>			
Domestic	4.93	5.17	(4.64)
Hong Kong, Macau and Taiwan	8.63	8.26	4.48
International	3.65	3.55	2.82
<b>Average:</b>	<b>4.44</b>	<b>4.56</b>	<b>(2.63)</b>

	For the year ended 31 December		Increase/ (decrease)
	2025	2024	(%)
<b>Cost</b>			
<b>Main business cost per ATK (RMB)</b>	<u>2.97</u>	<u>3.07</u>	<u>(3.26)</u>
<b>Flight Volume</b>			
<b>Kilometers flown (million)</b>	<u><b>2,112.85</b></u>	<u><b>1,991.76</b></u>	<u><b>6.08</b></u>
<b>Hours flown (thousand)</b>			
Domestic	2,583.57	2,524.86	2.33
Hong Kong, Macau and Taiwan	28.10	28.49	(1.36)
International	<u>697.99</u>	<u>594.17</u>	<u>17.47</u>
<b>Total:</b>	<u><b>3,309.66</b></u>	<u><b>3,147.52</b></u>	<u><b>5.15</b></u>
<b>Number of flights (thousand)</b>			
Domestic	1,019.45	1,007.30	1.21
Hong Kong, Macau and Taiwan	11.83	12.78	(7.43)
International	<u>135.67</u>	<u>115.02</u>	<u>17.95</u>
<b>Total:</b>	<u><b>1,166.95</b></u>	<u><b>1,135.10</b></u>	<u><b>2.81</b></u>

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

## MANAGEMENT DISCUSSION AND ANALYSIS

### I. FINANCIAL PERFORMANCE

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

The net profit attributable to equity shareholders of the Company of RMB855 million was recorded in 2025 as compared to the net loss attributable to equity shareholders of the Company of RMB1,769 million in 2024. The Group's total operating revenue increased by RMB8,032 million or 4.61% from RMB174,224 million in 2024 to RMB182,256 million in 2025. Passenger load factor increased by 1.36 percentage points from 84.38% in 2024 to 85.74% in 2025. Yield per RPK decreased by 4.17% from RMB0.48 in 2024 to RMB0.46 in 2025. Yield per RTK decreased by 2.63% from RMB4.56 in 2024 to RMB4.44 in 2025. Operating expenses increased by RMB5,159 million or 3.00% from RMB171,806 million in 2024 to RMB176,965 million in 2025. Operating profit increased by RMB1,256 million or 15.08% from RMB8,327 million in 2024 to RMB9,583 million in 2025.

### II. OPERATING REVENUE

	2025		2024		Changes in
	Operating revenue	Percentage	Operating revenue	Percentage	revenue
	<i>RMB million</i>	<i>%</i>	<i>RMB million</i>	<i>%</i>	<i>%</i>
Traffic revenue	173,314	95.09	165,145	94.79	4.95%
Including: Passenger revenue	153,644		146,450		4.91%
– Domestic	111,874		111,601		0.24%
– Hong Kong, Macau and Taiwan	2,018		1,855		8.79%
– International	39,752		32,994		20.48%
Cargo and mail revenue	19,670		18,695		5.22%
Other operating revenue mainly including:	8,942	4.91	9,079	5.21	-1.51%
Commission income	3,044		3,261		-6.65%
Cargo handling income	939		992		-5.34%
Hotel and tour operation income	778		832		-6.49%
Ground services income	1,208		805		50.06%
Total operating revenue	<u>182,256</u>	<u>100.00</u>	<u>174,224</u>	<u>100.00</u>	<u>4.61%</u>
Less: fuel surcharge income	<u>(10,304)</u>		<u>(12,987)</u>		<u>-20.66%</u>
Total operating revenue excluding fuel surcharge	<u>171,952</u>		<u>161,237</u>		<u>6.65%</u>

Substantially all of the Group's operating revenue is attributable to airlines transport operations. Traffic revenue accounted for 94.79% and 95.09% of the total operating revenue in 2024 and 2025, respectively. Passenger revenue and cargo and mail revenue accounted for 88.65% and 11.35%, respectively, of the total traffic revenue in 2025. During the reporting period, the Group's total traffic revenue was RMB173,314 million, representing an increase of RMB8,169 million or 4.95% from prior year, mainly because of the increase in passenger revenue and cargo revenue.

