



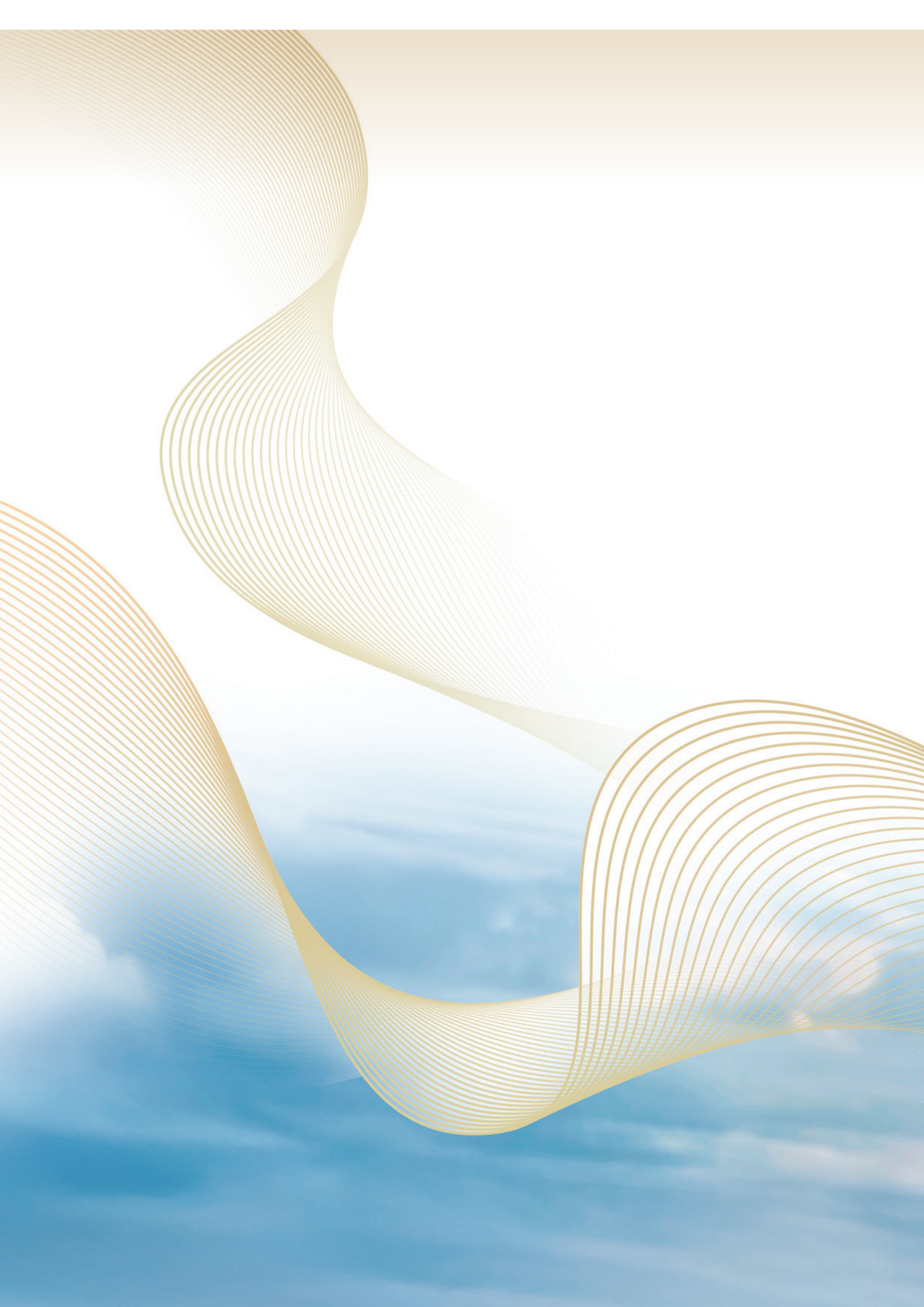
中国南方航空
CHINA SOUTHERN AIRLINES

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



2025

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

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 airline with the largest annual passenger traffic in China.

By the end of the reporting period, the Group operated a fleet of 972 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, 23 domestic offices and 57 overseas offices across the world. In January 2024, the Company was honoured with the highest award for flight safety in civil aviation in China, “Three-Star Diamond Award for Flight Safety”.



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:	Industrial and Commercial Bank of China The Export-Import Bank of China Agricultural Bank of China China Construction Bank China Development Bank
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 30 March 2026

Directors

Ma Xu Lun
Han Wen Sheng
Cai Zhi Zhou
Pansy Catilina Chiu King Ho
Guo Wei
Zhang Jun Sheng
Zhu Hai Ping
Zhang Tao

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

	2025	2024	Increase/ (decrease) %
Operating revenue	182,256	174,224	4.61
Net profit /(loss) attributable to equity shareholders of the Company	855	(1,769)	148.33

As of 31 December

	2025	2024	Increase/ (decrease) %
Equity attributable to equity shareholders of the Company	35,792	34,943	2.43
Total assets	350,053	329,979	6.08

(II) Principal Financial Indicators

	2025	2024	Increase/ (decrease) %
Basic earnings /(loss) per share (RMB/share)	0.05	(0.10)	150.00
Diluted earnings /(loss) per share (RMB/share)	0.05	(0.10)	150.00

II. SUMMARY OF OPERATING DATA

	For the year ended 31 December		Increase/(decrease)
	2025	2024	%
Traffic			
Revenue passenger kilometres (RPK) (million)			
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
Total:	331,305.73	305,965.93	8.28
Revenue tonne kilometres (RTK) (million)			
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
Total:	39,055.89	36,207.79	7.87
RTK – passenger (million)			
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
Total:	29,048.92	26,792.84	8.42
RTK – cargo (million)			
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
Total:	10,006.97	9,414.96	6.29

PRINCIPAL ACCOUNTING INFORMATION AND FINANCIAL INDICATORS

	For the year ended 31 December		Increase/(decrease)
	2025	2024	%
Passengers carried (thousand)			
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
Total:	173,731.17	164,732.05	5.46
Cargo and mail carried (thousand tonnes)			
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
Total:	1,958.11	1,833.91	6.77
Capacity			
Available seat kilometres (ASK) (million)			
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
Total:	386,429.36	362,609.04	6.57
Available tonne kilometres (ATK) (million)			
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
Total:	54,098.44	50,846.51	6.40

	For the year ended 31 December		Increase/(decrease)
	2025	2024	%
Available tonne kilometres (ATK) – passenger (million)			
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
Total:	34,778.64	32,634.81	6.57
Available tonne kilometres (ATK) – cargo (million)			
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
Total:	19,319.80	18,211.70	6.08

	For the year ended 31 December		Increase/(decrease)
	2025	2024	percentage point
Load Factor			
Passenger load factor (RPK/ASK) (%)			
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
Average:	85.74	84.38	1.36
Overall load factor (RTK/ATK) (%)			
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)
Average:	72.19	71.21	0.98

PRINCIPAL ACCOUNTING INFORMATION AND FINANCIAL INDICATORS

	For the year ended 31 December		Increase/(decrease)
	2025	2024	%
Yield			
Yield per RPK (RMB)			
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
Average:	0.46	0.48	(4.17)
Yield per RFTK (RMB)			
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)
Average:	1.97	1.99	(1.01)
Yield per RTK (RMB)			
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
Average:	4.44	4.56	(2.63)
Cost			
Main business cost per ATK (RMB)	2.97	3.07	(3.26)
Flight Volume			
Kilometres flown (million)	2,112.85	1,991.76	6.08
Hours flown (thousand)			
Domestic	2,583.57	2,524.86	2.33
Hong Kong, Macau and Taiwan	28.10	28.49	(1.36)
International	697.99	594.17	17.47
Total:	3,309.66	3,147.52	5.15
Number of flights (thousand)			
Domestic	1,019.45	1,007.30	1.21
Hong Kong, Macau and Taiwan	11.83	12.78	(7.43)
International	135.67	115.02	17.95
Total:	1,166.95	1,135.10	2.81

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 2025, 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	10	15	0	0	3	25
A320 Series	154	108	146	47	6	408
B787 Series	14	19	10	3	0	43
B777 Series	5	10	0	0	0	15
B737 Series	156	71	166	19	13	393
EMB190	0	0	0	0	1	0
C919	0	8	0	5	0	8
C909	7	33	0	2	0	40
Freighter						
B777 Series	14	5	0	2	0	19
B737 Series	0	0	1	0	0	1
Total	366	283	323	78	23	972

Note:

As at 31 December 2025, the aggregate net book value of the aircraft and engines of the Group was RMB226,490 million.





HIGHLIGHTS OF THE YEAR

On 6 March 2025, China Southern Airlines innovatively launched the nation's first "dual pre-clearance" cargo terminal integrating civil aviation security inspection and customs inspection at Guangzhou Baiyun International Airport, creating a "high-speed channel" for cross-border logistics.



In April 2025, China Southern Airlines achieved a top-tier global ranking of 5th in the ESGAcodex organised by IAIO-NARDO.

ORGANIZATION	ESGACODE	VALUATION LEVEL
Qatar Airways Group	Q0002	AAAAA
The Emirates Group	E0001	AAAAA
Cathay Pacific Airways	C0001	AAAAA
JAL Group	J0001	AAAAA
China Southern Airlines	C0001	AAAAA
Lufthansa Group	L0001	AAAAA
Korean Air	K0001	AAAAA
British Airways	B0001	AAAAA
ANA Airways	A0001	AAAAA
Southern Airlines	S0001	AAAAA

On 8 July 2025, China Southern Airlines launched the "Express Check-in, Seamless Boarding" service to its Guangzhou-Beijing Daxing round-trip route. By leveraging intelligent technology, the service reduces time constraints imposed by traditional check-in procedures on ticket rescheduling, delivering a more efficient and smoother travel experience for passengers in line with the airline's "affinity and refinement" service philosophy.



On 15 April 2025, China Southern Airlines flight CZ8237, the first carbon label-themed flight for aviation meals in China's civil aviation industry, departed from Guangzhou Baiyun International Airport, providing a demonstrative model for the industry's green transformation.



China Southern Airlines officially unveiled the visually refreshed "Kapok Pavilion" domestic lounge at Guangzhou Baiyun International Airport. With the theme "Elegant Southern Breeze, Warm Departure", the lounge offers passengers sunshine-like warmth and ubiquitous care, delivering a delightful experience that transcends air travel itself.

August 2025 marked the first anniversary of the domestically produced C919 aircraft joining the China Southern Airlines fleet. Over the past year, China Southern Airlines has ensured the safe and smooth operation of the C919 aircraft, with a cumulative passenger load exceeding 460,000 and approximately 7,800 hours of safe operation.



On 15 October 2025, China Southern Airlines officially announced an upgrade and renewal plan for its inflight catering services, aiming to continuously enhance the passenger flight experience with higher-quality meal offerings.



On 19 September 2025, China Southern Airlines' first specially painted aircraft for the 15th National Games, namely the "Vibrant Bay Area", successfully completed its maiden flight. As the Official Designated Airline Services Partner of the 15th National Games, China Southern Airlines operated 232 themed flights, dedicating full efforts to providing cordial and refined air transport services for the event.



On 18 December 2025, China Southern Airlines hosted the "Innovation Leads, AI Empowers" AI+ Industry Ecosystem Innovation Conference in Guangzhou, officially unveiling AI innovations such as the "Smart Travel Butler", showcasing groundbreaking advancements in digital and intelligent technologies within the civil aviation sector.



On 31 December 2025, flight CZ3572 from Shanghai Hongqiao to Guangzhou landed smoothly at Guangzhou Baiyun International Airport, marking the successful conclusion of China Southern Airlines' 2025 Aviation Safety Year.





BOEING 787-9



DREAM

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LINER

MANAGEMENT DISCUSSION AND ANALYSIS

I. BUSINESS REVIEW

(I) DISCUSSION AND ANALYSIS OF OPERATIONS

2025 Business Overview

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%.



Ma Xu Lun
Chairman



Safe Flight

3.309 Million Hours



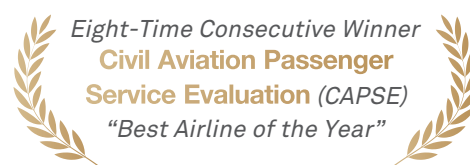
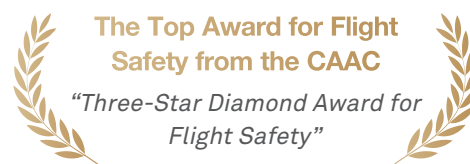
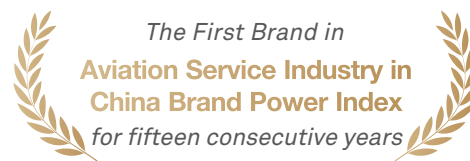
Cargo and Mail
Transportation Volume

1.958 Million Tonnes



Passenger
Transportation Volume

174 Million Passengers



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.

MANAGEMENT DISCUSSION AND ANALYSIS

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 eight 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.



MANAGEMENT DISCUSSION AND ANALYSIS

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.



(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 2025, the global air passenger traffic in terms of RPK increased by 5.3% year-on-year. In particular, the international air passenger transport increased by 7.1% year-on-year, and the international passenger transport of airlines in the Asia-Pacific region increased by 10.9% year-on-year, the strongest increase among all regions; the global domestic air passenger transport increased by 2.4% year-on-year.

According to IATA, the global air cargo demand rose by 3.4% year-on-year in 2025.

Furthermore, IATA expects that the total revenue of global airlines would be USD1.008 trillion in 2025, the airline industry will record a net profit of USD39.5 billion.



Han Wen Sheng

Vice chairman and president

MANAGEMENT DISCUSSION AND ANALYSIS

(2) Development of China Aviation Industry

According to the data released by CAAC:

In 2025, China's total civil aviation industry achieved a total traffic volume of 164.08 billion tonne-kilometres, a passenger traffic volume of 770 million and a cargo and mail transportation volume of 10.172 million tonnes, representing a year-on-year increase of 10.5%, 5.5% and 13.3%, respectively. China's total civil aviation industry accelerated infrastructure development and complete fixed-asset investment of RMB120 billion. The total number of air travellers exceeded 500 million, making China the world's largest aviation market by passenger volume; and the revised Civil Aviation Law was promulgated.

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 international exchange, 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 largest annual passenger traffic in China. By the end of the reporting period, the Group operated a fleet of 972 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, 23 domestic offices and 57 overseas offices across the world. In January 2024, the Company was honoured with the highest award for flight safety in civil aviation in China, “Three-Star Diamond Award for Flight Safety”.

(III) The Business of the Company

The Company is a transport airline primarily engaged in passenger and cargo aviation. Guided by its corporate mission of “enabling more people to enjoy better flights”, it upholds the core values of “safety first, customer orientation”, vigorously promotes the China Southern Airlines spirit of “diligence, practicality, inclusiveness, innovation”, and is committed to building itself into a world-class air transport enterprise with global competitiveness.

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.)

MANAGEMENT DISCUSSION AND ANALYSIS

(IV) Analysis on the Core Competitiveness

The Company fully recognizes that strengthening core functions and enhancing core competitiveness is a critical requirement for accelerating the development of a world-class enterprise, and also the fundamental foundation for us to respond to all changes in the external environment and achieve sustainable and healthy development. During the reporting period, the Company anchored its goal of building a world-class air transport enterprise, and fully implemented the overall high-quality development strategy of “adhering to five concepts of development, implementing five strategies, promoting six campaigns and achieving six transformations”. Its core competitiveness has been continuously enhanced through dynamic optimization and systematic improvement, which is mainly reflected in the following six aspects.

A sustainable and high-quality foundation for safe operations

Safety is the lifeline of an airline, representing the most fundamental cornerstone of brand image, public trust and market competitiveness. The Company regards ensuring the “absolute safety in two key areas” as the primary task in building its core competitiveness. It has defined the overall safety management strategy of “Two Focuses and One Prevention”, deepened the development of the seven safety systems, promoted the modernization of the safety governance system and governance capacity, paid close attention to the management of risks and hidden dangers, strengthened qualification and capacity building, continuously advanced the reform of flight training, enforced strict oversight, and maintained a tough stance against violations of rules and regulations. The

Company has taken a safety development path driven by data and supported by technology, and pooled wisdom to ensure safety through mass activities such as “I Offer Sincere Suggestions for Safety”. Through unremitting efforts, the Company’s safety performance has maintained a leading position in China’s civil aviation industry. It is the only domestic airline that has received the “Three-Star Diamond Award for Flight Safety” from the Civil Aviation Administration of China, laying the most solid foundation for the implementation of all strategies.



Scaled and group-based global resource deployment

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. The Group has the highest annual passenger traffic, the largest frequent flyer base, and the greatest cargo and mail throughput. It is the first airline in the country to exceed 174 million passengers annually and to transport over 1.93 million tonnes of cargo and mail. 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.

Multi-point coordination and a dual-engine-driven hub network strategy

The Company firmly implements its hub network strategy, building a fully connected route network centered on Guangzhou and Beijing, with key strategic markets as critical nodes, to provide passengers and cargo customers with sustainable, safe and convenient travel options. It focuses on developing Guangzhou and Beijing into comprehensive and multi-functional international aviation hubs, realizing dual-engine growth, enhancing intercontinental connectivity and global reach, supporting the development of the “Air Silk Road”, and creating new profit models and growth pathways, with a large-scale, network-based airline model gradually taking shape. The Guangzhou hub benchmarks against world-class standards, concentrates resources to strengthen transfer traffic, treats Southeast Asia as a key hinterland market, actively develops sixth freedom traffic rights, increases the frequency of domestic trunk routes, and expands international routes to Southeast Asia and the Middle East, continuously enhancing its competitiveness as a transfer hub. The Beijing hub adopts a “transfer + point-to-point” approach, focusing on markets such as Japan and South Korea, Central and West Asia, and the Middle East, while continuously expanding the breadth and depth of the domestic network. At the same time, the Company consolidates and enhances the composite gateway functions of regional hubs such as Urumqi, Shenzhen, and Harbin, building regional international route networks that operate in efficient coordination with the Guangzhou and Beijing hubs.

A lean, efficient and excellence-driven operational core

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, timely dynamic responses and efficient resources distribution, so as to form a unique operational core capability. The Company has been advancing a new round of optimization across five key structural areas, aligning capacity resources with high-value markets, enhancing market operation capabilities, and continuously streamlining aircraft types, optimizing the proportion of wide-body aircraft, and improving cabin configurations. It has also significantly increased labor productivity and revitalized underperforming assets, steadily strengthening its cost leadership advantage and providing solid support for profitability. Company continues to deepen the development of its “integrated operations” model, adhering to refined operations, precise control, and lean flight management. Key operational efficiency indicators – such as on-time performance, schedule execution rate, and daily aircraft utilization – have shown continuous improvement. The Company has also made strong efforts to reinforce its customer base and enhance its customer management system, with corporate clients and frequent flyer revenue becoming core pillars. Centered around “dining, accommodation, transportation, entertainment, travel, and shopping”, the Company has built platforms and integrated products, using air tickets and mileage as core traffic drivers to generate derivative value, achieving substantive progress in ecosystem development.

MANAGEMENT DISCUSSION AND ANALYSIS

Striving for the world's first-class brand service with affinity and refinement

Service is the essential characteristic of the air transport industry and a direct reflection of brand image and core competitiveness. 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. The Company continued to implement special initiatives to enhance flight punctuality, pioneering and optimising flight punctuality management from the passenger’s perspective. The flight punctuality rate consistently ranked among the highest in the domestic industry, and the dispatch reliability of the entire fleet continued to rank among the highest globally, as the Company strived to establish a advantage in flight punctuality. By

optimising the end-to-end service experience, refining the service recovery and empowerment system, and creating benchmark service products such as “baggage-to-door” and “instant boarding”, the Company diligently addressed passenger sore points with dedication and care. The Company was awarded the “Best Airline Award” in the Civil Aviation Passenger Service Evaluation (CAPSE) for eight consecutive years, maintained the top position in the Airline Service category of the China Brand Power Index (C-BPI) for 15 consecutive years, and ranked first among domestic airlines in the “2025 Most Valuable Airlines” list published by Brand Finance. The Company fully fulfilled its social responsibilities in areas such as rural revitalisation and energy conservation and emission reduction, effectively demonstrating its image as a responsible central enterprise under the “Sunny China Southern Airlines” brand.



A Technology Innovation Ecosystem Delivering Outcomes and Industry Leadership

Innovation is the core driving force for cultivating new growth drivers and developing new quality productive forces. Guided by an innovation-driven strategy, the Group deeply advances the integrated development of technological innovation and industrial innovation, and continues 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. Innovation platforms such as the Key Artificial Intelligence Laboratory have been established. Proprietary systems including the “Tian Tong” (天瞳) aircraft health monitoring system and the “Tian Ji” (天極) operational control system maintain industry-leading standards, and the Company independently developed the nation’s first “full-motion flight simulator”, leading the industry in intelligent, green, and integrated transformation. By applying business architecture methodology, the Company designs and continuously operates enterprise architecture assets, ensuring alignment between IT and business strategy. By fully implementing the “AI+” special action plan, constructing an enterprise-level large model platform, and deploying intelligent applications in core scenarios such as pilot management, predictive maintenance, intelligent revenue, and intelligent customer service, the Company is exploring large models for civil aviation safety operations. Innovation-driven development is profoundly reshaping the Company’s business model, operational efficiency, and customer experience, injecting strong momentum towards becoming a world-class enterprise.



(V) Safety Assurance Input

During the reporting period, the Group resolutely implemented the important discourses of the General Secretary Xi Jinping on safety production and the essential instructions and directives regarding civil aviation safety work. Adhering to the overall safety management strategy of China Southern Airlines, namely “grasp both fundamentals and risks, prevent accidents”, we fought a decisive battle to “solidify foundations, prevent risks, and strictly control”. We deeply engaged in the three-year action plan to address root causes and strengthen safety production foundations, promoted the implementation and effectiveness of the safety management system, reinforced the qualification and capability building of key positions, managed risks with strictness, practicality, and meticulousness, and strengthened safety technology innovation. These efforts further consolidated the foundation for safeguarding safety bottom lines and enhancing management effectiveness.

First, enhancing safety management effectiveness. The Company refined the “three lists” system comprising position safety responsibilities, standardized performance points, and annual safety work plan, implemented the “three assessments” mechanism integrating safety-focused performance presentation sessions, annual cadre evaluations, and internal inspections; executed the “one task” whole-chain requirements and the “two closed loops” for problem rectification and management improvement; implemented the hazard reporting reward system and further developed the I-CARE voluntary safety reporting platform; established the “one map, one handbook, one platform” system to dynamically monitor and manage work quality and effectiveness, thereby driving the implementation of penetrating supervision; refined special emergency plans for aircraft operation contingencies, established a rapid reporting mechanism for emergencies, and formed an expert emergency response team with professionals from flight, maintenance, and operation control.

Second, strengthening the construction of key personnel teams. The Company formulated the Several Measures on Further Strengthening the Construction of Flight Teams in the New Era to enhance the standardization, legalization, and scientific level of flight teams; established a “1+3” management mechanism with individual health as the primary responsibility, supported by airline health officers, grassroots organizations, and families; comprehensively advanced maintenance standardization, rigorously carried out the qualification and capability building of maintenance teams, established a dispatcher qualification management system and an inspection quality traceability mechanism, and conducted training to improve the job competency of duty manager teams.

Third, intensifying efforts to address risks and hazards. The Company advanced the annual tasks of the three-year initiative to address the root causes of safety issues; deepened the development and application of core risk mapping; conducted special situation handling training for flight crews regarding issues such as incorrect altitude, route deviations, and GPS interference; established an extreme weather warning and linked mechanism to ensure operational safety during snow, ice, and typhoon conditions; implemented graded fault control, established a joint prevention and control mechanism between flight and maintenance crews and a maintenance handover working mechanism, and further developed the “Tian Tong” (天瞳) aircraft health remote diagnosis system; established an overseas security risk threat assessment mechanism and conducted security risk assessments at international general aviation stations; strengthened safety management in fire protection and construction engineering by integrating outsourced and subcontracted units into the management system; advanced special rectification for general aviation and enhanced operational and resource support for emergency rescues.

MANAGEMENT DISCUSSION AND ANALYSIS

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 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.

III. OPERATING REVENUE

	2025 Operating revenue RMB million	Percentage %	2024 Operating revenue RMB million	Percentage %	Changes in revenue %
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	182,256	100.00	174,224	100.00	4.61
Less: fuel surcharge income	(10,304)		(12,987)		(20.66)
Total operating revenue excluding fuel surcharge	171,952		161,237		6.65

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.

MANAGEMENT DISCUSSION AND ANALYSIS

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

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.

V. 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.

VI. 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.

VII. 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.

VIII. 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

	31 December 2025 RMB million	31 December 2024 RMB million
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

MANAGEMENT DISCUSSION AND ANALYSIS

Analysis of interest-bearing liabilities by currency

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

Maturity analysis of interest-bearing liabilities

	2025 RMB million	2024 RMB million
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
Total	238,423	223,447

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:

	31 December 2025	31 December 2024	Change
Total liabilities (RMB million)	294,803	277,143	6.37%
Total assets (RMB million)	350,053	329,979	6.08%
Debt ratio	84.22%	83.99%	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.

IX. 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.

X. 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:

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

MANAGEMENT DISCUSSION AND ANALYSIS

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 such 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 its normal business operations, 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 RMB644 million as 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, total personal bank loans of RMB34 million (31 December 2024: RMB64 million), under these guarantees, were drawn down from the banks. During the year, no payment has been made by the Group (2024: RMB0.1 million) due to the default of payments of certain pilot trainees.

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

(I) *Difference in profit/(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 profit/(loss) attributable to shareholders of the Company		Equity attributable to equity shareholders of the Company	
	2025	2024	31 December 2025	31 December 2024
Amounts under PRC GAAP	857	(1,696)	35,580	34,729
Adjustments under IFRS Accounting Standards:				
Capitalisation of exchange difference of specific loans (1)	(4)	(5)	2	6
Government grants (2)	1	1	(1)	(2)
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)	/	/
Income tax effect of the above adjustments	1	1	1	/
Effect of the above adjustments on non-controlling interests	/	56	(27)	(27)
Amounts under IFRS Accounting Standards	855	(1,769)	35,792	34,943

(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 the PRC GAAP.

MANAGEMENT DISCUSSION AND ANALYSIS

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 the 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 RMB104,951 million	Authorised and contracted	RMB22,569 million within 1 year (inclusive of 1 year); RMB29,237 million after 1 year but within 2 years (inclusive of 2 years); RMB28,467 million after 2 years but within 3 years (inclusive of 3 years); RMB24,678 million after 3 years	Own funds or debt financing
Investment commitments of RMB167 million	Authorised and contracted	Not applicable	Own funds
Other commitments of RMB6,513 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 at 31 December 2025, the Group has obtained a maximum credit line of RMB416,447 million for 2025 and subsequent years from several PRC banks, of which, the unused bank credit lines reached approximately RMB313,527 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	4.3	12.26	82.97	64.34
A330 series	9.8	9.04	85.70	64.00
A320 series	9.0	9.60	85.38	72.89
B787 series	8.2	11.31	86.14	62.93
B777 series	9.2	8.41	87.96	60.30
B737 series	10.7	9.94	87.10	76.86
EMB190	10.0	0.00	0.00	0.00
C919	0.7	7.38	84.84	81.45
C909	3.0	6.16	87.46	85.36
Freighter				
B777 series	9.5	15.39	0.00	72.48
B737 series	19.4	4.61	0.00	51.32
Average	9.3	9.79	85.74	72.19

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			Number of aircraft introduced during the reporting period
	Operating lease	Finance lease	Purchased	
A320 series	7	37	3	47
B787 Series	0	1	2	3
B777 series	0	0	2	2
B737 series	3	16	0	19
C919	0	5	0	5
C909	0	2	0	2
Total	10	61	7	78

MANAGEMENT DISCUSSION AND ANALYSIS

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

During the reporting period, the Group launched new flight routes or destinations: Guangzhou – Madrid, Guangzhou-Darwin, Guangzhou-Surabaya, Guangzhou-Sanming, Guangzhou-Lishui, Guangzhou-Jiaxing, Xiamen-Fuzhou, Xiamen-Wenzhou-Shenyang, Xiamen-Changsha-Jiayuguan, Fuzhou-Nagoya, Fuzhou-Phnom Penh, Fuzhou-Hanoi, Fuzhou-Vientiane, Fuzhou-Surabaya, Quanzhou-Kuala Lumpur, Hangzhou-Kuala Lumpur, Chongqing-Jakarta, Tianjin-Tokyo Haneda, Yinchuan-Guangzhou, Yinchuan-Shenzhen, Yinchuan-Pudong, Yinchuan-Hong Kong, etc.

In 2026, the Group is intended to launch new main flight routes: Beijing-Helsinki, Xiamen-Vientiane, Fuzhou-Amsterdam, Fuzhou-Beihai, Beijing Daxing-Liancheng, Nanjing-Jakarta, Nanjing-Kuala Lumpur, Nanjing-Singapore, Wuhan-Jakarta, Hangzhou-Ho Chi Minh City, etc.

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 cargo transportation	No	Capital injection	4,680	39%	No	Long-term equity investment	Own funds	/	/	Equivalent to RMB4.68 billion have been fully paid-up	N/A	Investment loss of RMB306 million	No	30 December 2023 and 30 April 2024	http://www.sse.com.cn/

2. Major non-equity investment

Nil.

3. Financial assets carried at fair value

Unit: RMB million

Asset class	Opening balance	Gain/(loss) on the 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	431	(16)	283	/	/	/	/	415
Derivative instruments	18	8	/	/	/	/	/	26
Others	5,502	113	(1)	/	/	(2,729)	(32)	2,854
Total	5,951	105	282	/	/	(2,729)	(32)	3,295

(1) Securities investment

Unit: RMB million

Security type	Security code	Security abbreviation	Initial investment cost	Sources of funds	Beginning book value	Gain/(loss) on the changes in fair value for the current period	Total fair value change recorded in equity	Amount of purchase for the current period	Amount of disposal for the current period	Profit and loss from investment during the reporting period	Closing book value	Accounting item
Other	N/A	China Air Service Ltd.	2	/	1	/	(1)	/	/	/	1	Other non-current financial assets
Shares	00696	Travelsky Technology Limited	33	/	431	(16)	283	/	/	16	415	Other equity instrument investments
Total	/	/	35	/	432	(16)	282	/	/	16	416	/

(2) Private equity investment

Nil.

(3) Derivative investment

Nil.

MANAGEMENT DISCUSSION AND ANALYSIS

XV. Major Assets and Shareholding Disposal

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

XVI. Analysis on Major Holding Companies

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	224	23.05	47,160.45	27.15	239,252.5	12.22	7,740.53	19.82	81,080.57	24.47
Shantou Airlines	26	2.67	4,252.78	2.45	18,279.0	0.93	550.47	1.41	5,972.96	1.80
Zhuhai Airlines	16	1.65	3,161.39	1.82	13,222.9	0.68	460.03	1.18	5,054.99	1.53
Guizhou Airlines	21	2.16	4,269.51	2.46	27,793.8	1.42	594.05	1.52	6,298.44	1.90
Chongqing Airlines	30	3.09	6,156.37	3.54	32,026.7	1.64	900.42	2.31	9,664.59	2.92
Henan Airlines	30	3.09	5,721.42	3.29	37,553.3	1.92	796.90	2.04	8,436.35	2.55

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

2. Analysis on the Situation of Major Holding Companies

(1) Xiamen Airlines

Xiamen Airlines was established in August 1984, with a registered capital of RMB14.0 billion. The legal representative is Xie Bing. The Company holds 55% of Xiamen Airlines' shares, while Xiamen C&D Group Co., Ltd. and Fujian Investment and Development Group Co., Ltd. hold 34% and 11% of Xiamen Airlines' shares, respectively.

During the reporting period, Xiamen Airlines achieved operating revenue of RMB38,697 million, representing a year-on-year increase of 6.20%; net profit was RMB777 million, compared with a net profit of RMB569 million in the same period of the previous year. As at 31 December 2025, Xiamen Airlines had total assets of RMB67,850 million and net assets of RMB21,477 million.

(2) CSA Logistics

CSA Logistics was established in June 2018, with a registered capital of RMB1,818 million. The legal representative is Li Xiao. The Company holds 55% of CSA Logistics' shares.

During the reporting period, CSA Logistics achieved operating revenue of RMB20,221 million, representing a year-on-year increase of 2.89%; net profit was RMB3,575 million, compared with a net profit of RMB4,186 million in the same period of the previous year. As at 31 December 2025, CSA Logistics had total assets of RMB24,229 million and net assets of RMB21,092 million.

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 2025. IATA expects that global airline industry revenue will exceed USD1.054 trillion in 2026, representing a year-on-year increase of 4.5%. Passenger traffic is expected to reach 5.2 billion, reflecting a year-on-year growth of 4.4%, with passenger revenue anticipated to reach USD751 billion.

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

Looking ahead to 2026, China's civil aviation industry improved generally. It is expected that the total traffic volume will reach 175 billion tonne kilometres, with a passenger traffic volume of 810 million and cargo and mail transportation volume of 10.7 million tonnes. China's civil aviation industry will vigorously support the all-round expansion of domestic demand and promotion of consumption, accelerate the development of air express routes, enhance the supporting capacity of air cargo logistics, and actively advance high-level opening-up.

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”,

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 entitled “mending shortcomings, improving quality and creating a First-class enterprise”, enhancing the control capacity of the Guangdong-Hong Kong-Macao Greater Bay Area with Guangzhou Hub as the core, accelerating the development of a modern civil aviation industry system, advancing high-end, intelligent and green transformation, pushing forward a new round of 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 administrative allocation of resources to market-oriented resource allocation, from the traditional business model to high-end, intelligent, green and ecological circle, and from extensive management to refined management.

XIX. Business Plan for 2026

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.

MANAGEMENT DISCUSSION AND ANALYSIS

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.

From 2026 to 2028, the delivery and disposal plan of aircraft of the Group will be as follows:

Unit: number of aircraft

Aircraft Models	2025	2026			2027			2028		
	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										
<i>Airbus</i>										
A350 Series	20	0	0	20	4	0	24	6	0	30
A330 Series	25	0	0	25	0	0	25	0	0	25
A320 Series	408	30	12	426	43	6	463	21	14	470
<i>Boeing</i>										
B787 Series	43	3	12	34	3	0	37	0	0	37
B777 Series	15	0	0	15	0	0	15	0	0	15
B737 Series	393	14	20	387	24	15	396	34	12	418
<i>COMAC</i>										
C919	8	13	0	21	12	0	33	15	0	48
C909	40	0	0	40	0	0	40	0	0	40
Passenger Aircraft Sub-total	952	60	44	968	86	21	1033	76	26	1083
Freighter										
B777 Series	19	0	0	19	1	0	20	0	0	20
B737 Series	1	0	0	1	0	0	1	0	0	1
Freighter Sub-total	20	0	0	20	1	0	21	0	0	21
Total	972	60	44	988	87	21	1054	76	26	1104

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.

MANAGEMENT DISCUSSION AND ANALYSIS

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. As market competition in the domestic market becomes increasingly intense, if the Company fails to comprehensively build its core market competitiveness, strengthen the mechanisms and capabilities that underpin its operational excellence, and enhance its level of international operation and management, it may be unable to address the deep-seated issues constraining its competitiveness.

(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 aircrafts. 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 a severe downturn, it may lead to the significant drop in the operating profit, facing financial distress and other problems.

(4) Risks Relating to Technological Innovation and Digitalisation

Digital transformation is an important initiative for developing new quality productive forces. If the Company fails to continuously improve its systems and mechanisms for technological innovation, strengthen its efforts to achieve major breakthroughs in technological innovation, and accelerate its digital transformation, it may affect the Company's ability to enhance its core competitiveness.

(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. A substantial portion of the Group's lease liabilities is denominated in foreign currencies, principally the US dollars, Euro and Japanese Yen. As a result, depreciation or appreciation of Renminbi against foreign currencies 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 risk variables other than exchange rate remain unchanged, the net profit and shareholders' equity of the Group will increase (or decrease) by RMB226 million during the reporting period in the case of each and every 1% appreciation (or depreciation) of the Renminbi against the US dollar as at 31 December 2025.

MANAGEMENT DISCUSSION AND ANALYSIS

(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 jet fuel prices by the NDRC have 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 a 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 RMB5,253 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 Prices" 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 liquidity in the market has a relatively significant influence on the Group's finance costs, thereby further affecting 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 RMB426 million during the reporting period. As at 31 December 2025, the gearing ratio (defined as total borrowings divided by total equity) of the Group was 243%.

REPORT OF DIRECTORS

The Board of the Company hereby presents this annual report and the audited financial statements for the year ended 31 December 2025 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 largest annual passenger traffic volume in China. For the business conditions of the Group in 2025 and major risks faced by the Group as well as the business plan of the Group in 2026, 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 2025 in accordance with IFRS Accounting Standards. Please refer to pages 125 to 227 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

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.

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 2025 (prepared under IFRS Accounting Standards) are set out on page 232 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 2025, interest expense of RMB488 million (2024: RMB682 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 2025 are set out in note 19 to the financial statements prepared under IFRS Accounting Standards.

REPORT OF DIRECTORS

Major Customers and Suppliers

The Group's aggregate revenue from the top five customers were RMB6,347 million, representing 3.48% of the Group's total revenue in 2025. No sales to the top five customers were made to related parties.

The Group's purchases from the largest supplier were RMB30,351 million, representing 39.38% of the Group's total purchases in 2025. The purchases from the top five suppliers were RMB42,393 million in total, representing 55.01% of the total purchases in 2025, of which purchases from related parties were RMB7,624 million, representing 9.89% of the total purchases in 2025. 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.

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 eight consecutive year.

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 2025, the Group had following major customers and suppliers:

Unit: RMB million

Name of customers	Operating revenue	Percentage as total operating revenue (%)
Customer 1	2,743	1.50
Customer 2	1,751	0.96
Customer 3	655	0.36
Customer 4	637	0.35
Customer 5	562	0.31
Total	6,347	3.48

Unit: RMB million

Name of suppliers	Purchase	Percentage as total purchase (%)
China National Aviation Fuel Group	30,351	39.38
MTU Maintenance Zhuhai Co., Ltd	4,033	5.23
Guangzhou Aircraft Maintenance Engineering Co., Ltd	3,591	4.66
Shenzhen Chengyuan Aviation Oil Co., Ltd	2,563	3.33
Shanghai Pudong International Airport Aviation Fuel Supply Co., Ltd.	1,855	2.41
Total	42,393	55.01

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.

REPORT OF DIRECTORS

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) 《關於個人所得稅若干政策問題的通知》(財稅字[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稅收政策的通知》(財稅[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 2025.

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 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 2025.

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 2025, 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 2025, 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 2025, 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 2025, 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.

REPORT OF DIRECTORS

Directors' Interests in Transaction, Arrangement or Contract of Significance

Save as disclosed in the section headed "Connected Transactions" below, none of the Directors or entities connected with the Directors 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 2025 or at the end of the year to which the Company, its holding company, or any of its subsidiaries was a party.

Directors' Rights to Acquire Shares or Debentures

During the year ended 31 December 2025, neither the Company nor any of its subsidiaries was a party to any arrangement that would enable the Directors to acquire benefits through acquiring shares or debentures of the Company or any other body corporate, and none of the Directors 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' Interest in Competing Business

As at 31 December 2025, none of the Directors 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 2025.

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 conducted in 2025 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

The Company entered into the Media Services Framework Agreement on 27 December 2024 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 for a further term of three years from 1 January 2025 to 31 December 2027.

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.

As CSAH holds 60% equity interest in SACM, SACM is an associate (as defined under the Listing Rules) of CSAH and is a connected person of the Company under the Listing Rules.

Pursuant to the Media Services Framework Agreement, the annual caps for each of the financial years ending 31 December 2025, 2026 and 2027 are RMB180 million, RMB190 million and RMB200 million, respectively.

For the year ended 31 December 2025, the transaction amount of the Group for media services was RMB134 million.

REPORT OF DIRECTORS

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

- (a) 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 for a further term of three years 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.

The Finance Company is a non-wholly owned subsidiary of CSAH thus also a connected person of the Company.

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 ended 31 December 2023, 2024 and 2025 respectively. As at 31 December 2025, the deposits placed by the Group with the Finance Company were RMB14,740 million and did not exceed RMB22 billion at any date during the year ended 31 December 2025.

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 ended 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.

- (b) As the Financial Services Framework Agreement is about to expire and the transactions contemplated thereunder will continue, the Company and the Finance Company entered into a new Financial Services Framework Agreement (the “**New Financial Services Framework Agreement**”) on 27 October 2025 to renew the financial services provided by the Finance Company to the Group under the Financial Services Framework Agreement for a term of three years from 1 January 2026 to 31 December 2028.