The increase in operating revenue was primarily due to an increase in revenue generated from passenger transportation by 4.91% from RMB146,450 million in 2024 to RMB153,644 million in 2025. The total number of passengers carried increased by 5.46% to 173.73 million passengers in 2025. RPKs increased by 8.28% from 305,966 million in 2024 to 331,306 million in 2025, mainly due to the increase in the production and the number of passengers on international routes.

Domestic passenger revenue, which accounted for 72.81% of the total passenger revenue in 2025, increased by 0.24% from RMB111,601 million in 2024 to RMB111,874 million in 2025. Domestic passenger traffic in RPKs increased by 4.80%, while passenger capacity in ASKs increased by 2.85%, resulting in an increase in passenger load factor from 84.73% in 2024 to 86.33% in 2025. Yield per RPK decreased by 4.17% from RMB0.48 in 2024 to RMB0.46 in 2025.

Hong Kong, Macau and Taiwan passenger revenue, which accounted for 1.31% of total passenger revenue, increased by 8.79% from RMB1,855 million in 2024 to RMB2,018 million in 2025. For Hong Kong, Macau and Taiwan flights, passenger traffic in RPKs increased by 4.65%, while passenger capacity in ASKs increased by 3.11%, resulting in an increase in passenger load factor from 78.04% in 2024 to 79.20% in 2025. Passenger yield per RPK increased by 4.11% from RMB0.73 in 2024 to RMB0.76 in 2025.

International passenger revenue, which accounted for 25.88% of total passenger revenue, increased by 20.48% from RMB32,994 million in 2024 to RMB39,752 million in 2025, primarily due to the increase in the number of passengers on international routes. For international flights, passenger traffic in RPKs increased by 19.57%, while passenger capacity in ASKs increased by 18.46%, resulting in an increase in passenger load factor from 83.52% in 2024 to 84.31% in 2025. Passenger yield per RPK were RMB0.46 in both 2024 and 2025.

Cargo and mail revenue, which accounted for 11.35% of the Group's total traffic revenue and 10.79% of total operating revenue, increased by 5.22% from RMB18,695 million in 2024 to RMB19,670 million in 2025, mainly due to the strong demand in the cargo market.

Other operating revenue decreased by 1.51% from RMB9,079 million in 2024 to RMB8,942 million in 2025, mainly due to a decrease in revenue from commission income, hotel and tour operation income.

### III. OPERATING EXPENSES

Total operating expenses in 2025 amounted to RMB176,965 million, representing an increase of RMB5,159 million or 3.00% comparing to that of 2024. The Proportion of total operating expenses to total operating revenue decreased from 98.61% in 2024 to 97.10% in 2025.

Operating expenses	2025		2024	
	<i>RMB million</i>	<i>Percentage (%)</i>	<i>RMB million</i>	<i>Percentage (%)</i>
Flight operation expenses	<b>83,452</b>	<b>47.16</b>	83,046	48.34
Mainly including:				
Jet fuel costs	<b>52,526</b>		54,989	
Aircraft operating lease charges	<b>1,837</b>		1,613	
Flight personnel payroll and welfare	<b>14,204</b>		12,542	
Maintenance expenses	<b>15,410</b>	<b>8.71</b>	14,853	8.65
Aircraft and transportation service expenses	<b>31,895</b>	<b>18.02</b>	31,006	18.05
Promotion and selling expenses	<b>7,154</b>	<b>4.04</b>	6,831	3.98
General and administrative expenses	<b>4,575</b>	<b>2.59</b>	4,435	2.58
Depreciation and amortisation	<b>31,209</b>	<b>17.64</b>	28,341	16.49
Provision for/(reversal of) impairment losses on property, plant and equipment and right-of-use assets	<b>3</b>	<b>-</b>	(302)	(0.18)
Hotel and tour operation expense	<b>566</b>	<b>0.32</b>	827	0.48
External air catering service expense	<b>539</b>	<b>0.30</b>	477	0.28
Financial institution charges	<b>163</b>	<b>0.09</b>	173	0.10
Cargo handling expense	<b>548</b>	<b>0.31</b>	519	0.30
Others	<b>1,451</b>	<b>0.82</b>	1,600	0.93
Total operating expenses	<b><u>176,965</u></b>	<b><u>100.00</u></b>	<u>171,806</u>	<u>100.00</u>

Flight operation expenses, which accounted for 47.16% of total operating expenses, increased by 0.49% from RMB83,046 million in 2024 to RMB83,452 million in 2025.

Maintenance expenses, which accounted for 8.71% of total operating expenses, increased by 3.75% from RMB14,853 million in 2024 to RMB15,410 million in 2025.

Aircraft and transportation service expenses, which accounted for 18.02% of total operating expenses, increased by 2.87% from RMB31,006 million in 2024 to RMB31,895 million in 2025.

Promotion and selling expenses, which accounted for 4.04% of total operating expenses, increased by 4.73% from RMB6,831 million in 2024 to RMB7,154 million in 2025.

General and administrative expenses, which accounted for 2.59% of the total operating expenses, increased by 3.16% from RMB4,435 million in 2024 to RMB4,575 million in 2025.

Depreciation and amortisation, which accounted for 17.64% of the total operating expenses, increased by 10.12% from RMB28,341 million in 2024 to RMB31,209 million in 2025, 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.

#### **IV. OPERATING PROFIT**

Operating profit of RMB9,583 million was recorded in 2025 (2024: RMB8,327 million). The increase of the operating profit is mainly due to the overall improvement in production and operation in 2025.

#### **V. OTHER NET INCOME**

Other net income decreased by RMB1,617 million from RMB5,909 million in 2024 to RMB4,292 million in 2025, mainly due to the decrease in the aircraft operation compensation.

#### **VI. INCOME TAX**

Income tax expense increased by RMB699 million from RMB1,426 million in 2024 to RMB2,125 million in 2025, which was mainly due to the increase of profit before income tax.

#### **VII. LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE**

As at 31 December 2025, the Group's current liabilities exceeded its current assets by RMB111,526 million. For the year ended 31 December 2025, the Group recorded a net cash inflow from operating activities of RMB32,711 million, a net cash outflow from investing activities of RMB19,524 million and a net cash outflow from financing activities of RMB16,757 million, which in total resulted in a net decrease in cash and cash equivalents of RMB3,570 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 2025, the Group has obtained credit facilities of RMB416,447 million in aggregate granted by several banks and other financial institute, among which approximately RMB313,527 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

	<b>31 December 2025</b>	31 December 2024
	<b><i>RMB million</i></b>	<i>RMB million</i>
Lease liabilities	104,137	92,532
Borrowings	134,279	130,824
Long-term payables	7	91
Fixed rate interest-bearing liabilities	172,074	168,681
Floating rate interest-bearing liabilities	66,349	54,766
	<b><u>          </u></b>	<b><u>          </u></b>

### Analysis of interest-bearing liabilities by currency

	<b>31 December 2025</b>	31 December 2024
	<b><i>RMB million</i></b>	<i>RMB million</i>
USD	31,499	39,542
RMB	205,682	182,399
Others	1,242	1,506
	<u>          </u>	<u>          </u>
Total	<b><u>238,423</u></b>	<b><u>223,447</u></b>

### Maturity analysis of interest-bearing liabilities

	<b>31 December 2025</b>	31 December 2024
	<b><i>RMB million</i></b>	<i>RMB million</i>
Within 1 year	105,442	92,416
1 year but within 2 years	34,814	49,914
2 years but within 5 years	65,253	55,252
5 years and afterwards	32,914	25,865
	<u>          </u>	<u>          </u>
Total	<b><u>238,423</u></b>	<b><u>223,447</u></b>

### Interest expense and net exchange gain/(loss)

Interest expense decreased slightly by RMB205 million from RMB5,758 million in 2024 to RMB5,553 million in 2025.

Net exchange gain of RMB345 million was recorded in 2025, as compared with a net exchange loss of RMB912 million in 2024. Net exchange gain was primarily resulted from the impact of fluctuations in the exchange rate of RMB against USD in 2025.