According to the New 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 interest rates no less favorable than those prescribed by the People's Bank of China from time to time for the same term of deposit. The Finance Company will then deposit the entire amount with certain policy banks, state-owned large scale commercial banks and equity commercial banks to control the risk. The Finance Company will ensure that the Group is able to use the deposits 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, commercial bill discounting services and other credit services 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 same type of loan and, subject to the above, the interest rate charged on the loans to the Group shall be equal to or lower than the rate charged by major commercial banks in the PRC for comparable loans. 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 or money deposit received from other parties (except 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 consultation, foreign exchange business, credit certification and other relevant advice and agency business, and other businesses which are approved by National Financial Regulatory Administration and People's Bank of China to be operated by the Finance Company. 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 rate of fees chargeable prescribed by the regulatory institutions such the National Financial Regulatory Administration or the People's Bank of China and, subject to the above principle, the fees chargeable shall be equal to or lower than the rate charged by the Finance Company against independent third parties for the same type of financial services.

Pursuant to the New 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 RMB30.0 billion, RMB32.0 billion, and RMB35.0 billion for each of the three years ending 31 December 2026, 2027 and 2028 respectively.

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 2028 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.

REPORT OF DIRECTORS

C. SACC, which is 50.1% owned by CSAH

The Company entered into the new Catering Services Framework Agreement (the “**Catering Services Framework Agreement**”) 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 for a term of three years, commencing from 1 January 2025 to 31 December 2027.

Under the 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 Catering Services Framework Agreement shall follow 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 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.

As CSAH holds 50.1% equity interest in SACC, SACC is an associate (as defined under the Listing Rules) of CSAH and is a connected person of the Company under the Listing Rules.

Pursuant to the Catering Services Framework Agreement, the annual caps for each of the three years ending 31 December 2027 are RMB234 million, RMB255 million and RMB270 million, respectively.

For the year ended 31 December 2025, the service fee paid by the Group pursuant to the Catering Services Framework Agreement was RMB205 million.

(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. (a) The Company and CSAH entered into the Asset Lease Framework Agreement (the “**Asset Lease Framework Agreement**”) on 27 December 2023 to renew 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.

CSAH is the controlling shareholder of the Company and is therefore a connected person of the Company under the Listing Rules.

The annual aggregate amount of rent payable by the Company to CSAH under the Asset Lease Framework Agreement for each of the two years ended 31 December 2025 is RMB334.9348 million, which was determined with reference to the Rental Assessment Results. For the year ended 31 December 2025, the rent incurred by the Group amounted to RMB316 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.

REPORT OF DIRECTORS

- (b) 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 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 ended 31 December 2025 is RMB105.40 million, which was determined with reference to the Rental Assessment Results. For the year ended 31 December 2025, the rental incurred by the Group amounted to RMB69 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.

- (c) On 12 December 2025, the Company and CSAH entered into the new asset lease framework agreement (the “**New Asset Lease Framework Agreement**”) to renew the transactions contemplated under the existing Asset Leasing Framework Agreement and the existing Property and Land Lease Framework Agreement for a term of three years from 1 January 2026 to 31 December 2028.

Under the New Asset Lease Framework Agreement, CSAH agreed to lease certain properties, equipment assets, land-use rights and underground parking lots located in various cities such as Shenyang, Dalian, Chaoyang, Beijing, Harbin, Changchun, Urumqi, Nanyang, Wuhan, Changsha, Guangzhou, Haikou and overseas locations held by CSAH or its subsidiaries to the Company.

For each of the three years ending 31 December 2028, the total annual rental payable by the Company to CSAH under the New Asset Lease Framework Agreement are RMB428.0482 million, RMB446.3212 million and RMB446.3212 million respectively, which was determined based on the results of the rental assessment.

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 New 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 New Asset Lease Framework Agreement is RMB1,195,328,700.

- C. (a) On 28 October 2022, the Company entered into the 2023-2025 Finance and Lease Service Framework Agreement with CSA Leasing, an associate of CSAH, to renew the transactions under the 2020-2022 Finance and Lease Service 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 Finance and Lease Service Framework Agreement and the related implementation agreements formulated thereunder.

CSA Leasing is an associate (as defined under the Listing Rules) of CSAH and thus a connected person of the Company under the Listing Rules.

- (1) The subject matter of the financial leasing transactions under the 2023-2025 Finance and Lease Service 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 Finance and Lease Service 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 ended 31 December 2025 are USD4,133.27 million (or the equivalent amount in RMB), USD4,132.98 million (or equivalent amount in RMB) and USD3,628.68 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 Finance and Lease Service Framework Agreement, whose finance lease transactions will be recognised as right-of-use assets. For the years ended 31 December 2025, the proposed finance lease caps under the 2023-2025 Finance and Lease Service Framework Agreement are USD3,361 million (or equivalent amount in RMB), USD3,331 million (or equivalent amount in RMB) and USD2,896 million (or equivalent amount in RMB).

REPORT OF DIRECTORS

For the year ended 31 December 2025, 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 Finance and Lease Service Framework Agreement amounted to RMB11,953 million. The right-of-use assets calculated by discounting the above total rental amount (including principal and interest) and handling fee were RMB10,747 million.

- (2) The subject matter of the operating leasing transactions under the 2023-2025 Finance and Lease Service 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 ended 31 December 2025 are USD197 million (or equivalent amount in RMB), USD356 million (or equivalent amount in RMB) and USD486 million (or equivalent amount in RMB), respectively. The total proposed maximum rental under operating lease transactions for the three years ended 31 December 2025 are USD1,524 million (or equivalent amount in RMB), USD1,436 million (or equivalent amount in RMB) and USD1,119 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 three years ended 31 December 2025 under the 2023-2025 Finance and Lease Service Framework Agreement are USD1,262 million (or the equivalent amount in RMB), USD1,174 million (or the equivalent amount in RMB) and USD916 million (or the equivalent amount in RMB), respectively.

For the year ended 31 December 2025, 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 RMB1,143 million in the operating lease transactions under the 2023-2025 Finance and Lease Service Framework Agreement. For the year ended 31 December 2025, 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) was RMB3,314 million, and the right-of-use assets calculated by discounting the aforementioned rental amount was RMB2,783 million.

- (b) On 27 October 2025, the Company entered into the 2026-2028 Finance and Lease Service Framework Agreement with CSA Leasing to renew the transactions under the 2023-2025 Finance and Lease Service Framework Agreement for a period of three years from 1 January 2026 to 31 December 2028.

CSA Leasing agrees to continue to provide financial leasing services to the Company for leasing aircraft, engines, simulators and aviation-related equipment, and operating leasing services to the Company for certain aircraft, engines, simulators and aviation-related equipment, 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 2026-2028 Finance and Lease Service Framework Agreement and the related implementation agreements formulated thereunder. In addition, pursuant to the 2026-2028 Finance and Lease Service Framework Agreement, (i) the Company agreed to, based on its own business conditions and the needs of CSA Leasing, sell aircraft, engines or fuselages to CSA Leasing; and (ii) the Company agreed to, based on its own business conditions and needs, purchase aircraft and disassembled fuselages, casings or aviation materials from CSA Leasing.

- (1) The subject matter of the financial leasing transactions under the 2026-2028 Finance and Lease Service Framework Agreement includes the lease of aircraft, engines, simulators and the aviation-related equipment (including some of the aircraft, engines, simulators and aviation-related equipment that the Company plans to introduce from 1 January 2026 to 31 December 2028, 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, engines, 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 bidding or inquiry results of the Company for financing of aircraft, engines, simulators and aviation-related equipment, and certain preconditions shall be met. The rental fee 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 2026-2028 Finance and Lease Service Framework Agreement will be agreed upon when the separate finance lease agreements are entered into. Based on previous similar transactions, the lease period of the leased aircraft under the separate finance lease agreement(s) would be 10 years. Based on the common practice of the aviation industry, the lease period of the leased engines would be 10 years and the leased simulators would be 5 years. In addition, with reference to the accounting policy in respect of the aviation-related equipment of the Company, the lease period of the leased aviation-related equipment under the separate Finance Lease Agreement(s) would be 5-10 years.

On the assumption that (i) the maximum aggregate transaction amount (including the principal and interest payable) of the aircraft finance lease transactions shall not exceed 60% of the aggregate amount (including the principal and interest payable) of all the aircraft planned to be introduced under the Company's introduction plan from 2026 to 2028; and (ii) the maximum aggregate transaction amount of the finance lease of the engines, the simulators and the aviation-related equipment shall not exceed total amount of the engines, the simulators and the aviation-related equipment to be introduced under the Company's introduction plan from 2026 to 2028, the proposed total rental amount (including principal and interest) under the finance lease transactions for the three years ending 31 December 2028 are USD3,800 million (or the equivalent amount in RMB), USD4,700 million (or equivalent amount in RMB) and USD5,000 million (or equivalent amount in RMB). Under IFRS 16, the Company (including the wholly-owned or controlled subsidiaries of the Company or their wholly-owned or controlled subsidiaries) as lessee under the 2026-2028 Finance and Lease Service Framework Agreement, whose finance lease transactions will be recognized as right-of-use assets. For the three years ending 31 December 2028, the proposed finance lease caps under the 2026-2028 Finance and Lease Service Framework Agreement are USD3,300 million (or equivalent amount in RMB), USD4,200 million (or equivalent amount in RMB) and USD4,400 million (or equivalent amount in RMB).

REPORT OF DIRECTORS

- (2) The subject matter of the operating leasing transactions under the 2026-2028 Finance and Lease Service Framework Agreement includes aircraft (including new aircraft as well as middle-aged and old aircraft to be disposed of by the Company through sale and leaseback arrangement), engines, simulators and aviation-related equipment under the introduction plan through operating lease from 1 January 2026 to 31 December 2028. The rental fee will be further determined and agreed by the Company and CSA Leasing with reference to the bidding or inquiry results of the Company in respect of leasing of aircraft, engines, simulators and aviation-related equipment, and subject to the satisfaction of certain conditions.

During the lease period, CSA Leasing have ownerships of the aircraft, engines, simulators and the aviation-related equipment and the Company has the rights to use the aircraft, engines, simulators and the aviation-related equipment. Upon the expiry of the lease period, the Company shall return the aircraft, engines, simulators and the aviation-related equipment to CSA Leasing.

On the assumption that (i) the maximum aggregate transaction amount (including the principal and interest payable) of operating lease transactions of the aircraft shall not exceed 50% of the aggregate amount of all aircraft planned to be introduced under the Company's introduction plan from 2026 to 2028; and (ii) the maximum aggregate transaction amount of the operating lease of the engines, the simulators and the Aviation-Related Equipment shall not exceed total amount of the engines, the simulators and the Aviation-Related Equipment planned to be introduced under the Company's introduction plan from 2026 to 2028, the proposed maximum annual rental under operating lease transactions for the three years ending 31 December 2028 are USD500 million (or equivalent amount in RMB), USD1,000 million (or equivalent amount in RMB) and USD1,300 million (or equivalent amount in RMB), respectively. The total proposed maximum rental under operating lease transactions for the three years ending 31 December 2028 are USD3,100 million (or equivalent amount in RMB), USD4,500 million (or equivalent amount in RMB) and USD3,200 million (or equivalent amount in RMB), respectively. Pursuant to IFRS 16, the operating lease transactions by the Company as lessee under the 2026-2028 Finance and Lease Service Framework Agreement will be recognised as right-of-use assets, the proposed caps for the Operating Lease for the three years ending 31 December 2028 under the 2026-2028 Finance and Lease Service Framework Agreement are USD2,800 million (or the equivalent amount in RMB), USD3,900 million (or the equivalent amount in RMB) and USD2,900 million (or the equivalent amount in RMB), respectively.

- (3) The subject matter of the aircraft related disposal transactions under the 2026-2028 Finance and Lease Service Framework Agreement includes aircraft, engines and fuselages to be disposed by the Company to CSA Leasing. If the transaction is carried out on a property exchange, it shall be executed in accordance with the transaction results of the public tender on the property exchange. If the transaction is not carried out on a property exchange, but through a direct transaction between the Company and CSA Leasing, the selling price of the aircraft, engines or fuselages shall not be lower than the valuation of the aircraft, engines or fuselages by independent third-party valuer in principle.

To implement the aircraft related disposals, separate agreement(s) will be entered into between CSA Leasing and the Company in respect of each of the aircraft, engines or fuselages.

The proposed annual caps to be payable by CSA Leasing to the Company for the aircraft related disposals for each of the three years ending 31 December 2028 are USD370 million (or the equivalent amount in RMB), USD510 million (or the equivalent amount in RMB) and USD310 million (or the equivalent amount in RMB), respectively.

- (4) The subject matter of the aircraft related acquisition transactions under the 2026-2028 Finance and Lease Service Framework Agreement includes aircraft and disassembled fuselages, casings or aviation materials to be acquired by the Company from CSA Leasing. The consideration will be further determined and agreed by the Company and CSA Leasing. In respect of the acquisition of entire aircraft by the Company from CSA Leasing, if the transaction is carried out on a property exchange, it shall be executed in accordance with the transaction results of the public tender on the property exchange. If the transaction is not carried out on a property exchange, but through a direct transaction between the Company and CSA Leasing, the purchase price of the aircraft by the Company shall be determined by negotiation between the Company and CSA Leasing based on the valuation of the aircraft by independent third-party valuer, and taking into account CSA Leasing's tax and fee costs and reasonable financing costs. In respect of the acquisition of disassembled fuselages, casings or aviation materials by the Company from CSA Leasing, the Company shall negotiate with CSA Leasing on price and other conditions through bidding or price inquiry, and reach an agreement based on the result that is not higher than the quotations offered by independent third parties to the Company.

To implement the aircraft related acquisitions, separate aircraft related acquisition agreement(s) will be entered into between CSA Leasing and the Company in respect of each of the aircraft and disassembled fuselages, casings or aviation materials.

The proposed annual caps to be payable by the Company to CSA Leasing for the aircraft related acquisitions for each of the three years ending 31 December 2028 are USD129 million (or the equivalent amount in RMB), USD792 million (or the equivalent amount in RMB) and USD572 million (or the equivalent amount in RMB), respectively.

REPORT OF DIRECTORS

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 2025 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 2025, the Group made donations for charitable purposes with an amount of RMB280,000.

Designated Deposits and Overdue Time Deposits

As of 31 December 2025, 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 2025, the Group was not involved in any material litigation.

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.

Auditors

KPMG Huazhen LLP and KPMG (collectively "**KPMG**") have been providing audit services to the Company for ten consecutive years. In accordance with the relevant provisions of the Measures for the Administration of Selection and Engagement of Accounting Firms by State-owned Enterprises and Listed Companies 《國有企業、上市公司選聘會計師事務所管理辦法》, following the public tender process and based on the results thereof, the Board has resolved, with the recommendation from the Audit and Risk Management Committee of the Board, to propose to appoint ShineWing Certified Public Accountants as the Company's domestic auditor and internal control auditor for 2026 and Shinewing (HK) CPA Limited as the Company's international auditor for 2026 (collectively "**ShineWing**") (the "**Proposed Appointment of Auditor**").

The Proposed Appointment of Auditor has been approved by the shareholders of the Company at the general meeting of the Company, and will become effective after the completion of the acceptance procedures by ShineWing.

Upon completion of the audit work in relation to the 2025 annual results and the publication of the 2025 annual report of the Company, KPMG will retire as the auditor of the Company.

Save as disclosed above, 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
30 March 2026

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

2. Description of Change in Shares

On 15 October 2020, the Company publicly issued RMB16 billion convertible corporate bonds, referred to as "Nanhang Convertible Bonds (南航轉債)". During the reporting period, the total number of shares converted by the holders of Nanhang Convertible Bonds was 10,531 shares.

During the reporting period, the 803,571,428 A Shares privately issued to CSAH by the Company on 23 November 2022 were unlocked upon the expiration of the restriction period.

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	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	803,571,428	0	0	Non-public Issuance of shares subject to trading restrictions	24 November 2025
Total	803,571,428	803,571,428	0	0	/	/

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 104,796. As of 28 February 2026, total number of ordinary shareholders of the Company was 113,723.

(II) Particulars of Shareholdings

1. Particulars of the top ten shareholders

Unit: Share

Name of the shareholders (in full)	Particulars of the top ten shareholders				Status of pledged, marked or frozen shares		
	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 shares	Number	Capacity of shareholders
China Southern Air Holding Company Limited	0	9,404,468,936	51.90	0	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	333,058	1,751,368,785	9.66	0	Unknown	–	Overseas legal entity
Hong Kong Securities Clearing Company Limited	(50,684,114)	595,730,694	3.29	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	(56,489,298)	205,196,056	1.13	0	Nil	0	Stated-owned legal entity
Industrial and Commercial Bank of China Limited – GF Multifactor Flexible Allocation Hybrid Securities Investment Fund	161,268,395	161,268,395	0.89	0	Nil	0	Other
Spring Airlines Co., Ltd.	(39,999,949)	100,531,612	0.55	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	(4,117,500)	89,035,849	0.49	0	Nil	0	Other

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

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			
Name of the shareholders	Number of tradable shares not subject to trading restrictions	Type and number of shares	
		Type of shares	Number
China Southern Air Holding Company Limited	9,404,468,936	RMB ordinary shares	9,404,468,936
Nan Lung Holding Limited	2,612,124,036	Overseas listed foreign shares	2,612,124,036
HKSCC Nominees Limited	1,751,368,785	Overseas listed foreign shares	1,751,368,785
Hong Kong Securities Clearing Company Limited	595,730,694	RMB ordinary shares	595,730,694
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	205,196,056	RMB ordinary shares	205,196,056
Industrial and Commercial Bank of China Limited – GF Multifactor Flexible Allocation Hybrid Securities Investment Fund	161,268,395	RMB ordinary shares	161,268,395
Spring Airlines Co., Ltd.	100,531,612	RMB ordinary shares	100,531,612
Industrial and Commercial Bank of China Limited – HuataiPineBridge CSI 300 Traded Open-end Index Securities Investment Fund	89,035,849	RMB ordinary shares	89,035,849
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

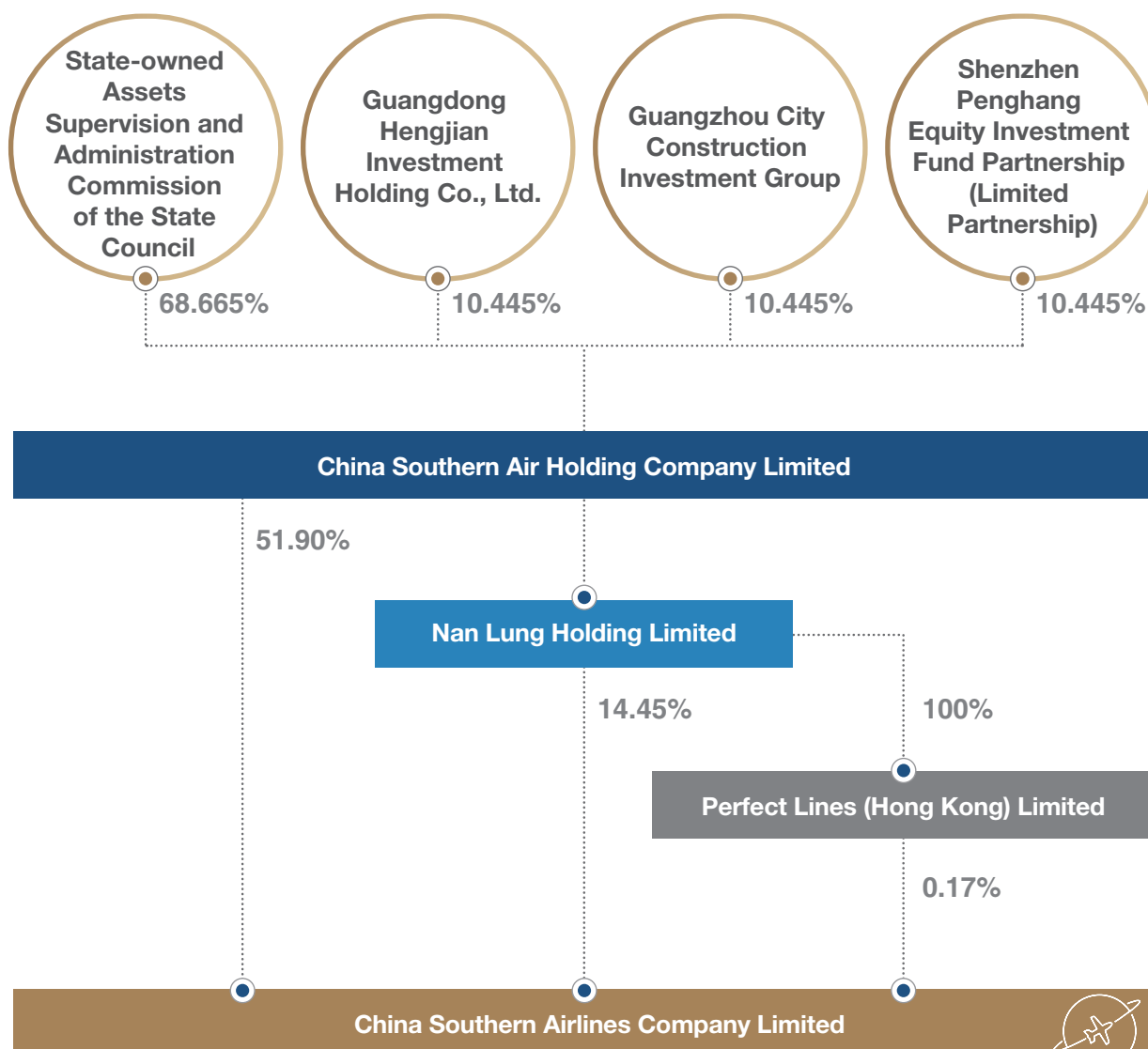
Nil.

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:



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

IV. Disclosure of Interests

As at 31 December 2025, to the best knowledge of the Directors and chief executive of the Company, the following persons (other than the Directors or chief executive 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%

* “L” stands for long positions.

Notes:

- As at 31 December 2025, CSAH was directly interested in 9,404,468,936 A Shares of the Company.
- As at 31 December 2025, 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.
- As at 31 December 2025, 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.
- American Airlines Group Inc. was deemed to be interested in 270,606,272 H Shares by virtue of its 100% control over American Airlines.
- The percentage was calculated according to the relevant total issued A Shares of 13,476,924,727 A Shares, total issued H Shares of 4,643,997,308 H Shares and the total issued Shares of 18,120,922,035 Shares of the Company as at 31 December 2025.

Save as disclosed above, as at 31 December 2025, so far as was known to the Directors and chief executive of the Company, no other person (other than the Directors or chief executive 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, SENIOR MANAGEMENT AND EMPLOYEES

I. Directors and Senior Management

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

As of the end of the reporting period, Directors and senior management of the Company were as follows:

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	Reasons for the changes	The total remuneration before tax received from the Company during the reporting period (RMB'000)	Had received remuneration from related party of the Company
Ma Xu Lun	Chairman	Male	61	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	59	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						
Cai Zhi Zhou	Executive Director	Male	53	2 March 2026	up to date	0	0	0	/	0	Yes
* Luo Lai Jun	Executive Director	Male	54	28 December 2022	21 March 2025	0	0	0	/	0	Yes
Pansy Catilina Chiu	Independent Non-executive Director	Female	63	3 August 2023	up to date	0	0	0	/	20	No
King Ho	Director										
Guo Wei	Independent Non-executive Director	Male	63	30 April 2021	up to date	0	0	0	/	20	No
Zhang Jun Sheng	Independent Non-executive Director	Male	50	29 July 2024	up to date	0	0	0	/	20	No
Zhu Hai Ping	Independent Non-executive Director	Male	63	23 May 2025	up to date	0	0	0	/	13.33	No
Zhang Tao	Employee Director	Male	53	21 January 2026	up to date	0	0	0	/	0	Yes
* Wu Ying Xiang	Executive Vice President	Female	52	29 June 2020	18 February 2025	0	0	0	/	0	Yes
* Gao Fei	Executive Vice President	Male	49	28 February 2023	27 October 2025	0	0	0	/	0	Yes
* Qu Guang Ji	Executive Vice President	Male	56	29 August 2023	29 January 2026	0	0	0	/	0	Yes
* Wu Rong Xin	Executive Vice President	Male	54	30 August 2022	18 February 2025	0	0	0	/	0	Yes
Chen Dong	Executive Vice President	Male	51	24 May 2024	up to date	0	0	0	/	0	Yes
	Chief Accountant										
	Chief Financial Officer										
Zeng Yong Chao	Executive Vice President	Male	54	18 February 2025	up to date	0	0	0	/	0	Yes
Chen Zhe	Chief Security Officer	Male	52	29 July 2024	18 February 2025	0	0	0	/	91.59	Yes
	Chief Pilot			18 February 2025	27 October 2025						
	Executive Vice President			27 October 2025	up to date						
Zhang Yong	Executive Vice President	Male	55	27 October 2025	up to date	0	0	0	/	0	Yes
Chen Wei Hua	Chief Legal Adviser	Male	59	16 June 2004	up to date	0	0	0	/	0	Yes
	Secretary to the Board			22 September 2022	up to date						
Xie Bing	Chief Economist	Male	52	22 September 2022	up to date	0	0	0	/	0	No
Li Mian Song	Chief Service Officer	Male	57	26 June 2023	up to date	0	0	0	/	113.80	No
Li Zhi Gang	Chief Engineer	Male	57	30 August 2022	up to date	0	0	0	/	110.73	No

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

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	Reasons for the changes	The total remuneration before tax received from the Company during the reporting period (RMB0'000)	Had received remuneration from related party of the Company
Ding An Ning	Chief Operation Officer	Male	53	27 December 2024	up to date	0	3,000	3,000	Secondary market trading	109.73	No
Cai Qi	Chief Security Officer	Male	50	18 February 2025	up to date	0	0	0	/	177.57	No
Yu Ming Liang	Chief Pilot	Male	54	27 October 2025	up to date	0	0	0	/	53.59	No
Total	/	/	/	/	/	0	3,000	3,000	/	730.34	/

Notes:

1. According to performance appraisal plans of the Company, partial remuneration of some Directors and senior management of the Company shall be delayed based on evaluation results, total remuneration set out above includes such delayed remuneration;
2. Mr. Chen Zhe, Mr. Cai Qi and Mr. Yu Ming Liang serve as pilots, so their remunerations are inclusive of crew allowance;
3. Mr. Zhu Hai Ping's remuneration has been paid as an Independent Non-executive Director of the Company since May 2025;
4. Mr. Zeng Yong Chao's remuneration has been paid by CSAH since February 2025, Mr. Chen Zhe's remuneration has been paid as Chief Pilot of the Company since February 2025 and has been paid by CSAH subsequently, Mr. Zhang Yong's remuneration has been paid by CSAH since October 2025, Mr. Xie Bing's remuneration has been paid by Xiamen Airlines since September 2022, Mr. Cai Qi's remuneration has been paid as Chief Security Officer since February 2025, and Mr. Yu Ming Liang's remuneration has been paid as Chief Pilot of the Company since October 2025;
5. *represents personnel who have already resigned as of the date of this report.

As of 31 December 2025, none of the Directors or chief executive 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 been held by such directors or chief executive under the provisions of those sections 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 and Chief Executive Officer under Rule 13.51B(1) of the Listing Rules

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

Cai Zhi Zhou: Newly appointed as a member of the 14th National Committee of the Chinese People's Political Consultative Conference and a council member of the third council of the China Center for International Economic Exchanges.

Pansy Catilina Chiu King Ho: Ceased to serve as a member of International Advisory Board at Sotheby's and Executive Vice President of the Guangdong's Association for Promotion of Cooperation between Guangdong, Hong Kong and Macao.

Guo Wei: Ceased to serve as the Chairman of Beijing Digital China Co., Ltd., the Chairman of Digital China (China) Limited, the Director of Chuanghui Investment Management Co., Ltd., and the Chairman of Shenqi Digital Co., Ltd.

Zhang Jun Sheng: Newly appointed as the Secretary of the Party Committee of the School of Management, Sun Yat-sen University, and ceased to serve as the Dean of the School of Management, Sun Yat-sen University.

Zhang Tao: Newly appointed as a member of the seventh National Committee and the Standing Committee of China Civil Aviation Trade Union and the Vice Chairman of the third Council of the Guangdong Lingnan Culture and Art Promotion Foundation (廣東省嶺南文化藝術促進基金會).

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 and Senior Management

The Directors and Senior Management of the Company received remuneration annually. Remuneration of Directors are calculated and paid pursuant to Administrative Measures on Remuneration of Directors of China Southern Airlines Company Limited approved at the general meeting. Remuneration of Senior Management are calculated and paid pursuant to Administrative Measures on Remuneration of Senior Management 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 and senior management amounted to RMB7.3034 million (2024: RMB8.2459 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 Remuneration of Senior Management of the Group.

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

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

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 HK\$	Number of Senior Management	
	2025	2024
0-500,000	9	10
500,001-1,000,000	1	1
1,000,001-1,500,000	4	3
1,500,001-2,000,000	1	0
2,000,001-2,500,000	0	1
Total	15	15

(IV) Service Contracts of the Director

None of the Directors 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 2025, none of the Directors has any material interests in any significant contract to which the Company or its subsidiaries was a party.

(V) Profiles of Current Directors and Senior Management

Directors

Ma Xu Lun, male, born in July 1964 (aged 61), 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 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 the 6th National Committee of China Council for the Promotion of International Trade.

Han Wen Sheng, male, born in January 1967 (aged 59), 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 of the People's Republic of China.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Cai Zhi Zhou, male, born in October 1972 (aged 53), graduated from the Department of Chinese Language and Literature of Nanjing University majoring in Chinese Language and Literature with a bachelor's degree, and obtained a Master of Business Administration degree from the Department of Management of Sun Yat-sen University, and an Executive Master of Business Administration (EMBA) degree from School of Economics and Management of Tsinghua University. He is an expert of political science and a member of the Chinese Communist Party. Mr.Cai began his career in July 1993 and once served as the Deputy Director of Party Committee Affair Department of the Company. He served as the Director of the Party Committee Affair Department of the Company in June 2006; the General Manager of the Human Resources Department of the Company in February 2009; the General Manager and Deputy Secretary of the Party Committee of the Hubei Branch of the Company in July 2012; the Secretary of the Party Committee and Deputy General Manager of the Xinjiang Branch of the Company in December 2016; the Director, General Manager and Deputy Secretary of the Party Committee of Guangdong Airport Authority Co.,Ltd in December 2018; the Chairman of the Board, General Manager and Secretary of the Party Committee of Guangdong Airport Authority Co., Ltd in June 2022; the Chairman of the Board and Secretary of the Party Committee of Guangdong Airport Authority Co., Ltd in November 2023; the Deputy Secretary of the Party Leadership Group of China Southern Air Holding Company Limited and Deputy Secretary of the Party Committee of the Company in November 2025. Since December 2025, he has been the Director and Deputy Secretary of the Party Leadership Group of China Southern Air Holding Company Limited and Deputy Secretary of the Party Committee of the Company. Since March 2026, he has been the Director and Deputy Secretary of the Party Leadership Group of China Southern Air Holding Company Limited and the Director and Deputy Secretary of the Party Committee of the Company. He currently also holds concurrent positions as a Member of the 14th National Committee of the Chinese People's Political Consultative Conference and a Member of the 3rd Council of the China Center for International Economic Exchanges.

Pansy Catilina Chiu King Ho, female, born in August 1962 (aged 63), graduated from 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 National Committee of the Chinese People's Political Consultative Conference, the Vice Chairman of All-China Federation of Industry and Commerce and a Standing Committee Member of the All-China Women's Federation. 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 Group Limited; the Vice Chairman and Non-Executive Director of Phoenix Media Investment (Holdings) Limited; the Chairman of Macau Tower Convention & Entertainment Centre; the Director of Sociedade de Turismo e Diversões de Macau, S.A.; Vice Chairman of the Board of Directors of Macau International Airport Co.Ltd.; Director and Executive Director of Air Macau Company Limited, among others. She was appointed a Justice of the Peace by the Government of the Hong Kong Special Administrative Region (HKSAR) in 2015; she was bestowed the Medal of Merit-Tourism by the Government of the Macao Special Administrative Region in 2019; and the Silver Bauhinia Star (SBS) by the Government of the HKSAR in 2020. Ms. Ho is the National March 8th Red Banner Pace-setter and was awarded the Beijing March 8th Red Banner Medal in 2020. She was bestowed the Legion of Honour Officer Medal by the French Government 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 63), 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 Informatization, 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 50), graduated from Xiamen University with a doctoral degree in management, is a member of the Chinese Communist Party. He is currently the Secretary of the Party Committee, 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.

Zhu Hai Ping, male, born in April 1963 (aged 63), graduated from the Department of Engine, Beihang University, majoring in jet engine principles, received a MBA from China Europe International Business School, and is a member of the Chinese Communist Party and began his career in 1985. He served as the Deputy Division-level Secretary in the Office of the Director of the General Office of the Civil Aviation Administration of China, the Deputy Manager and Manager of the First Department of China Aviation Supplies Import and Export Corporation. From May 2004 to December 2004, he served as the Assistant to the General Manager of China Aviation Supplies Import and Export Corporation; from December 2004 to February 2006, he served as the Deputy General Manager of China Aviation Supplies Import and Export Corporation; from February 2006 to August 2012, he served as the Assistant to the General Manager of China Aviation Supplies Holding Company; from August 2012 to September 2018, he served as the Member of the Party Committee and Assistant to the General Manager of China Aviation Supplies Holding Company; from September 2018 to June 2023, he served as the Member of the Party Committee and the Deputy General Manager of China Aviation Supplies Holding Company. He also served as the General Manager and Deputy Party Secretary of China Aviation Supplies Import and Export Co., Ltd., and the Chairman of AerDragon Aviation Leasing Co., Ltd.. Mr. Zhu has been serving as an Independent Non-executive Director of China Southern Airlines Company Limited since May 2025.

Zhang Tao, male, born in February 1973 (aged 53), graduated from the Faculty of Law of Peking University, majoring in Economic Law, holding a bachelor's degree, and obtained his master's degree in Management from Quebec University in Canada, majoring in Project Management while employed. He is a member of the Chinese Communist Party. Mr. Zhang started his career in July 1995, and served as the Deputy General Manager and a member of the Party Committee of Guizhou Airport Group Company Limited. He served as Party Secretary and Executive Vice President of Guizhou Airlines Company Limited in December 2013; Party Secretary and Deputy General Manager of Guangzhou Flight Division of China Southern Airlines Company Limited in September 2017; Party Secretary and Vice President of Fleets Division of China Southern Airlines Company Limited in May 2018; Director of the Organization and Personnel Division of China Southern Air Holding Company Limited and China Southern Airlines Company Limited in December 2020; Chairman of the Labor Union, Director of the Organization and Personnel Division of China Southern Air Holding Company Limited and China Southern Airlines Company Limited in February 2025; Chairman of the Labor Union, Director of the Organization and Personnel Division of China Southern Air Holding Company Limited, and Chairman of the Labor Union, Chairman of the Supervisory Committee, Director of the Organization and Personnel Division of China Southern Airlines Company Limited in May 2025; Chairman of the Labor Union, Employee Director, Director of the Organization and Personnel Division of China Southern Air Holding Company Limited, and Chairman of the Labor Union, Chairman of the Supervisory Committee, Director of the Organization and Personnel Division of China Southern Airlines Company Limited in June 2025; Chairman of the Labor Union, Employee Director, Director of the Organization and Personnel Division of China Southern Air Holding Company Limited, and Chairman of the Labor Union, Director of the Organization and Personnel Division of China Southern Airlines Company Limited in December 2025. From January 2026, he served as Chairman of the Labor Union, Employee Director, Director of the Organization and Personnel Division of China Southern Air Holding Company Limited, and Chairman of the Labor Union, Employee Director, Director of the Organization and Personnel Division of China Southern Airlines Company Limited. Currently, he also acts as a member of the seventh National Committee of China Civil Aviation Trade Union and vice chairman of the third session of the board of directors of Guangdong Lingnan Culture and Art Promotion Foundation.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Senior management

Chen Dong, male, born in December 1974 (aged 51), 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 54), 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.

Chen Zhe, male, born in January 1974 (aged 52), 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 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 served as Chief Pilot of China Southern Airlines Company Limited, and Head and Deputy Secretary of the Party Committee of Fleets Division of the Company in February 2025. In June 2025, he served as a member of the Party Leadership Group of China Southern Air Holding Company Limited, and Chief Pilot, Head of the Flight Brigade and Deputy Secretary of the Party Committee of China Southern Airlines Company Limited. In August 2025, he served as Deputy General Manager and a member of the Party Leadership Group of China Southern Air Holding Company Limited, and Chief Pilot, Head of the Flight Brigade and Deputy Secretary of the Party Committee of China Southern Airlines Company Limited. In September 2025, he served as Deputy General Manager and a member of the Party Leadership Group of China Southern Air Holding Company Limited, and a member of the Party Committee and Chief Pilot of China Southern Airlines Company Limited. In October 2025, he served as Deputy General Manager and a member of the Party Leadership Group of China Southern Air Holding Company Limited, and Deputy General Manager and a member of the Party Committee of China Southern Airlines Company Limited. Currently, he also acts as a Director of the fifth Council of the China Air Transport Association, and a member of the China Air Transport Association Aviation Safety Committee.

Zhang Yong, male, born in October 1970 (aged 55), graduated from Northwestern Polytechnical University majoring in Aero Engine, and obtained a master's degree in Aviation Safety Management jointly offered by Civil Aviation University of China and École Nationale de l'Aviation Civile (ENAC). He is a senior engineer and a member of the Chinese Communist Party. He began his career in July 1994. He served as General Manager of the Engineering Department of Aircraft Maintenance and Engineering Corporation. In October 2018, he served as a member of the Party Committee and the General Manager of the Engineering Department of Aircraft Maintenance and Engineering Corporation. In August 2021, he served as a Deputy General Manager of the Aircraft Engineering Department of Air China Limited. In September 2021, he served as a Deputy General Manager and a member of the Party Committee of the Aircraft Engineering Department of Air China Limited. In May 2022, he served as a General Manager and a Deputy Secretary of the Party Committee of the Aircraft Engineering Department of Air China Limited. In July 2025, he served as a member of the Party Leadership Group of China Southern Air Holding Company Limited. In August 2025, he served as Executive Vice President and a member of the Party Leadership Group of China Southern Air Holding Company Limited. In September 2025, he served as Executive Vice President and a member of the Party Leadership Group of China Southern Air Holding Company Limited, and a member of the Party Committee of the Company. Since October 2025, he has served as Executive Vice President and Member of the Party Leadership Group of China Southern Air Holding Company Limited, and Executive Vice President and Member of the Party Committee of China Southern Airlines Company Limited. Currently, he also acts as Chairman of Beijing Jingfei Industry and Trade Co., Ltd.* (北京競飛工貿有限責任公司), Director of Beijing Aero Engine Services Company Limited, and Member of the Council of the COMAC Aircraft Competitiveness Innovation Center* (中國商飛飛機競爭力創新中心).

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Chen Wei Hua, male, born in October 1966 (aged 59), 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, Vice Chairman of the Sixth Session of the Council of the Listed Companies Association of Guangdong, and Vice Chairman of the Second Session of the Council of the Company Law Research Society of Guangzhou Law Society.

Xie Bing, male, born in September 1973 (aged 52), graduated from Nanjing University of Aeronautics and Astronautics, majoring in Civil Aviation Management. He subsequently received a master's degree of business administration (MBA) 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 an Executive Master of Business Administration (EMBA) degree from Tsinghua University, respectively. Mr. Xie is a member of the Chinese Communist Party and Senior Economist. 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, General Manager and Deputy Secretary of the Party Committee of Xiamen Airlines Co. Ltd., Vice President of China Group Companies Association, Deputy President of Central Enterprises Overseas Students Sodality (中央企業留學人員聯誼會), and a Deputy to the 14th People's Congress of Fujian Province.

Li Mian Song, male, born in November 1968 (aged 57), 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 57), 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 Council of the COMAC Aircraft Competitiveness Innovation Centre.

Ding An Ning, male, born in November 1972 (aged 53), 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 etc. In 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.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Cai Qi, male, born in April 1976 (aged 50), 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. For now, he is also a Vice Chairman of the China Civil Aviation Safety Development Council.

Yu Ming Liang, male, born in July 1971 (age 54), graduated from the Department of Mechanical Engineering, Xinjiang Institute of Technology, with a major in Mechanical Manufacturing Equipment, Technology, and Automation. He holds a bachelor's degree, is a Second-Class Pilot, and a member of the Chinese Communist Party. He began his career in August 1993. He served as Deputy Manager of B787 Fleet of Guangzhou Flight Department of China Southern Airlines Company Limited. In March 2017, he served as Manager of the B787 Fleet of Guangzhou Flight Department of China Southern Airlines Company Limited. In December 2018, he served as Manager of B787 Fleet of the Fleet Division of China Southern Airlines Company Limited. In August 2019, he served as a Deputy Head and a member of the Party Committee of the Fleet Division of China Southern Airlines Company Limited. In November 2021, he served as a Deputy General Manager and a member of the Party Committee of Shenzhen Branch of China Southern Airlines Company Limited. In April 2022, he served as the General Manager and a Deputy Secretary of the Party Committee of Guangxi Branch of China Southern Airlines Company Limited. In February 2025, he served as an Executive Deputy Head and a member of the Party Committee of the Fleet Division of China Southern Airlines Company Limited. In September 2025, he has served as Head of the Fleet Division, General Manager of the Flight Training Management Department, and a Deputy Secretary of the Party Committee of the Fleet Division (Flight Training Management Department) of China Southern Airlines Company Limited. Since October 2025, he has been serving as Chief Pilot and Head of the Fleet Division, General Manager of the Flight Training Management Department, and a Deputy Secretary of the Party Committee of the Fleet Division (Flight Training Management Department) of China Southern Airlines Company Limited.