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

	<b>31 December 2025</b>	31 December 2024	<b>Change</b>
Total liabilities (RMB million)	294,803	277,143	6.37%
Total assets (RMB million)	<u>350,053</u>	<u>329,979</u>	<u>6.08%</u>
Debt ratio	<u>84.22%</u>	<u>83.99%</u>	0.23 percentage point

The Group monitors capital on the basis of debt ratio, which is calculated as total liabilities divided by total assets. The debt ratio as at 31 December 2025 remained stable as compared to that as at 31 December 2024.

## VIII. MAJOR CHARGE ON ASSETS

As at 31 December 2025, the Group's certain property, plant and equipment with an aggregate net book value of approximately RMB1,888 million (31 December 2024: RMB2,033 million) were pledged to secure certain bank loans of the Group.

## IX. COMMITMENTS AND CONTINGENCIES

### Commitments

As at 31 December 2025, the Group had capital commitments (excluding investment commitment) of RMB118,669 million (31 December 2024: RMB143,387 million), of which, RMB104,951 million (31 December 2024: RMB128,640 million) were related to the acquisition of aircraft, engines and related flight equipment and RMB13,718 million (31 December 2024: RMB14,747 million) were related to other projects of the Group.

The Group had investment commitments as follows:

	<b>31 December 2025</b>	31 December 2024
	<b><i>RMB million</i></b>	<b><i>RMB million</i></b>
<b>Authorised and contracted for:</b>		
Share of capital commitments of a joint venture	76	8
Capital contributions for acquisition of interest in an associate	<u>91</u>	<u>1,027</u>
	<u>167</u>	<u>1,035</u>
<b>Authorised but not contracted for:</b>		
Share of capital commitments of a joint venture	<u>14</u>	<u>15</u>
	<u>181</u>	<u>1,050</u>

## Contingent liabilities

- (a) The Group leased certain properties and buildings from CSAH which were located in Guangzhou, Wuhan, Haikou, etc. Although such properties and buildings were used by CSAH before being leased to the Group, as known to the Group, such properties and buildings lack adequate documentation evidencing CSAH's rights thereto. Pursuant to the indemnification agreement dated 22 May 1997 entered into between the Group and CSAH, CSAH has agreed to indemnify the Group against any loss or damage arising from any challenge of the Group's right to use the aforementioned properties and buildings.
- (b) The Group entered into certain agreements with CSAH in prior years to acquire certain land use right and buildings from CSAH. The change of business registration of such land use right and buildings are still in progress. CSAH issued letters of commitment to the Company, committing to indemnify the Group against any claims from third parties to the Group, or any loss or damage in the Group's operation activities due to lack adequate documentation of the certain properties and buildings, without recourse to the Group.
- (c) The Company issued an undertaking to China Southern Airlines General Aviation Limited ("**General Aviation Limited**") in prior years that the Company has injected the relevant assets and liabilities into General Aviation Limited on 1 July 2016 and General Aviation Limited has received all the assets and actually owned, controlled and used. In the event that any third party claims rights against General Aviation Limited due to defective land use rights and property rights or General Aviation Limited suffers losses due to defective land use rights and property rights affecting the normal business operations of General Aviation Limited, such losses shall be borne by the Company and the contributed assets may be replaced in an appropriate manner if necessary.
- (d) The Company and its subsidiary, Xiamen Airlines, entered into agreements with certain pilot trainees and certain banks to provide guarantees on personal bank loans amounted to RMB644 million at 31 December 2025 (31 December 2024: RMB696 million) that can be drawn by the pilot trainees to finance their respective flight training expenses. As at 31 December 2025, the outstanding guarantee balance for the guaranteed pilot trainees amounted to RMB34 million (31 December 2024: RMB64 million). During the year, no payment has been made by the Group due to the default of payments of certain pilot trainees (2024: RMB0.1 million).

## SUBSEQUENT EVENTS

On 27 February 2026, the Group entered into aircraft sale agreements with AVOLON LEASING IRELAND 3 LIMITED (hereinafter referred to as “Avolon”), a subsidiary controlled by Bohai Leasing Co., Ltd., pursuant to which, the Group sells 10 B787-8 aircraft and 2 spare engines to Avolon. The aforementioned aircraft and spare engines are scheduled to be delivered gradually from April 2026.