Liu Wei, male, aged 68, 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 or senior management of the Company has any relationship with any Directors, senior management or substantial shareholders of the Company.

* For identification purposes only

II. Staff of the Company and Major Subsidiaries

As of 31 December 2025, the Group had an aggregate of 108,176 employees (31 December 2024: 102,597).

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)
70,840	37,336	108,176

1. Professions Composition

Categories by profession	Number of professionals (by person)
Flight	13,253
Service	38,461
Administration	7,046
Navigation matter	1,519
Maintenance	12,792
Information	1,688
Marketing	4,709
Comprehensive	20,417
Function	8,291
Total	108,176

2. Educational Level

Categories by education levels	Number (by person)
Postgraduates	5,965
Undergraduates	62,598
Junior college	27,669
Technical School or below	11,944
Total	108,176

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

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 2025, the Company comprehensively strengthened management of cadre and employee training, continuously optimized the construction of training management systems and mechanisms, and promoted functional upgrades to the integrated teaching-management platform. The Company deepened the development of its talent cultivation resource system by introducing high-quality resources from universities and professional institutions, thereby solidifying the foundation for talent development and business support. Focusing on strategic development needs, the Company refined the full-cycle policy of “attracting, retaining, utilizing, and exiting” for high-level talent, and prioritized special training programs such as overseas secondment for “Pearl Outstanding Talents” management trainees, business architecture, and customer managers. The Company persistently advanced the implementation of industry-education integration, and was selected as a member unit of the Guangdong Province Industry-Education Integration Textbook Construction Steering Committee, actively participated in the formulation of industry standards, and continuously expanded China Southern Airlines’ social influence.

In 2026, the Company will continue to implement the guiding principles of the 20th National Congress of the Communist Party of China and all plenary sessions of its 20th Central Committee. It will improve regular training, particularly foundational training mechanisms, strengthen curriculum planning by business line, and formulate training plans tailored to the growth patterns and characteristics of talent in different fields. Key priorities will include advancing the “Pearl Outstanding Talents” management trainee program, new employee training across all systems, annual pilot recurrent training, professional technical training for maintenance personnel, dispatcher recurrent training, integrated air-ground service practical training, cabin crew recurrent training, emergency drills, aircraft type transition training, and regular security guard training, thereby promoting knowledge sharing, experience accumulation, and skill enhancement. Closely aligned with national development strategies, the Company will continue to deepen industry-education integration, and strengthen the selection, cultivation, and motivation of scientific and innovative talents in key areas. This will achieve a precise alignment between the education chain and the industrial chain, providing a solid talent foundation for the Company’s goal of building a world-class aviation transportation enterprise.

5. Information on Labour Outsourcing

Total hours of outsourced labour	Total pay for outsourced labour (RMB)
37.4423 million hours	2,315.42 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 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 2025, except for the deviations as described in this report.

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

System Construction

The Company strictly complies with the regulatory requirements of each listing jurisdiction and continuously improves the Company's Articles of Association and relevant corporate governance rules. During the reporting period, the Company implemented the spirit of the new Company Law and, taking into account the latest regulatory documents such as the Guidelines for the Articles of Association of Listed Companies issued by the China Securities Regulatory Commission in 2025, revised the Company's Articles of Association, the Rules of Procedure for Shareholders' Meetings, the Rules of Procedure for Board of Directors Meetings, the Rules of Procedure for the Special Committees of the Board of Directors, and other related policies.

CORPORATE GOVERNANCE REPORT

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.

As of the end of the reporting period, Mr. Han Wen Sheng, President of the Company, served as the president of CSAH, Mr. Qu Guang Ji, Mr. Zeng Yong Chao, Mr. Chen Zhe, Mr. Zhang Yong, 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. 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, Mr. Qu Guang Ji, Mr. Chen Dong, Mr. Zeng Yong Chao, Mr. Chen Zhe, Mr. Zhang Yong, Mr. Chen Wei Hua in accordance with relevant regulatory regulations in 2025, 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, Mr. Qu Guang Ji, Mr. Chen Dong, Mr. Zeng Yong Chao, Mr. Chen Zhe, Mr. Zhang Yong, Mr. Chen Wei Hua, 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. 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 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, other major policies as well as financial matters. 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 2 executive Directors and 4 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 2025, the Board of the Company operated in accordance with the law and held 7 Board meetings, all of which were held in person. 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.

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.

All of the Directors have a term of three years. The brief biographical details of the Directors are set out on pages 79 to 86 of this annual report.

The Board held 7 meetings in 2025, all of which were convened in accordance with the Articles of Association. The Company held 2 general meetings in 2025, 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.

CORPORATE GOVERNANCE REPORT

The attendance of each Director is as follows:

Name of Directors	Whether independent Director or not	Attendance of Board Meetings						Attendance of General Meetings
		Number of Board 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 attended
Ma Xu Lun	No	7	7	0	0	0	No	2
Han Wen Sheng	No	7	6	0	1	0	No	2
Luo Lai Jun (Resigned on 21 March 2025)	No	1	0	0	1	0	No	0
Pansy Catilina Chiu King Ho	Yes	7	5	0	2	0	No	1
Guo Wei	Yes	7	7	0	0	0	No	2
Zhang Jun Sheng	Yes	7	4	0	3	0	No	1
Zhu Hai Ping (appointed on 23 May 2025)	Yes	4	4	0	0	0	No	1
Meetings of the Board held during the year								7
Of which: Number of meetings attended in person								7
Number of meetings held by way of conference communication								0
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 2025, 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 2025, 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 2025, 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 2025, the number of all employees of the Company, including senior management, was 108,176, of which 60.68% were male and 39.32% were female.

CORPORATE GOVERNANCE REPORT

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 observe 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, Mr. Zhu Hai Ping was elected as independent non-executive Director of the 10th session of the Board of the Company at the 2024 annual general meeting of the Company on 23 May 2025.

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 2025, 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 2025 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. Zhu Hai Ping obtained the legal advice referred to in Rule 3.09D of the Listing Rules on 7 May 2025 and Mr. Zhu Hai Ping confirmed that he understands his responsibilities as a Director of the Company.

Mr. Zhang Tao obtained the legal advice referred to in Rule 3.09D of the Listing Rules on 9 January 2026 and Mr. Zhang Tao confirmed that he understands his responsibilities as a Director of the Company.

Mr. Cai Zhi Zhou obtained the legal advice referred to in Rule 3.09D of the Listing Rules on 12 February 2026 and Mr. Cai Zhi Zhou 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.

Board Committees

The Board of the Company has put in place a Strategic and Investment Committee, an Audit and Risk Management Committee, a Remuneration and Assessment Committee, a Nomination Committee and an Aviation Safety Committee. The independent non-executive Directors account for more than one-half of the members of each committee, of which four 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 2025, 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.

The Strategic and Investment Committee held 4 meetings in 2025, which was held according to its Terms of Reference, and considered resolutions including the Company's business plan for 2025. The Strategic and Investment Committee has performed all obligations within its terms of reference in 2025. 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)	4/4
Guo Wei	4/4
Zhang Jun Sheng	4/4

CORPORATE GOVERNANCE REPORT

Audit and Risk Management Committee

As at 31 December 2025, the Audit and Risk Management Committee comprised four members and was chaired by Mr. Zhang Jun Sheng (independent non-executive Director) together with Ms. Pansy Catilina Chiu King Ho (independent non-executive Director), Mr. Guo Wei (independent non-executive Director), and Mr. Zhu Hai Ping (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 Rules of Procedures 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 2025, the Audit and Risk Management Committee carried out the work, among other things, considering the appointment of auditors, reviewing the Company's regular report, financial derivative business, 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 2025. The Audit and Risk Management Committee has performed all its obligations within 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)	6/6
Pansy Catilina Chiu King Ho	6/6
Guo Wei	6/6
Zhu Hai Ping (appointed on 23 May 2025)	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 6th meeting of the tenth session of the Board of Directors of the Company held on 26 March 2025, 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 for the year 2025, and appointment of KPMG to provide professional services to the Company for its Hong Kong financial reporting for the year 2025.

At the 2024 Annual General Meeting held on 23 May 2025, 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 2024 and 2025:

	2025 RMB Million	2024 RMB Million
Audit fees	17	15
Non-audit fees	1	3
Total	18	18

Note 1: The total audit fees included the audit fees of RMB3 million (VAT tax inclusive) regarding the statutory audit services for certain subsidiaries of the Group for the year ended 31 December 2025.

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 2025, the Remuneration and Assessment Committee comprises three members and chaired by Mr. Guo Wei (independent non-executive Director) together with Mr. Han Wen Sheng (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 Rules of Procedures 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.

The Remuneration and Assessment Committee held 2 meetings in 2025, which were held according to its Terms of Reference. The meetings reviewed the resolutions including the performance contract for senior management of the Company. The attendance of each member is as follows.

Members of Remuneration and Assessment Committee	(No. of meetings) Attended/required to attend
Guo Wei (Chairman)	2/2
Han Wen Sheng (appointed on 26 March 2025)	2/2
Luo Lai Jun (resigned on 21 March 2025)	0/0
Pansy Catilina Chiu King Ho	2/2

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 obligations within its terms of reference in 2025.

CORPORATE GOVERNANCE REPORT

Nomination Committee

As at 31 December 2025, the Nomination Committee comprises three members and with Ms. Pansy Catilina Chiu King Ho (independent non-executive Director) as the chairwoman and Mr. Han Wen Sheng (executive Director) and Mr. Zhu Hai Ping (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 4 meetings in 2025, to nominate Mr. Zeng Yong Chao as Executive Vice President of the Company, Mr. Chen Zhe as Chief Pilot of the Company, Mr. Cai Qi as Chief Security Officer of the Company, Mr. Gao Fei as an executive Director candidate of the Company, Mr. Chen Zhe as Executive Vice President of the Company, Mr. Zhang Yong as Executive Vice President of the Company, and Mr. Yu Ming Liang as Chief Pilot of the Company. The Nomination Committee has performed all its obligations within its terms of reference in 2025. 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)	4/4
Han Wen Sheng (appointed on 26 March 2025)	3/3
Luo Lai Jun (resigned on 21 March 2025)	1/1
Zhang Jun Sheng (retired on 23 May 2025)	1/1
Zhu Hai Ping (appointed on 23 May 2025)	3/3

Aviation Safety Committee

As at 31 December 2025, the Aviation Safety Committee comprised three members and chaired by Mr. Zhu Hai Ping (independent non-executive Director) together with Mr. Guo Wei (independent non-executive Director) and Mr. Zhang Jun Sheng (independent non-executive Director) as members.

The Aviation Safety Committee held 3 meetings in 2025, which were held according to its rules of procedures and considered the resolution on the amendments to the Rules of Procedure for the Aviation Safety Committee of the Board of Directors of China Southern Airlines Co., Ltd. The Aviation Safety Committee has performed all its obligations within its terms of reference in 2025. The attendance of each member is as follows.

Members of Aviation Safety Committee	(No. of meetings) Attended/required to attend
Zhu Hai Ping (Chairman) (appointed on 23 May 2025)	2/2
Han Wen Sheng (retired on 23 May 2025)	1/1
Guo Wei	3/3
Zhang Jun Sheng	3/3

Management

Responsibilities of the 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 of Listed Issuers

Having made specific enquiries with all the Directors, they confirmed that they have complied with the Model Code for the year ended 31 December 2025. The code of conduct adopted by the Company regarding securities transactions by Directors is no less stringent than the Model Code.

CORPORATE GOVERNANCE REPORT

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 120 to 124 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 practically fulfilled our responsibilities as a listed company, actively facilitated communication channels with investors, and promoted investors' understanding and recognition of the Company, thereby enhancing the Company's positive image in the capital market.

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, 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, so as to improve information transparency and effectively protect the investors' interests.

During the reporting period, the Company fostered positive interactions with various investors and gained recognition from the capital market. It has been consecutively recognized as the Best Practice in Investor Relations Management from the China Association for Public Companies and earned the title of Best Practice in China Association for Public Companies' 2024 Annual Results Presentation due to its high-quality results presentation.

CORPORATE GOVERNANCE REPORT

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, revising the management measures for information disclosure, 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 2024-2025 from the SSE. So far, the Company has obtained level-A information disclosure rating from the SSE for twelve years.

Amendments to the Articles of Association

A special resolution was passed by the Company on 12 December 2025 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 25 November 2025.

Save as disclosed above, there were no material changes to the Articles of Association for the year ended 31 December 2025.

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 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.

CORPORATE GOVERNANCE REPORT

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 Investor Relations".

Training for Directors and Senior Management

During the reporting period, the Company organised directors 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 (Guangzhou) to provide duty performance training to directors and senior management of the 10th session of the Company, with a focus on interpreting the new requirements for the duties of directors and senior management of listed companies under the latest regulations from the CSRC and stock exchanges, and emphasizing the obligations and responsibilities of directors and senior management.

ENVIRONMENTAL AND SOCIAL RESPONSIBILITY

I. Information on Environmental Protection of Enterprises and Its Key Subsidiaries included in the List of Enterprises Required to Disclose Environmental Information in accordance with the Law

Number of enterprises included in the list of enterprises required to disclose environmental information

1

No.	Company name	Index for inquiry of environmental information disclosure reports in accordance with the law
1	Shenyang Maintenance Base, China Southern Airlines Co., Ltd.	https://qyxxpl.ywzh.lnsthj.cn:8802/home/index

Other Explanations

During the reporting period, the Company continued to promote green flight, advocating the concept of low-carbon travel, and used market mechanisms to reduce environmental impact.

1. Green Flight

During the reporting period, the Company continued to advance fuel-saving efforts with a focus on single-engine taxiing, fuel-saving wheel release, high flap retraction, replacing APU with bridge-mounted equipment, pilot application of sustainable aviation fuel, etc., achieving good fuel-saving results. The Company continued to promote the “Green Flight” meal-saving campaign, encouraging passengers to eat according to their needs and voluntarily cancel meals. The number of bookings for 2025 was 7.973 million.

2. Conducted “Carbon Peak and Carbon Neutrality” Research

During the reporting period, the Company formulated the “carbon peak and carbon neutrality” action plan and implementation plan. It systematically advanced carbon peak and carbon neutrality through seven key initiatives: 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 2025 under the European Union carbon trading scheme, and completed the carbon dioxide emission reporting and verification for 2025 of the Guangdong carbon trading scheme in 2025. We fully completed the carbon dioxide emission report and verification of civil aviation flight activities in 2025 by using the self-developed flight carbon emission data monitoring, reporting and verification system (MRV system).

ENVIRONMENTAL AND SOCIAL RESPONSIBILITY

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

During the reporting period, the Company continued the optimisation of the information system of environmental protection and management 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 improve 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 comprehensive 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, launched 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 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

II. COMPANY'S WORK AS TO SOCIAL RESPONSIBILITY

External donations and public welfare projects	Quantity/content	Details
Total investment (RMB in ten thousands)	28	Donation expenses
Including: Funds (RMB in ten thousands)	28	Donation expenses
Number of people benefited (person)	/	/

We actively fulfilled our corporate social responsibilities, established the “China Southern Airlines public welfare – rural revitalisation” brand and its sub-brands for targeted assistance, implemented the three-year plan for rural revitalisation assistance, with the goal of establishing a “standardised assistance work year”. We continuously improved the assistance work mechanism, formulated assistance work policies, enhanced the competence of assistance cadres, and appointed 50 seconded and assistance cadres to oversee the assistance efforts. We also allocated assistance funds, demonstrating that “rural revitalisation is the responsibility of CSA”.

We continued to implement initiatives to enhance flight punctuality, achieving 5.75 percentage points year-on-year increase in the flight punctuality rate from the passenger’s perspective. We promoted the provision of more people-oriented, digitalised, refined, personalised, and convenient services for customers. We optimised service standards for passengers with special needs and established a rapid complaint handling procedure. We expanded our “pets in cabin” service and introduced specialty meals featuring the flavours of 16 cities. We ranked first in Aviation Service Industry in China Brand Power Index for fifteen consecutive years and won the “Best Airline Award” by CAPSE for eight consecutive years.

ENVIRONMENTAL AND SOCIAL RESPONSIBILITY

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)	15,259.08	Funds for assistance
Including: Funds (RMB in ten thousands)	15,090.08	Funds for assistance
Cash converted from materials (RMB in ten thousands)	169	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 have forged an innovative model of the "Mingzhu Shared Farm" in Pishan County of Xinjiang Uygur Autonomous Region, promoting the integrated planting and breeding of "dinosaur egg pluots and ecological free-range chickens". We also invested in and constructed a characteristic fruit tree demonstration park in Moyu County of Xinjiang, boosting the cultivation of high-quality apples.
	Talent assistance	We launched the series of training programs on "Enhancing the Competencies of Pearl Rural Revitalization Leaders under China Southern Airlines", and have continued to provide regular training in Mandarin, vocational skills for farmers and herdsman, and legal knowledge through night schools and other forms.
	Cultural assistance	We hosted events including "Civil Aviation Knowledge into Campus" and "Aviation Dream-Building Classes", and invited volunteer teaching teams to deliver aesthetic education volunteer teaching in local schools. We advanced the education on the national standard spoken and written Chinese language, and organized 10 sessions of themed speech contests on this subject.
	Ecological assistance	We pressed ahead with the construction of "China Southern Airlines Pearl Model Villages", and implemented projects such as "coal-to-electricity conversion", hazardous bridge renovation, ecological park development and road lighting upgrades to improve the local living environment. We also carried out afforestation on sandy land to create distinctive ecological landscapes.
	Organisational assistance	We upgraded and renovated rural Party and mass service centers, and introduced the all-round service mechanism to elevate the efficiency of grassroots governance.
	Consumption assistance	We held Rural Revitalization Assistance Product Fairs, launched the in-flight consumption-based assistance program on our flights, and facilitated the access of assistance-aided products to our office buildings, staff canteens and airport lounges.
	Aviation assistance	We initiated the "Charity Flight" program, providing complimentary ticket assistance for charity initiatives such as medical treatment outside their hometowns for children with congenital diseases and children with disabilities.
	Medical assistance	We teamed up with social welfare organizations to donate medical equipment to primary medical and health institutions in Moyu County of Xinjiang, and presented medical and rehabilitation equipment to the Federation of the Disabled of Pishan County of Xinjiang.

In 2025, the Group earnestly strengthened the top-level design and full-process supervision and guidance of its assistance and support work. During the Reporting Period, the Group has gradually explored and deepened a number of distinctive, replicable and promotable assistance and support experiences with its own features, and built the “China Southern Airlines Public Welfare – Rural Revitalization” brand with the “Seven Assistance Sub-brands” as its core connotation.

IMPORTANT MATTERS

I. PERFORMANCE OF UNDERTAKING

Background of undertaking	Type of undertaking	Undertaking party	Content of undertaking	Time of undertaking	Fulfillment time limit, if any	Term of undertaking	Strict fulfillment 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	NI	NI
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	NI	NI
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	NI	NI

Background of undertaking	Type of undertaking	Undertaking party	Content of undertaking	Time of undertaking	Fulfillment time limit, if any	Term of undertaking	Strict fulfillment 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
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

IMPORTANT MATTERS

Background of undertaking	Type of undertaking	Undertaking party	Content of undertaking	Time of undertaking	Fulfillment time limit, if any	Term of undertaking	Strict fulfillment 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	The Company	The Company issued an undertaking to China Southern Airlines General Aviation Limited (General Aviation Limited) 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	NI	NI
Other undertaking	Other	The Company	The Company makes the following undertakings with respect to CSA Logistics: 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	NI	NI

Background of undertaking	Type of undertaking	Undertaking party	Content of undertaking	Time of undertaking	Fulfillment time limit, if any	Term of undertaking	Strict fulfillment 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	Share lock-up	CSAH, Nan Lung, and Perfect Lines (Hong Kong) Limited	CSAH and its wholly-owned subsidiaries, Nan Lung and Perfect Lines (Hong Kong) Limited, as the Company's controlling shareholders and persons acting in concert, will strictly comply with the share lock-up commitments already made for the refinancing. In addition, within 18 months from the date of the commitment letter, they will not reduce their holdings of the Company's unrestricted tradable shares (including new shares acquired through matters such as capital reserve conversion into share capital, stock dividends, rights offerings, and additional issuances) by any means.	April 2025	Yes	Within 18 months from the date of issuance of the letter of commitment	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, SENIOR MANAGEMENT, CONTROLLING SHAREHOLDER AND THEIR DE FACTO CONTROLLERS

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

IMPORTANT MATTERS

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

1. Deposit 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	22,000	0.4%-2%	14,580	510,203	510,043	14,740
Total	/	/	/	14,580	510,203	510,043	14,740

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	22,000	2.16%-2.65%	10,808	19,726	16,725	13,809
Total	/	/	/	10,808	19,726	16,725	13,809

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	1.63
Finance Company	Under the same controlling shareholder	Comprehensive credit facilities	30,000	22,830

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 CONTROL

The Board is responsible for maintaining a robust and effective risk management and internal control system, evaluating its effectiveness, and safeguarding the shareholders' investment and the Company's assets. The risk management and internal control 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 control systems when the business environments or regulatory guidelines are changed. The Board has reviewed the Company's risk management and internal control systems for the fiscal year ended 31 December 2025 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 2025 (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 selfevaluation 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 relevant work. All business units and departments are responsible for maintaining the continuous effectiveness of internal control measures within their respective units, 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.