## CHANGES IN SHARE CAPITAL STRUCTURE

*Unit: Share*

	31 December 2024		Increase/ (decrease) in 2025	31 December 2025	
	Number of Shares	Percentage (%)	Number of Shares	Number of Shares	Percentage (%)
I. Shares subject to restrictions on sales					
1. Shares held by state-owned legal persons	<u>803,571,428</u>	<u>4.43</u>	<u>(803,571,428)</u>	<u>0</u>	<u>0.00</u>
Total	<u>803,571,428</u>	<u>4.43</u>	<u>(803,571,428)</u>	<u>0</u>	<u>0.00</u>
II. Shares not subject to restrictions on sales					
1. RMB ordinary shares	12,673,342,768	69.94	803,581,959	13,476,924,727	74.37
2. Foreign listed shares	<u>4,643,997,308</u>	<u>25.63</u>	<u>0</u>	<u>4,643,997,308</u>	<u>25.63</u>
Total	<u>17,317,340,076</u>	<u>95.57</u>	<u>803,581,959</u>	<u>18,120,922,035</u>	<u>100.00</u>
III. Total number of shares	<u>18,120,911,504</u>	<u>100.00</u>	<u>10,531</u>	<u>18,120,922,035</u>	<u>100.00</u>

## PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any shares during the year ended 31 December 2025.

## PRE-EMPTIVE RIGHTS

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

## AUDIT AND RISK MANAGEMENT COMMITTEE

The Audit and Risk Management Committee of the Company has reviewed the audited consolidated financial statements of the Group for the year ended 31 December 2025.

## **COMPLIANCE WITH THE MODEL CODE**

Having made specific enquiries, all Directors of the Company confirmed that they had complied with the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix C3 to the Rules (the “**Listing Rules**”) Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) for the year ended 31 December 2025. The code of conduct adopted by the Company regarding securities transactions by the Directors is no less stringent than the Model Code.

## **COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE**

The Board considers that the Group has complied with the code provisions of the Corporate Governance Code as set out in Part 2 of Appendix C1 to the Listing Rules for the year ended 31 December 2025.

## **DIVIDENDS**

Considering that the Company does not meet the conditions for profit distribution as required under the Articles of Association of the Company, the Board did not recommend any payment of cash dividend or conversion of capital reserve into share capital or other profit distribution of the Company for the year of 2025. The proposal in relation to the profit distribution plan is still subject to the consideration and approval of the shareholders’ general meeting of the Company.

## **2026 OUTLOOK**

Looking ahead to 2026, as global inflation continues to decline, global economic growth rate in 2026 is projected at 3.3%, according to the IMF. In 2026, the supporting conditions and underlying trend of China’s economy with a 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, continue to expand domestic demand and improve supply, and develop new high-quality productive forces tailored to local conditions, so as to facilitate effective improvement in quality as well as reasonable quantitative growth of economy.

In the face of an environment with increasing risks and challenges, the Group will fully implement the overarching approach for quality development, enhance its strategic management capabilities to ensure sustainable and high-quality safety, further improve quality and efficiency, systematically strengthen brand building, accelerate the implementation of major strategies and key reform tasks, and steadily progress toward the goal of building a world-class air transportation enterprise.

## **1. Resolutely Safeguard the Safety Bottom Line to Create Sustainable, High-quality Safety**

The Group will deepen the construction of the seven safety systems and adhere to a systematic approach to safety management. Specifically, we will implement the following measures: strengthen the building of safety related organizational capabilities, improve safety-management workflows and the safety-responsibility mapping across all domains; refine safety management mechanisms in areas such as fire protection and air catering to fundamentally enhance safety control capabilities; focus on improving the qualifications and capabilities of key teams, strengthen threat and error management and basic training; enhance safety related risk prevention and control, build an intelligent safety management system (ISMS), deepen the application of the core risk mapping functionalities, promote the construction of key projects such as “Tian Tong” (天瞳) and “Tian Ji” (天極), and strengthen the development and application of intelligent agents in the safety field to improve the ability to identify and provide early warning of risks and hidden dangers.

## **2. Strengthening Business Capabilities and Enhancing Operational Management Effectiveness**

The Group will comprehensively enhance its passenger operation capabilities, build core competitiveness in logistics, and deepen lean cost control. We will increase capacity deployment in the international passenger market and strive to secure additional flight slots. We will establish a new retail system, promote the transition to a product portfolio sales model, and build a sales-intelligent-agent platform, so as to create a new ecosystem for modern aviation digital retail. We will strengthen the customer operation system, supported by mileage-based brand operations, to further consolidate the customer base. We will also enhance inter-airline cooperation, reinforce the domestic network foundation, and explore new models for building overseas hubs. We will further strengthen the operational capabilities of cargo belly-hold capacity, build a “4×N” full-segment logistics product system, focus on specialized sectors such as cross-border e-commerce and temperature-controlled pharmaceuticals, and accelerate the development of integrated logistics services. We will adhere to the lean management and control strategy and continue to strengthen the strategic, structural and source-level cost control and management.

## **3. Strengthening Brand Building and Enhancing Operational Service Quality**

The Group will accelerate its brand building efforts to improve operational stability and reliability, thereby enhancing the perceived value of its services. We will establish a scientific strategic planning and management model to build a competitive brand portfolio. We will align crew structure with capacity deployment to enhance the scientific basis of flight scheduling and ensure robust aircraft maintenance support; improve the coordinated response mechanisms for adverse weather conditions such as thunderstorms, snowy weather, and typhoons to scientifically enhance the operational dispatching; and establish a special governance mechanism for irregular flights to refine remedies and compensation measures for delayed flights. We will improve the service quality management system to promote the integration and synergy of service resources across the entire chain; and integrate the “cordial and meticulous” service philosophy into service processes and standards to enhance the passenger experience.

#### **4. Enhance Strategic Management Capabilities and Advance the Implementation of Major Strategies**

The Group will deliver the “15th Five-Year Plan” with high quality and build a strategic management and control model. We will further advance the three-tier strategic management and enhance the enterprise architecture management capability; build differentiated hub competitive advantages and continuously optimize the network value evaluation model. As part of our efforts to steadily carry out a new round of adjustment and optimization of the five major structures, we will concentrate transport capacity deployment in key markets, and continuously improve the crew-to-aircraft ratio; and we will also focus on mileage-based operation to solidify the foundation for ecosystem development. In addition, we will optimize the digital-intelligent transformation management mechanism, and carry out in-depth AI+ and data governance initiatives; remove bottlenecks in the process from technology research and development to achievement transformation, and accelerate the promotion, application and commercialization of scientific and technological achievements.

#### **5. Facilitating the Deepening of Reform to Create a New Era of Reform**

The Group will implement a new round of special initiatives to deepen reform. We will improve the systems and mechanisms that support technological innovation and optimize the processes for commercializing technological achievements. We will further enhance corporate governance by strengthening the foundational role of the articles of association. We will innovate management models, optimize organizational structures and improve differentiated authorization and delegation mechanisms. We will deepen the reform of the three systems, enhance the effectiveness of tenure-based and contractual management, optimize human resource allocation and market-oriented accounting rules and strengthen incentives for core technological talent. We will enhance the systemic, holistic and coordinated nature of reform, expand policy coverage and address obstacles to reform.

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

The 2025 annual report of the Company, which contains consolidated financial statements for the year ended 31 December 2025, with an unmodified auditor’s report, and all other information required under Appendix D2 to the Listing Rules will be despatched to the shareholders of the Company and published on the websites of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company ([www.csair.com](http://www.csair.com)) in due course.

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

Guangzhou, the People’s Republic of China  
30 March 2026

*As at the date of this announcement, the Directors include Ma Xu Lun, Han Wen Sheng and Cai Zhi Zhou as executive Directors; Pansy Catilina Chiu King Ho, Guo Wei, Zhang Jun Sheng and Zhu Hai Ping as independent non-executive Directors; and Zhang Tao as Employee Director.*