RISK MANAGEMENT AND INTERNAL CONTROL

2. Evaluation procedures of internal control

Based on the internal control framework issued by the Committee of Sponsoring Organisations of the United States 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 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 control 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 2025, where the risk management and internal control systems of the Company were reviewed. For the year ended 31 December 2025, 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



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 125 to 227, which comprise the consolidated statement of financial position as at 31 December 2025, 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 2025 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards as 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") as 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"), as applicable to audits of financial statements of public interest entities. We have also 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 matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were 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 these matters.

Key audit matters (continued)

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 RMB6,655 million as of 31 December 2025. 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.

INDEPENDENT AUDITOR'S REPORT

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 as part of our engagement to audit the consolidated financial statements. We have performed an assurance engagement on the disclosed continuing connected transactions that form part of the other information and provided a separate assurance practitioner's conclusion thereon that is included within the other information.

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 as 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.

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

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.

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.

INDEPENDENT AUDITOR'S REPORT

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

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 (practising certificate number: P05793).

KPMG

Certified Public Accountants

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

30 March 2026

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2025

	Note	2025 RMB million	2024 RMB million
Operating revenue	5		
Traffic revenue		173,314	165,145
Other operating revenue		8,942	9,079
Total operating revenue		182,256	174,224
Operating expenses			
Flight operation expenses	7	83,452	83,046
Maintenance expenses	8	15,410	14,853
Aircraft and transportation service expenses	9	31,895	31,006
Promotion and selling expenses	10	7,154	6,831
General and administrative expenses	11	4,575	4,435
Depreciation and amortisation	12	31,209	28,341
Provision for/(reversal of) impairment losses on property, plant and equipment		3	(302)
Others		3,267	3,596
Total operating expenses		176,965	171,806
Other net income	14	4,292	5,909
Operating profit		9,583	8,327
Interest income		338	215
Interest expense	15	(5,553)	(5,758)
Exchange gain/(loss), net	37	345	(912)
Share of associates' results	24	(754)	(1,244)
Share of joint ventures' results	25	817	628
Changes in fair value of financial assets/liabilities	28	32	195
Profit before income tax		4,808	1,451
Income tax expense	16	(2,125)	(1,426)
Profit for the year		2,683	25
Profit/(loss) attributable to:			
Equity shareholders of the Company	18	855	(1,769)
Non-controlling interests		1,828	1,794
Profit for the year		2,683	25
Profit/(loss) per share			
Basic and diluted (expressed in RMB per share)	18	0.05	(0.10)

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2025

	Note	2025 RMB million	2024 RMB million
Profit for the year		2,683	25
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)		(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		(1)	–
Other comprehensive income for the year		(12)	(85)
Total comprehensive income/(loss) for the year		2,671	(60)
Total comprehensive income/(loss) attributable to:			
Equity shareholders of the Company		849	(1,816)
Non-controlling interests		1,822	1,756
Total comprehensive income/(loss) for the year		2,671	(60)

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2025

	Note	31 December 2025 RMB million	31 December 2024 RMB million
Non-current assets			
Property, plant and equipment, net	19	112,846	101,217
Construction in progress	20	23,944	34,562
Right-of-use assets	21	143,459	128,872
Goodwill	22	237	237
Interests in associates	24	2,987	2,835
Interests in joint ventures	25	4,647	4,334
Aircraft lease deposits		382	420
Other equity instrument investments	26	415	431
Other non-current financial assets	26	126	3,017
Derivative financial assets	27	26	18
Amounts due from related companies	42(a)	57	171
Deferred tax assets	29(b)	12,378	12,873
Other assets	30	5,952	3,229
		307,456	292,216
Current assets			
Inventories	31	3,298	2,002
Trade receivables	32	3,815	3,306
Other receivables	33	21,852	15,378
Cash and cash equivalents	34	9,402	12,984
Assets held for sale	35	–	118
Restricted bank deposits		154	139
Prepaid expenses and other current assets		797	818
Other financial assets	26	2,853	2,695
Amounts due from related companies	42(a)	426	323
		42,597	37,763
Current liabilities			
Derivative financial liabilities	27	965	908
Borrowings	36	86,063	73,954
Lease liabilities	37	19,372	18,378
Trade and bills payables	38	6,003	3,577
Contract liabilities	39	1,938	1,749
Sales in advance of carriage	40	8,796	9,295
Current income tax		410	584
Amounts due to related companies	42(c)	488	525
Accrued expenses	43	21,938	21,074
Other liabilities	44	8,150	8,358
		154,123	138,402
Net current liabilities		(111,526)	(100,639)
Total assets less current liabilities		195,930	191,577

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2025

	Note	31 December 2025 RMB million	31 December 2024 RMB million
Non-current liabilities			
Borrowings	36	48,216	56,870
Lease liabilities	37	84,765	74,154
Other non-current liabilities	41	1,800	1,662
Amounts due to related companies	42(c)	–	6
Provision for major overhauls	45	5,064	5,322
Deferred benefits and gains	46	814	720
Deferred tax liabilities	29(b)	21	7
		140,680	138,741
Net assets		55,250	52,836
Capital and reserves			
Share capital	47	18,121	18,121
Reserves		17,671	16,822
Total equity attributable to equity shareholders of the Company		35,792	34,943
Non-controlling interests		19,458	17,893
Total equity		55,250	52,836

Approved and authorised for issue by the Board of Directors on 30 March 2026.

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 2025

	Attributable to equity shareholders of the Company						Non-controlling interests	Total equity
	Share capital	Share premium	Fair value reserve (non-recycling)	Other reserves	Accumulated losses	Total		
	(Note 47)	(Note 48(b))	(Note 48(c))	(Note 48(d))				
	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million
Balance at 1 January 2024	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
Changes in equity for 2025:								
Profit for the year	-	-	-	-	855	855	1,828	2,683
Other comprehensive income	-	-	(5)	(1)	-	(6)	(6)	(12)
Total comprehensive income	-	-	(5)	(1)	855	849	1,822	2,671
Distributions to non-controlling interests	-	-	-	-	-	-	(257)	(257)
Balance at 31 December 2025	18,121	52,251	159	3,075	(37,814)	35,792	19,458	55,250

The accompanying notes form part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2025

	Note	2025 RMB million	2024 RMB million
Operating activities			
Cash generated from operating activities	34(b)	39,968	33,077
Interest received		313	218
Interest paid		(5,811)	(5,899)
Income tax paid		(1,759)	(1,632)
Net cash generated from operating activities		32,711	25,764
Investing activities			
Proceeds from disposal of property, plant and equipment, right-of-use assets and assets held for sale		428	1,547
Proceeds from disposal of other financial assets		2,729	972
Dividends received from associates		86	63
Dividends received from joint ventures		515	376
Dividends received from other equity instrument investments and other non-current financial assets		16	15
Proceeds from disposal of derivative financial instruments		–	8
Proceeds from maturity of term deposits		4,482	–
Acquisition of term deposits		(9,028)	(2,615)
Acquisition of property, plant and equipment and other assets		(17,767)	(16,197)
Capital injection for an associate		(936)	(855)
Acquisition of associates		(49)	(42)
Net cash used in investing activities		(19,524)	(16,728)
Financing activities			
Proceeds from bank borrowings	34(c)	51,173	54,746
Proceeds from ultra-short-term financing bills	34(c)	32,750	13,400
Proceeds from corporate bonds	34(c)	21,500	18,900
Capital injection from non-controlling interests		–	607
Refund of aircraft lease deposits		134	45
Repayment of bank borrowings	34(c)	(65,027)	(61,193)
Repayment of ultra-short-term financing bills	34(c)	(32,250)	(2,700)
Repayment of corporate bonds	34(c)	(4,900)	(9,000)
Capital element of lease rentals paid	34(c)	(19,778)	(20,242)
Payments for aircraft lease deposits		(102)	(74)
Dividends paid to non-controlling interests		(257)	(12)
Payment for purchase of non-controlling interest		–	(66)
Net cash used in financing activities		(16,757)	(5,589)
Net (decrease)/increase in cash and cash equivalents		(3,570)	3,447
Cash and cash equivalents at 1 January		12,984	9,531
Exchange (loss)/gain on cash and cash equivalents		(12)	6
Cash and cash equivalents at 31 December	34(a)	9,402	12,984

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 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 new or amended 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 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 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)).

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi unless otherwise indicated)

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 amendments to IAS 21, *The effects of changes in foreign exchange rates – Lack of exchangeability* issued by the IASB to these financial statements for the current accounting period. The amendments do not have a material impact on these financial statements as the Group has not entered into any foreign currency transactions in which the foreign currency is not exchangeable into another currency.

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

(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.

2 Material accounting policies (continued)

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

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi unless otherwise indicated)

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)).

(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.

2 Material accounting policies (continued)

(g) Other investments in securities (continued)

(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)(iii)(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.

(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.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi unless otherwise indicated)

2 Material accounting policies (continued)

(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).

(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

2 Material accounting policies (continued)

(j) *Other property, plant and equipment (continued)*

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.

(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.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi unless otherwise indicated)

2 Material accounting policies (continued)

(l) Leased assets (continued)

(i) As a lessee (continued)

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.

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.

(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.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi unless otherwise indicated)

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

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.

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.

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

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi unless otherwise indicated)

2 Material accounting policies (continued)

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

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

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.

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.

(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.

2 Material accounting policies (continued)

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

(ii) Credit losses from financial guarantees issued (continued)

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.

(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.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi unless otherwise indicated)

2 Material accounting policies (continued)

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

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

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).

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.

2 Material accounting policies (continued)

(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)).

(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.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi unless otherwise indicated)

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.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi unless otherwise indicated)

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.

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.

2 Material accounting policies (continued)

(z) *Income tax (continued)*

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.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi unless otherwise indicated)

2 Material accounting policies (continued)

(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.

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.

(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.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi unless otherwise indicated)

2 Material accounting policies (continued)

(aa) Revenue and other income (continued)

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

(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.

(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.

(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.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi unless otherwise indicated)

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.

(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.

(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.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi unless otherwise indicated)

3 Accounting estimates and judgements (continued)

(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.

(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 2025, the Group's current liabilities exceeded its current assets by RMB111,526 million (31 December 2024: RMB100,639 million). For the year ended 31 December 2025, the Group recorded a net cash inflow from operating activities of RMB32,711 million (31 December 2024: net cash inflow RMB25,764 million), a net cash outflow from investing activities of RMB19,524 million (31 December 2024: net cash outflow RMB16,728 million) and a net cash outflow from financing activities of RMB16,757 million (31 December 2024: net cash outflow RMB5,589 million), which in total resulted in a net decrease in cash and cash equivalents of RMB3,570 million (31 December 2024: net increase 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 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 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:

	2025 Contractual undiscounted cash outflow					Carrying amount at 31 December RMB million
	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	
Borrowings	87,997	18,269	29,150	2,915	138,331	134,279
Lease liabilities	22,581	19,977	41,676	32,335	116,569	104,137
Trade, bills and other payables and accrued charges	32,096	-	-	-	32,096	32,096
Long-term payables	7	-	-	-	7	7
	142,681	38,246	70,826	35,250	287,003	270,519

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi unless otherwise indicated)

4 Financial risk management and fair values of financial instruments (continued)

(a) Liquidity risk (continued)

	2024 Contractual undiscounted cash outflow					Carrying amount at 31 December RMB million
	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	
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

(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 2025, 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 increased/decreased the Group's accumulated losses by approximately RMB426 million (31 December 2024: decreased/increased the Group's profit after tax and increased/decreased the Group's accumulated losses by RMB292 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 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 2024.

The sensitivity analysis above indicates the instantaneous change in the Group's profit after tax (and accumulated losses) 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 lots 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 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.

	2025		
	Appreciation/ (depreciation) of Renminbi against foreign currency	Increase/(decrease) on profit after tax RMB million	Decrease/(increase) on accumulated losses RMB million
USD	1% (1%)	226 (226)	226 (226)
Euro	1% (1%)	9 (9)	9 (9)
Japanese Yen	10% (10%)	(2) 2	(2) 2
2024			
	Appreciation/ (depreciation) of Renminbi against foreign currency	Increase/(decrease) on profit after tax RMB million	Decrease/(increase) on accumulated losses RMB million
USD	1% (1%)	289 (289)	289 (289)
Euro	1% (1%)	11 (11)	11 (11)
Japanese Yen	10% (10%)	(1) 1	(1) 1

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi unless otherwise indicated)

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 after tax and accumulated losses 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 2024.

(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, and other receivables and other non-current financial assets (amortised cost).

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 2025, the balance due from BSP agents amounted to RMB954 million (31 December 2024: RMB790 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 2025:

	31 December 2025		
	Expected loss rates %	Gross carrying amount RMB million	Loss allowance RMB million
Within 3 months	0.01	2,439	–
More than 3 months but less than 1 year	50.00	60	30
More than 1 year but less than 2 years	100.00	4	4
More than 2 years but less than 3 years	100.00	–	–
More than 3 years	100.00	23	23
		2,526	57
	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

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 RMB46 million (31 December 2024: RMB25 million) based on ECLs.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi unless otherwise indicated)

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:

	2025 RMB million	2024 RMB million
Balance at 1 January	90	64
Amounts written off	(4)	(2)
Impairment losses reversed	(41)	(5)
Impairment losses recognised	58	33
Balance at 31 December	103	90

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.

	2025				2024			
	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	-	11	100	111	1	14	119	134
Accrual	-	-	6	6	-	-	-	-
Reversal	-	-	-	-	(1)	(3)	(19)	(23)
Write-off	-	(3)	-	(3)	-	-	-	-
As at 31 December	-	8	106	114	-	11	100	111

(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 2025, the Group did not enter into any jet fuel forward contract.

4 Financial risk management and fair values of financial instruments (continued)

(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 2025, the Group's strategy, which was unchanged from 2024, 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.

(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

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(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)

Fair value hierarchy (continued)

		Fair value measurements as at 31 December 2025 categorised into			
Recurring fair value measurement	Note	Fair value at 31 December 2025	Level 1	Level 2	Level 3
		RMB million	RMB million	RMB million	RMB million
Financial assets/(liabilities):					
Other equity instrument investments:					
– Non-tradable listed shares	26	415	–	–	415
Other non-current financial assets:					
– Non-listed shares	26	1	–	–	1
Other financial assets:					
– Certificates of deposit	26	2,853	–	2,853	–
Derivative financial assets:					
– Put-back option	27	26	–	–	26
Derivative financial liabilities:					
– Derivative component of convertible bonds	27	(965)	–	(965)	–
		Fair value measurements as at 31 December 2024 categorised into			
Recurring fair value measurement	Note	Fair value at 31 December 2024	Level 1	Level 2	Level 3
		RMB million	RMB million	RMB million	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)

During the twelve months ended 31 December 2025 and 31 December 2024, 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 2025	At 31 December 2024
Conversion price	RMB6.17	RMB6.17
Stock price of A shares	RMB7.34	RMB6.82
Stock market volatility	25.52%	26.62%
Risk-free interest rate	1.32%	1.13%

Information about Level 3 fair value measurements

	Valuation technique	Significant unobservable inputs	Range
Other equity instruments investments			
– Non-tradable listed shares (1)	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	8%
		Perpetual growth rates	2.54%
		Expected dividend payout rates during the projection period	44%
		Perpetual dividend payout rates	80%
		Discount rates	9%
Derivative financial assets-Put-back option (3)	Market approach-valuation multiples	Discount for lack of marketability	27.05%

NOTES TO THE FINANCIAL STATEMENTS

(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)

Fair value hierarchy (continued)

Information about Level 3 fair value measurements (continued)

- (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.

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.

- (2) The fair value of the non-listed shares are 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 investee. 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) 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.

(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 2025 and 2024.

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	2025 RMB million	2024 RMB million
Revenue from contracts with customers within the scope of IFRS 15:			
Disaggregated by service lines			
– Traffic revenue			
– Passenger		153,644	146,450
– Cargo and mail		19,670	18,695
		173,314	165,145
– 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
		8,447	8,693
Revenue from other sources:			
– 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
	19(e)	495	386
		182,256	174,224

Disaggregation of revenue from contracts with customers by geographic markets is disclosed in Note 6(b).

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi unless otherwise indicated)

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 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) (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 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 2025 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	179,834	2,422	–	–	182,256
Inter-segment sales	815	7,303	(8,118)	–	–
Reportable segment revenue	180,649	9,725	(8,118)	–	182,256
Reportable segment profit before taxation	3,604	1,076	20	111	4,811
Reportable segment profit after taxation	1,642	923	17	103	2,685
Other segment information					
Income tax	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 [#]	49,804	1,005	(728)	–	50,081

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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 assets and liabilities of the Group as at 31 December 2025 and 31 December 2024 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 2025					
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
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

* 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 and 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.

(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.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi unless otherwise indicated)

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.

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

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 before income tax, assets and liabilities to the consolidated figures as reported in the consolidated financial statements

	Note	2025 RMB million	2024 RMB million
Profit before income tax			
Reportable segment profit before taxation	6(a)	4,811	1,581
Capitalisation of exchange difference of specific loans	(i)	(4)	(5)
Government grants	(ii)	1	1
Reversal of impairment losses on property, plant and equipment	(iv)	–	(126)
Consolidated profit before income tax		4,808	1,451
Assets			
Reportable segment assets	6(a)	349,814	329,738
Capitalisation of exchange difference of specific loans	(i)	2	6
Government grants	(ii)	(1)	(2)
Adjustments arising from business combinations under common control	(iii)	237	237
Others		1	–
Consolidated total assets		350,053	329,979

6 Segment reporting (continued)

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

Liabilities

As at 31 December 2025 and 2024, 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.

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(Expressed in Renminbi unless otherwise indicated)

7 Flight operation expenses

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

8 Maintenance expenses

	2025 RMB million	2024 RMB million
Aviation repair and maintenance charges	10,140	9,484
Staff payroll and welfare	3,498	3,709
Maintenance materials	1,772	1,660
	15,410	14,853

9 Aircraft and transportation service expenses

	2025 RMB million	2024 RMB million
Landing and navigation fees	21,093	19,674
Ground service and other charges	10,802	11,332
	31,895	31,006

10 Promotion and selling expenses

	2025 RMB million	2024 RMB million
Ticket office expenses	2,993	2,890
Sales commissions	1,972	1,523
Computer reservation services	843	1,063
Settlement handling fees and network services	526	472
Advertising and promotion	174	210
Others	646	673
	7,154	6,831

11 General and administrative expenses

	2025 RMB million	2024 RMB million
General corporate expenses	3,944	3,804
Auditors' remuneration	18	18
– Audit services	17	15
– Non-audit services	1	3
Credit losses	23	5
Other taxes and levies	590	608
	4,575	4,435

12 Depreciation and amortisation

	2025 RMB million	2024 RMB million
Depreciation of long-term assets	30,481	27,692
Other amortisation	728	649
	31,209	28,341

13 Staff costs

	2025 RMB million	2024 RMB million
Salaries, wages and welfare	28,072	26,785
Defined contribution retirement scheme	3,859	3,486
Termination benefits	32	36
	31,963	30,307

Staff costs relating to flight operations and maintenance are also included in the respective total amounts disclosed separately in Note 7 and Note 8 above.

Five highest paid individuals

None of the directors (2024: none), whose emoluments are reflected in Note 58, is among the five highest paid individuals in the Group for 2025. The aggregate emoluments in respect of the five (2024: five) individuals during the year are as follows:

	2025 RMB '000	2024 RMB '000
Salaries, wages and welfare	11,349	12,291
Retirement scheme contributions	1,068	871
	12,417	13,162

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi unless otherwise indicated)

13 Staff costs (continued)

Five highest paid individuals (continued)

The emoluments of the five (2024: five) individuals with the highest emoluments are within the following bands:

	2025 Number of individuals	2024 Number of individuals
HK\$2,500,001 to HK\$3,000,000	5	3
HK\$2,000,001 to HK\$2,500,000	0	2

14 Other net income

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

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 2025.

- (ii) These mainly include flight operation remedies and pilot resignation claims.

15 Interest expense

	2025 RMB million	2024 RMB million
Interest on borrowings	3,141	3,218
Interest relating to lease liabilities (Note 21)	2,900	3,222
Total interest expense on financial liabilities not at fair value through profit or loss	6,041	6,440
Less: interest expense capitalised (Note)	(488)	(682)
	5,553	5,758

Note: The weighted average interest rate used for interest capitalisation was 2.30% per annum in 2025 (2024: 2.59%).

16 Income tax expense

(a) Income tax expense in the consolidated income statement

	2025 RMB million	2024 RMB million
Current tax		
– Provision for the year	1,624	2,044
– Over-provision in prior year	(12)	(37)
	1,612	2,007
Deferred tax (Note 29)		
Origination and reversal of temporary differences	513	(581)
Income tax expense	2,125	1,426

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

	2025 RMB million	2024 RMB million
Profit before income tax	4,808	1,451
Notional tax on loss before taxation, calculated at the rates applicable to loss in the tax jurisdictions concerned (Note 16(a))	1,205	374
Adjustments for tax effect of:		
Non-deductible expenses	185	140
Share of results of associates and joint ventures and other non-taxable income	(17)	151
Unrecognized tax losses and temporary differences	801	854
Over-provision in prior year	(12)	(37)
Super deduction of research and development expenses	(37)	(56)
Income tax expense	2,125	1,426

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(Expressed in Renminbi unless otherwise indicated)

17 Other comprehensive income

	2025 RMB million	2024 RMB million
Equity investments measured at FVOCI:		
Changes in fair value recognised during the year	(15)	(114)
Net deferred tax debited to other comprehensive income	4	29
	(11)	(85)
Differences resulting from the translation of foreign currency financial statements	(1)	–
Other comprehensive income for the year	(12)	(85)

18 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).

	2025 million	2024 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 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.

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 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 within property, plant and equipment	20	(20)	(235)	235	–	–
Transferred from 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
At 1 January 2025	1,018	25,041	144,820	28,005	11,532	210,416
Additions	–	17	5,474	2,317	733	8,541
Transferred from construction in progress (Note 20)	–	2,096	7,732	1,586	163	11,577
Transferred within property, plant and equipment	(83)	83	–	–	–	–
Transferred from right-of-use assets (Note 21)	–	–	9,327	–	–	9,327
Disposals	–	(145)	(3,134)	(454)	(318)	(4,051)
At 31 December 2025	935	27,092	164,219	31,454	12,110	235,810

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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 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 within property, plant and equipment	14	(14)	(222)	222	–	–
Transferred from 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)
Impairment losses written off on disposals	–	–	(848)	(1)	–	(849)
At 31 December 2024	454	8,092	74,724	17,251	8,678	109,199
At 1 January 2025	454	8,092	74,724	17,251	8,678	109,199
Depreciation charge for the year	30	797	9,461	1,499	778	12,565
Transferred within property, plant and equipment	(67)	67	–	–	–	–
Transferred from right-of-use assets (Note 21)	–	–	5,011	–	–	5,011
Disposals	–	(97)	(3,064)	(338)	(290)	(3,789)
Provision for impairment losses	3	–	–	–	–	3
Impairment losses written off on disposals	–	–	–	(25)	–	(25)
At 31 December 2025	420	8,859	86,132	18,387	9,166	122,964
Net book value:						
At 31 December 2025	515	18,233	78,087	13,067	2,944	112,846
At 31 December 2024	564	16,949	70,096	10,754	2,854	101,217

19 Property, plant and equipment, net (continued)

- (a) As at 31 December 2025, no property, plant and equipment, net were classified as assets held for sale (31 December 2024: RMB118 million) (Note 35).
- (b) As at 31 December 2025, the Group performed impairment testing on individually aircraft and related equipment with disposal plans that are identified with impairment indications. The recoverable amounts are based on the fair value of the assets less disposal expenses. Among them, the fair value refers to agreed price of the contractual agreements or the evaluation values of the assets by independent valuers. As the recoverable amounts are above the carrying amounts of respective aircraft and related equipment, no impairment loss was recognised during the year.

In addition, the Group identified certain passenger fleet with impairment indications, and grouped them as separate cash-generating unit ("CGU") to performed impairment testing. The recoverable amounts for CGU was determined based on value in use ("VIU") calculations, which was estimated based on the discounted cash flow ("DCF") method under income approach over the next five years and a stable period. When calculating the VIU, the Group considered factors such as the expected fleet usage efficiency, traffic revenue growth rates and operating costs growth rates to determine the future cash flow, and used the Weighted Average Cost of Capital model to calculate the discount rate. The discount rate used is pre-tax rate which is 8.5% (2024: 9.8%), and the growth rate beyond the five-year period were extrapolated using a adopted 0% (2024: 0%). As the recoverable amounts are above the carrying amounts of respective CGU, no impairment loss was recognised during the year.

- (c) As at 31 December 2025, the Group's 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.
- (d) 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 2025, the balance of long-term receivable was RMB327 million (including the balance due within one year) (31 December 2024: RMB559 million) (Note 26).
- (e) As at 31 December 2025 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 2025, carrying value of such properties of the Group amounted to RMB4,717 million (31 December 2024: RMB8,224 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.

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 RMB495 million (2024: RMB386 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.

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19 Property, plant and equipment, net (continued)

The Group's total future minimum lease income under non-cancellable operating leases from investment properties are as follows:

	2025 RMB million	2024 RMB million
Within 1 year	85	60
After 1 year but within 5 years	297	282
After 5 years	456	550
	838	892

20 Construction in progress

	Advance payment for aircraft and flight equipment RMB million	Others RMB million	Total RMB million
At 1 January 2024	32,270	1,907	34,177
Additions	14,878	2,369	17,247
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 (Note 30)	–	(421)	(421)
At 31 December 2024	30,809	3,753	34,562
At 1 January 2025	30,809	3,753	34,562
Additions	21,919	3,065	24,984
Transferred to property, plant and equipment (Note 19)	(9,318)	(2,259)	(11,577)
Transferred to right-of-use assets (Note 21)	(23,326)	–	(23,326)
Transferred to others (Note 30)	–	(699)	(699)
At 31 December 2025	20,084	3,860	23,944

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 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 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
At 1 January 2025	216,430	7,406	3,694	287	227,817
Additions	12,405	77	1,156	75	13,713
Transferred from construction in progress (Note 20)	23,326	–	–	–	23,326
Transferred to property, plant and equipment on exercise of purchase option (Note 19)	(9,327)	–	–	–	(9,327)
Disposals	(6,312)	(4)	(660)	(125)	(7,101)
At 31 December 2025	236,522	7,479	4,190	237	248,428
Accumulated amortisation and impairment losses:					
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 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
At 1 January 2025	95,781	1,500	1,498	166	98,945
Amortisation charge for the year	16,657	179	963	117	17,916
Transferred to property, plant and equipment on exercise of purchase option (Note 19)	(5,011)	–	–	–	(5,011)
Disposals	(6,241)	(2)	(518)	(120)	(6,881)
At 31 December 2025	101,186	1,677	1,943	163	104,969
Net book value:					
At 31 December 2025	135,336	5,802	2,247	74	143,459
At 31 December 2024	120,649	5,906	2,196	121	128,872

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21 Right-of-use assets (continued)

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 2025 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 2025, carrying value of such land use rights of the Group amounted to RMB1,329 million (31 December 2024: RMB1,521 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 2025, no land use right of the Group was mortgaged for bank borrowings (31 December 2024: nil).

In addition to the amortisation charged, the analysis of expense items in relation to leases recognised in profit or loss is as follows:

	2025 RMB million	2024 RMB million
Interest on lease liabilities (Note 15)	2,900	3,222
Expense relating to short-term leases	1,904	1,807
Expense relating to leases of variable lease payments not included in the measurement of lease liabilities	167	99

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

	2025 RMB million	2024 RMB million
Cost and carrying amount:	237	237

Impairment tests for cash-generating units containing goodwill

	2025 RMB million	2024 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

22 Goodwill (continued)

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% (2024: 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	RMB1,504,298,611	100%	Airline transportation
Zhuhai Airlines Company Limited (i)	PRC	RMB2,425,159,700	95.88%	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
China Nanhang Group Aviation Food Co.,Ltd. (i)	PRC	RMB680,200,000	100%	Air catering
Beijing Southern Airlines Ground Services Company Limited (i)	PRC	RMB881,350,100	100%	Airport ground services
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

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23 Subsidiaries (continued)

Name of company	Place of establishment/ operation	Registered capital	Proportion of ownership interest held by the Company	Principal activity
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) Material non-controlling interests

As at 31 December 2025, the balance of total non-controlling interests is RMB19,458 million (31 December 2024: RMB17,893 million), of which RMB10,054 million (31 December 2024: RMB9,788 million) is for Xiamen Airlines and RMB9,614 million (31 December 2024: RMB8,152 million) is for CSA Logistics. The rest of non-controlling interests are not individually material.

– Set out below are the summarised financial information for Xiamen Airlines.

	2025 RMB million	2024 RMB million
Non-controlling interests percentage	45%	45%
Current assets	8,531	4,524
Non-current assets	59,319	59,410
Current liabilities	(22,523)	(21,389)
Non-current liabilities	(23,850)	(21,635)
Net assets	21,477	20,910
Carrying amount of non-controlling interests	10,054	9,788
Revenue	38,697	36,438
Profit for the year	777	569
Total comprehensive income	767	484
Profit allocated to non-controlling interests	362	291
Dividend paid to non-controlling interests	90	3
Net cash generated from operating activities	11,276	9,546
Net cash used in investing activities	(4,433)	(3,522)
Net cash used in financing activities	(5,779)	(5,784)

23 Subsidiaries (continued)

- Set out below are the summarised financial information for CSA Logistics.

	2025 RMB million	2024 RMB million
Non-controlling interests percentage	45%	45%
Current assets	11,301	9,927
Non-current assets	12,928	11,278
Current liabilities	(2,999)	(3,263)
Non-current liabilities	(138)	(76)
Net assets	21,092	17,866
Carrying amount of non-controlling interests	9,614	8,152
Revenue	20,221	19,653
Profit for the year	3,575	4,186
Total comprehensive income	3,574	4,187
Profit allocated to non-controlling interests	1,625	1,900
Dividend paid to non-controlling interests	162	9
Net cash generated from operating activities	4,775	4,748
Net cash used in investing activities	(8,059)	(2,528)
Net cash used in financing activities	(574)	(46)

24 Interests in associates

	2025 RMB million	2024 RMB million
Share of net assets	2,987	2,835

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24 Interests in associates (continued)

All the Group's associates are unlisted without quoted market price. The particulars of the Group's principal associates as at 31 December 2025 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 ("Xiamen Aviation Industry") (i)	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		Proportion of voting rights held by the Group	Principal activity
			The Company	Subsidiaries		
China Aviation Materials Navigation Technology (Beijing) Co., Ltd. ("China Aviation Materials Navigation") (ii)	PRC	15%	–	15%	15%	Science and technology promotion and application service
Guangzhou Yunlian Aviation Service Co., Ltd. ("Guangzhou Yunlian Aviation") (iii)	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
Zhongzhi Xintong Technology Services (Guangdong) Co., Ltd.	PRC	49%	49%	–	49%	Software and information technology service

- (i) Xiamen Airlines hold a 10% equity interest in Xiamen Aviation Industry and has appointed one director to Xiamen Aviation Industry; thus, Xiamen Airlines has significant influence over Xiamen Aviation Industry and, accordingly, accounts for this investment using the equity method.
- (ii) Xiamen Airlines hold a 15% equity interest in China Aviation Materials Navigation and has appointed one director to China Aviation Materials Navigation; thus, Xiamen Airlines has significant influence over China Aviation Materials Navigation and, accordingly, accounts for this investment using the equity method.
- (iii) CSA Logistics hold a 15% equity interest in Guangzhou Yunlian Aviation and has appointed one director to Guangzhou Yunlian Aviation; thus, CSA Logistics has significant influence over Guangzhou Yunlian Aviation and, accordingly, accounts for this investment using the equity method.

There is no associate that is individually material to the Group.

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24 Interests in associates (continued)

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:

	2025 RMB million	2024 RMB million
Aggregate carrying amount of individually immaterial associates	2,987	2,835
Aggregate amounts of the Group's share of:		
Loss from continuing operations and total comprehensive income (Note)	(753)	(1,244)
– Loss from continuing operations	(754)	(1,244)
– Total comprehensive income	1	–

Note: In 2025, the Group made a capital contribution of RMB936 million (2024: 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 RMB936 million (2024: RMB1,385 million) which was lower than the accumulated unrecognised losses.

25 Interests in joint ventures

	2025 RMB million	2024 RMB million
Share of net assets	4,647	4,334

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 2025 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		
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.

25 Interests in joint ventures (continued)

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:

	2025 RMB million	2024 RMB million
Aggregate carrying amount of individually immaterial joint ventures	4,647	4,334
Aggregate amounts of the Group's share of:		
Profit from continuing operations and total comprehensive income	817	628

26 Financial assets

	Note	2025 RMB million	2024 RMB million
Other equity instrument investments (FVOCI)	(i)		
– Non-tradable listed shares		415	431
		415	431
Other non-current financial assets (FVPL)	(i)		
– Non-listed shares		1	33
– Certificates of deposit	(iii)	–	2,774
Other non-current financial assets (amortised cost)	(ii)		
– Long-term receivables		125	210
		126	3,017
Other financial assets (FVPL)			
– Certificates of deposit	(iii)	2,853	2,695
		2,853	2,695

Notes:

- (i) Dividend income generated from the investments amounted to RMB16 million for the year of 2025 in total (2024: RMB15 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 2025, long-term receivables (including the portion due within one year) was RMB327 million (31 December 2024: RMB559 million), among which RMB115 million (31 December 2024: RMB262 million) (Note 42(a)) was recorded in the amounts due from related companies.
- (iii) As at 31 December 2025, the fair value of the negotiable certificates of deposit was RMB2,853 million (31 December 2024: 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, all of the certificates of deposit was expected to be sold within one year and was then recorded in other financial assets (FVPL).

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27 Derivative financial assets/(liabilities)

	Note	2025 RMB million	2024 RMB million
<i>Derivative financial assets:</i>			
Put-back option			
– Non-current	(i)	26	18
<i>Derivative financial liabilities:</i>			
Derivative component of convertible bonds			
– Current	36(a)(ii)	(965)	(908)

Note:

- (i) As at 31 December 2025, the Group recognized a derivative financial asset of approximately RMB26 million in respect of the put-back option agreed in the capital increase agreement of an associate, and recognized a profit of RMB8 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

	2025 RMB million	2024 RMB million
Other financial assets	113	89
Other non-current financial assets	(32)	112
Crude oil forward contracts	–	(4)
Derivative component of convertible bonds (Note 36(a)(ii))	(57)	(1)
Put-back option (Note 27(i))	8	(1)
	32	195

29 Deferred tax assets/(liabilities)

(a) *Movements of net deferred tax assets are as follows:*

	At 31 December 2024 RMB million	Credited/ (charged) to consolidated income statement RMB million	Credited to other comprehensive income RMB Million	At 31 December 2025 RMB million
For the year ended 31 December 2025				
Deferred tax assets:				
Lease liabilities	10,630	(224)	–	10,406
Accrued expenses	3,409	505	–	3,914
Provision for major overhauls	610	(25)	–	585
Contract liabilities/other non-current liabilities	31	10	–	41
Provision for impairment losses	133	2	–	135
Provision for tax losses	7,707	(1,052)	–	6,655
Others	479	(55)	–	424
	22,999	(839)	–	22,160
Deferred tax liabilities:				
Right-of-use assets	(9,222)	322	–	(8,900)
Depreciation allowances under tax in excess of the related depreciation under accounting	(657)	(23)	–	(680)
Change in fair value of derivative financial instruments	(70)	12	–	(58)
Change in fair value of other equity instrument investments	(98)	–	4	(94)
Change in fair value of other non-current financial assets	(39)	39	–	–
Change in fair value of other financial assets	(25)	(25)	–	(50)
Fair value re-measurement of identifiable assets in business combination	(22)	1	–	(21)
	(10,133)	326	4	(9,803)
Net deferred tax assets	12,866	(513)	4	12,357

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29 Deferred tax assets/(liabilities) (continued)

(a) Movements of net deferred tax assets are as follows: (continued)

	At 31 December 2023 RMB million	Credited/ (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

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:

	2025 RMB million	2024 RMB million
Net deferred tax assets in the statement of financial position	12,378	12,873
Net deferred tax liabilities in the statement of financial position	(21)	(7)
	12,357	12,866

(c) Deferred tax assets not recognised

The Group's unused tax losses of RMB52,749 million (2024: RMB49,665 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:

	2025 RMB million	2024 RMB million
Expiring in:		
2025	–	9
2026	11,483	8,996
2027	27,882	27,715
2028	12,037	12,164
2029	974	781
2030 and the years after 2030	373	–
	52,749	49,665

As at 31 December 2025, the Group's other deductible temporary differences amounting to RMB1,408 million (31 December 2024: RMB1,220 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.

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(Expressed in Renminbi unless otherwise indicated)

30 Other assets

	Software RMB million	Leasehold improvements RMB million	Others RMB million (Note)	Total RMB million
At 1 January 2024	1,108	125	1,189	2,422
Additions	444	28	563	1,035
Transferred from construction in progress (Note 20)	364	57	–	421
Amortisation for the year	(481)	(70)	(98)	(649)
At 31 December 2024	1,435	140	1,654	3,229
At 1 January 2025	1,435	140	1,654	3,229
Additions	271	40	2,477	2,788
Transferred from construction in progress (Note 20)	646	39	14	699
Amortisation for the year	(612)	(67)	(77)	(756)
Disposal	(8)	–	–	(8)
At 31 December 2025	1,732	152	4,068	5,952

Note: As at 31 December 2025, the amounts include prepayments of RMB429 million made to related parties for acquisition of long-term assets (31 December 2024: RMB429 million) (Note 42(b)&50(c)).

31 Inventories

	2025 RMB million	2024 RMB million
Consumable spare parts and maintenance materials	3,206	1,958
Other supplies	295	254
	3,501	2,212
Less: provision	(203)	(210)
	3,298	2,002

Provision for inventories is shown as below:

	2025 RMB million	2024 RMB million
At 1 January	210	210
Provision for inventories	10	2
Written off upon disposal	(17)	(2)
At 31 December	203	210

32 Trade receivables

	2025 RMB million	2024 RMB million
Trade receivables	3,918	3,396
Less: loss allowance	(103)	(90)
	3,815	3,306

(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:

	2025 RMB million	2024 RMB million
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
	3,918	3,396
Less: loss allowance	(103)	(90)
	3,815	3,306

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:

	2025 RMB million	2024 RMB million
RMB	3,699	3,171
USD	76	88
EURO	8	8
HKD	8	15
AUD	30	3
BDT	23	18
Others	74	93
	3,918	3,396

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33 Other receivables

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

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) Term deposits of RMB7,417 million (31 December 2024: RMB2,871 million) have a maturity over 3 months at acquisition.
- (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 previous years, as the unsecured creditor, the Group received interim amount of the liquidation distribution from Flying College in the amount of RMB48 million, and thus reversed loss allowance accordingly. And as at 31 December 2025, the loss allowance was RMB100 million (31 December 2024: RMB100 million).

34 Cash and cash equivalents

(a) Cash and cash equivalents comprise:

	2025 RMB million	2024 RMB million
Cash at bank and other financial institution and on hand	9,402	12,984
Cash and cash equivalents in the consolidated statement of financial position	9,402	12,984

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:

	2025 RMB million	2024 RMB million
RMB	7,229	11,357
USD	1,670	993
INR	176	173
EURO	82	48
AUD	51	33
HKD	51	19
JPY	11	10
Others	132	351
	9,402	12,984

(b) Reconciliation of profit before income tax to cash generated from operating activities:

	Note	2025 RMB million	2024 RMB million
Profit before income tax		4,808	1,451
Adjustments for:			
Depreciation and amortisation	12	31,209	28,341
Provision for/(reversal of) impairment losses on property, plant and equipment	19	3	(302)
Credit losses	11	23	5
Share of associates' results	24	754	1,244
Share of joint ventures' results	25	(817)	(628)
Gains on disposal of property, plant and equipment, right-of-use assets and assets held for sale	14	(77)	(265)
Changes in fair value of financial assets/liabilities	28	(32)	(195)
Interest income		(338)	(215)
Interest expense	15	5,553	5,758
Dividends income from other non-current financial assets	26	(16)	(15)
Exchange (gain)/loss, net		(98)	934
Changes in working capital:			
Increase in inventories	31	(1,296)	(437)
Increase in contract liabilities and other non-current liabilities		327	468
(Decrease)/increase in sales in advance of carriage		(499)	2,116
Increase/(decrease) in deferred benefits and gains	46	94	(32)
Increase in operating receivables		(2,519)	(3,716)
Increase/(decrease) in operating payables		2,889	(1,435)
Cash generated from operating activities		39,968	33,077

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(Expressed in Renminbi unless otherwise indicated)

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 2025	130,824	92,532	908	224,264
Changes from financing cash flows:				
Proceeds from bank borrowings	51,173	—	—	51,173
Proceeds from ultra-short-term financing bills	32,750	—	—	32,750
Proceeds from corporate bonds	21,500	—	—	21,500
Repayment of bank borrowings	(65,027)	—	—	(65,027)
Repayment of ultra-short-term financing bills	(32,250)	—	—	(32,250)
Repayment of corporate bonds	(4,900)	—	—	(4,900)
Capital element of lease rentals paid (Note 34(d))	—	(19,778)	—	(19,778)
Total changes from financing cash flows	3,246	(19,778)	—	(16,532)
Exchange adjustments	(21)	(670)	—	(691)
Changes in fair value	—	—	57	57
Other changes:				
Increase in lease liabilities from entering into new leases during the year	—	32,292	—	32,292
Impact of early termination of leases	—	(239)	—	(239)
Amortisation amount of convertible bonds	261	—	—	261
Impact of accrued interest expense	(31)	—	—	(31)
Total other changes	230	32,053	—	32,283
At 31 December 2025	134,279	104,137	965	239,381

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)	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

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34 Cash and cash equivalents (continued)

(d) Total cash outflow for leases

Amounts included in the cash flow statement for leases comprise the following:

	2025 RMB million	2024 RMB million
Within operating cash flows	(4,971)	(5,185)
Within investing cash flows	(77)	(637)
Within financing cash flows	(19,778)	(20,242)
	(24,826)	(26,064)

These amounts relate to the following:

	2025 RMB million	2024 RMB million
Lease rentals paid	(24,749)	(25,427)
Acquisition of land use rights	(77)	(637)
	(24,826)	(26,064)

35 Assets held for sale

	2025 RMB million	2024 RMB million
Aircraft and other flight equipment	—	118

As at 31 December 2025, no aircraft and other flight equipment was reclassified as assets held for sale (31 December 2024: RMB118 million).

36 Borrowings

(a) *Borrowings are analysed as follows:*

	2025 RMB million	2024 RMB million
Non-current		
Long-term borrowings	7,831	35,985
Medium-term notes (Note (iii))	40,385	20,885
	48,216	56,870
Current		
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 medium-term notes (Notes (iii))	2,273	5,172
Convertible bonds (Note(ii))	6,014	5,775
	86,063	73,954
Total borrowings	134,279	130,824
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	2,684	2,942
Total borrowings	134,279	130,824

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36 Borrowings (continued)

(a) Borrowings are analysed as follows: (continued)

Notes:

- (i) As at 31 December 2025, the Group had secured borrowings amounting to RMB1,625 million (31 December 2024: RMB1,867 million).
- (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 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: RMB 1 million) (Note 28).

- (iii) 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 2025, the medium-term notes will mature within 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 2025, the medium-term notes will mature over 1 year.

The Company issued medium-term notes with aggregate nominal value of RMB21,500 million in 2025 at annual interest rate of 1.78% to 2.02% with terms of 3 to 5 years. As at 31 December 2025, the medium-term notes will mature over 1 year.

Xiamen Airlines issued medium-term notes with aggregate nominal value of RMB500 million in 2024 at annual interest rate of 2.35% with a term of 3 years. As at 31 December 2025, the medium-term notes will mature over 1 year.

- (b) As at 31 December 2025, the Group's weighted average interest rates on short-term borrowings were 2.23% per annum (31 December 2024: 2.61% per annum).

36 Borrowings (continued)

(c) Details of borrowings with original maturity over one year are as follows:

	2025 RMB million	2024 RMB million
Renminbi denominated borrowings		
Fixed interest rates at 1.20%~3.0% per annum as at 31 December 2025	34,895	43,444
Medium-term notes – Fixed interest rates at 1.78%~2.98%	42,658	26,057
Convertible bond – Fixed interest rate (Note36(a)(ii))	6,014	5,775
Floating interest rates at 40%~86% of benchmark interest rate (stipulated by PBOC) as at 31 December 2025	5,293	4,364
	88,860	79,640
Less: borrowings due within one year classified as current liabilities	(40,644)	(22,770)
	48,216	56,870

(d) The carrying amounts of the borrowings are denominated in the following currencies:

	2025 RMB million	2024 RMB million
Renminbi	134,279	127,539
US Dollars	–	3,285
	134,279	130,824

(e) The balance of short-term and long-term borrowings as at 31 December 2025 included entrusted loans from CSAH via Finance Company to the Group amounted to RMB15,009 million (31 December 2024: RMB15,008 million), among which RMB15,009 million were repayable within one year (31 December 2024: RMB3,008 million).

(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 2025, none of the covenants relating to drawn down facilities had been breached.

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37 Lease liabilities

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

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

For the year ended 31 December 2025	Obligations by denominated currencies						
	Effective interest rate	USD	Japanese Yen	Renminbi	Euro	Other currencies	Total
		RMB million	RMB million	RMB million	RMB million	RMB million	RMB million
Fixed interest rates	2.62%~4.90%	31,499	3	13,884	18	34	45,438
Floating interest rates	0.55%~4.38%	–	–	57,512	1,187	–	58,699
		31,499	3	71,396	1,205	34	104,137

For the year ended 31 December 2024	Obligations by denominated currencies						
	Effective interest rate	USD	Japanese Yen	Renminbi	Euro	Other currencies	Total
		RMB million	RMB million	RMB million	RMB million	RMB million	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

The Group has significant lease liabilities which are denominated in USD as at 31 December 2025 and 2024. 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.

38 Trade and bills payables

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

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

The carrying amounts of the Group's trade and bills payables are denominated in the following currencies:

	2025 RMB million	2024 RMB million
Renminbi	5,529	3,030
USD	457	543
Others	17	4
	6,003	3,577

39 Contract liabilities

	2025 RMB million	2024 RMB million
Unredeemed credits under the frequent flyer award programmes (Note)	1,788	1,666
Others	150	83
	1,938	1,749

Note: As at 31 December 2025, 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:

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39 Contract liabilities (continued)

	2025 RMB million	2024 RMB million
Balance at 1 January	3,043	2,893
– Current	1,666	1,460
– Non-current	1,377	1,433
Addition as a result of increase of the unredeemed credits under the frequent flyer award programmes	2,411	2,281
Reduction as a result of revenue recognised during the year	(2,147)	(2,131)
– Recognised as revenue from opening balance of contract liabilities	(1,498)	(1,445)
– Recognised as revenue from current year addition of contract liabilities	(649)	(686)
Balance at 31 December	3,307	3,043
Representing:		
– Current	1,788	1,666
– Non-current (Note 41)	1,519	1,377

40 Sales in advance of carriage

As at 31 December 2025, 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, RMB8,092 million which was included in the opening balance of the sales in advance of carriage (2024: RMB6,265 million) was recognised as revenue.

41 Other non-current liabilities

	Note	2025 RMB million	2024 RMB million
Unredeemed credits under the frequent flyer award programmes	39	1,519	1,377
Long-term payables (Note)		–	1
Others		281	284
		1,800	1,662

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 2025, long-term payables (including the portion due within one year) was RMB7 million (31 December 2024: RMB91 million), among which, RMB5 million was recorded in the amounts due to related companies (31 December 2024: RMB48 million) (Note 42(c)).

42 Balances with related companies

(a) Amounts due from related companies

	Note	2025 RMB million	2024 RMB million
Current			
CSAH and its affiliates		176	28
Associates		205	267
Joint ventures		37	27
Other related company		8	1
	50(c)	426	323
Non-current			
Associates	50(c)	57	171

As at 31 December 2025, the amounts due from associates include long-term receivables of RMB115 million (including the portion due within one year) relating to finance lease arrangements (31 December 2024: RMB262 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	2025 RMB million	2024 RMB million
Non-current			
CSAH and its affiliates	30&50(c)	429	429

(c) Amounts due to related companies

	Note	2025 RMB million	2024 RMB million
Current			
CSAH and its affiliates		215	326
Associates		8	5
Joint ventures		265	194
	50(c)	488	525

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42 Balances with related companies (continued)

(c) Amounts due to related companies (continued)

		2025 RMB million	2024 RMB million
Non-current			
CSAH and its affiliates	50(c)	–	6

As at 31 December 2025, the amounts due to CSAH and its affiliates include long-term payables of RMB5 million (including the portion due within one year) relating to finance lease arrangements (31 December 2024: RMB48 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

	2025 RMB million	2024 RMB million
Repairs and maintenance	6,739	6,106
Salaries and welfare	3,881	4,716
Landing and navigation fees	1,970	2,308
Jet fuel costs	2,566	2,285
Computer reservation services	1,600	2,513
Provision for major overhauls (Note 45)	2,366	847
Others	2,816	2,299
	21,938	21,074

44 Other liabilities

	2025 RMB million	2024 RMB million
Payable for purchase of property, plant and equipment	2,010	2,547
Civil Aviation Development Fund and airport tax payable	2,117	1,956
Sales agent deposits	426	454
Other taxes payable	823	810
Deposit received for chartered flights	183	227
Others	2,591	2,364
	8,150	8,358

45 Provision for major overhauls

Details of provision for major overhauls in respect of aircraft held under leases are as follows:

	2025 RMB million	2024 RMB million
At 1 January	6,169	6,610
Additional provision	1,697	1,251
Utilisation	(436)	(1,692)
At 31 December	7,430	6,169
Less: current portion (Note 43)	(2,366)	(847)
	5,064	5,322

46 Deferred benefits and gains

	2025 RMB million	2024 RMB million
Maintenance rebates	436	351
Government grants	377	367
Others	1	2
	814	720

47 Share capital

	2025 RMB million	2024 RMB million
Registered, issued and paid-up capital:		
Trade-restricted:		
Nil A shares owned by CSAH (2024: 803,571,428 shares of RMB1.00 each) (Note (ii))	—	804
	—	804
Tradable:		
9,404,468,936 A shares of RMB1.00 each owned by CSAH (2024: 8,600,897,508 shares of RMB1.00 each) (Note (ii))	9,404	8,600
4,072,455,791 A shares of RMB1.00 each (2024: 4,072,445,260 shares of RMB1.00 each)	4,073	4,073
4,643,997,308 H shares of RMB1.00 each (2024: 4,643,997,308 shares of RMB1.00 each)	4,644	4,644
	18,121	17,317
	18,121	18,121

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(Expressed in Renminbi unless otherwise indicated)

47 Share capital (continued)

Note:

- (i) 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.
- (ii) In November 2022, the Company issued 803,571,428 A shares ("2022 A shares") to CSAH at the price of RMB5.60 per share. RMB804 million was credited to share capital and RMB3,693 million was credited to share premium. The 2022 A shares issued to CSAH are restricted for trading within 36 months upon completion of the issuance. During the year ended 31 December 2025, the trading restriction on 803,571,428 A shares issued to CSAH was released.

48 Reserves

(a) Dividends

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

(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 2025, the Company did not make any appropriation of statutory surplus reserve as the Company recorded a net loss in 2025 (2024: nil).

49 Commitments

(a) Capital commitments

Capital commitments outstanding as at 31 December 2025 not provided for in the financial statements were as follows:

	2025 RMB million	2024 RMB million
Commitments in respect of aircraft, engines and flight equipment		
– authorised and contracted for	104,951	128,640
Investment commitments		
– authorised and contracted for		
– share of capital commitments of a joint venture	76	8
– capital contributions for acquisition of interests in an associate	91	1,027
– authorised but not contracted for		
– share of capital commitments of a joint venture	14	15
	181	1,050
Commitments for other property, plant and equipment		
– authorised and contracted for	6,513	7,117
– authorised but not contracted for	7,205	7,630
	13,718	14,747
	118,850	144,437

As at 31 December 2025, the approximate total future payments, including estimated amounts for price escalation through anticipated delivery dates for aircraft, engines and flight equipment are as follows:

	2025 RMB million	2024 RMB million
2025	–	25,521
2026	22,569	32,433
2027	29,237	22,687
2028	28,467	27,110
2029 and the years after 2029	24,678	20,889
	104,951	128,640

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi unless otherwise indicated)

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:

	2025 RMB '000	2024 RMB '000
Salaries, wages and welfare	5,636	6,502
Retirement scheme contributions	934	1,027
	6,570	7,529
	2025 RMB '000	2024 RMB '000
Directors and supervisors (Note 58)	–	1,512
Senior management	6,570	6,017
	6,570	7,529

Total remuneration is included in “staff costs” (Note 13).

50 Material related party transactions (continued)

(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	2025 RMB million	2024 RMB million
Income from CSAH and its affiliates			
Aviation material sales income*	(ii)/(iv)	36	40
Entrusted management income*	(iii)	52	43
Others*		31	31
Purchase of goods and services from CSAH and its affiliates			
Commission expenses and service fee*	(v)	38	33
Maintenance material purchase expense and lease charges for maintenance materials*	(ii)/(xvii)	186	101
Air catering supplies expenses*	(i)	205	161
Lease charges for land and buildings*	(vi)	385	371
Property management fee*	(vii)	174	198
Others*		34	18
Purchase of goods and services from joint ventures and associates			
Repairing charges	(viii)	4,033	3,906
Repairing charges and maintenance material purchase expenses	(ix)	3,591	3,266
Ground service expenses	(x)	125	129
Advertising expenses*	(xi)	134	126
Cargo handling expenses	(xviii)/(xix)	213	202
Others		113	83

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi unless otherwise indicated)

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	2025 RMB million	2024 RMB million
Income received from joint ventures and associates			
Cargo and mail revenue	(xviii)	948	829
Maintenance material sales and handling income	(xv)	5	53
Air catering supplies income	(xiv)	34	31
Ground service income	(xiv)/(xviii)	42	68
Building and equipment leasing income	(xviii)/(ix)	52	27
Others*		94	85
Purchase of goods and services from other related companies			
Computer reservation services	(xvi)	990	947
Airport landing services	(xii)	656	611
Aviation material purchase expense	(xiii)	240	—
Others		46	11
Income received from other related companies			
Others		96	—
Aircraft related transactions with CSAH and its affiliates			
Payment of lease charges on aircraft*	(xvii)	6,620	6,185

(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.

(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.

50 Material related party transactions (continued)

(b) Transactions with CSAH and its affiliates, associates, joint ventures and other related companies of the Group (continued)

- (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.
- (xii) Shenzhen Airport (Group) Co., Ltd. became a connected entity of CSAH in 2024, providing airport landing services to the Group.
- (xiii) Jiatai Aircraft Equipment Co., Ltd., is an associate of CSAH. The Group purchases aviation materials from Jiatai Aircraft Equipment Co., Ltd.
- (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, and the Group purchases and leases maintenance materials from CSA International.
- (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.
- (xix) Yuanhang Warehouse Management (Guangzhou) Co., Ltd., an associate of the Group, provides cargo handling services to the Group.

* 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.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi unless otherwise indicated)

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	2025 RMB million	2024 RMB million
Current receivables:			
CSAH and its affiliates		176	28
Associates		205	267
Joint ventures		37	27
Other related companies		8	1
	42(a)	426	323
	Note	2025 RMB million	2024 RMB million
Long-term receivables:			
Associates	42(a)	57	171
	Note	2025 RMB million	2024 RMB million
Prepayments of acquisition of long-term assets:			
CSAH and its affiliates	30&42(b)	429	429
	Note	2025 RMB million	2024 RMB million
Payables:			
CSAH and its affiliates		215	326
Associates		8	5
Joint ventures		265	194
	42(c)	488	525
	Note	2025 RMB million	2024 RMB million
Long-term payables:			
CSAH and its affiliates	42(c)	—	6

50 Material related party transactions (continued)

(c) Balances with CSAH and its affiliates, associates, joint ventures and other related companies of the Group (continued)

	2025 RMB million	2024 RMB million
Accrued expenses:		
CSAH and its affiliates	122	144
Associates	73	82
Joint ventures	2,594	1,446
Other related companies	1,405	2,528
	4,194	4,200
Lease liabilities:		
CSAH and its affiliates	34,756	27,371
Associates	49	54
Other related companies	119	–
	34,924	27,425

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 2025, loans from Finance Company to the Group amounted to RMB13,809 million (31 December 2024: RMB10,808 million).

The unsecured loans are repayable as follows:

	2025 RMB million	2024 RMB million
Within 1 year	13,809	10,808

Interest expense charged on such loans amounted to RMB261 million (2024: RMB174 million) and the interest rates range from 2.16% to 2.65% per annum during the year ended 31 December 2025 (2024: 2.65% to 2.80%).

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi unless otherwise indicated)

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 and RMB3,000 million was repaid in 2025.

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 2025, CSAH, as the lender, entrusted Finance Company to lend RMB3,000 million to the Group.

As at 31 December 2025, the unsecured entrusted loans of RMB15,009 million (including accrued interest expense of RMB9 million) were repayable within one year (31 December 2024: RMB3,008 million (including accrued interest expense of RMB8 million)) and no repayment over one year (31 December 2024: RMB12,000 million) (Note 36(e)).

Interest expense charged on such loans amounted to RMB287 million (2024: RMB301 million) and the interest rate was 2.00% per annum during the year ended 31 December 2025 (2024: 2.00% to 3.43% per annum).

(iii) Deposits placed with Finance Company*

As at 31 December 2025, 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.

	2025 RMB million	2024 RMB million
Deposits placed with Finance Company	14,740	14,580

Interest income from such deposits amounted to RMB235 million during the year ended 31 December 2025 (2024: RMB183 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

	2025 RMB million	2024 RMB million
Asset transfer – Aircraft	89	220
Asset acquisition – Land	11	–

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 rate 16% (2024: 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 2025 was approximately RMB1,249 million (2024: RMB1,142 million).

For the year ended 31 December 2025, 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 2025, the Group newly introduced such assets under leases amounted to RMB32,292 million (31 December 2024: RMB24,417 million), and as a result of early termination of certain lease arrangements, a decrease of RMB239 million (31 December 2024: RMB669 million) incurred.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi unless otherwise indicated)

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 such 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 its normal business operations, 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 RMB644 million as 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, total personal bank loans of RMB34 million (31 December 2024: RMB64 million), under these guarantees, were drawn down from the banks. During the year, no payment has been made by the Group (2024: RMB0.1 million) due to the default of payments of certain pilot trainees.

54 Immediate and ultimate controlling party

As at 31 December 2025, 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

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.

56 Company-level statement of financial position

	31 December 2025 RMB million	31 December 2024 RMB million
Non-current assets		
Property, plant and equipment, net	54,642	51,970
Construction in progress	18,372	25,783
Right-of-use assets	133,151	116,990
Investments in subsidiaries	19,099	14,512
Interests in associates	6,047	5,062
Interests in joint ventures	1,830	1,832
Aircraft lease deposits	338	382
Deferred tax assets	10,373	11,061
Amounts due from subsidiaries and other related companies	1,485	1,140
Derivative financial assets	26	18
Other assets	4,599	2,410
	249,962	231,160
Current assets		
Inventories	1,905	1,102
Trade receivables	2,238	933
Other receivables	19,988	9,553
Cash and cash equivalents	1,345	2,129
Restricted bank deposits	93	96
Prepaid expenses and other current assets	836	535
Other financial assets	–	2,695
Amounts due from subsidiaries and other related companies	230	11,372
	26,635	28,415
Current liabilities		
Derivative financial liabilities	965	908
Borrowings	79,390	64,521
Lease liabilities	18,244	17,551
Trade payables	2,115	142
Contract liabilities	1,728	1,605
Sales in advance of carriage	7,319	7,566
Amounts due to subsidiaries and other related companies	2,763	2,962
Accrued expenses	15,464	16,636
Other liabilities	5,972	5,505
	133,960	117,396

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi unless otherwise indicated)

56 Company-level statement of financial position (continued)

	Note	31 December 2025 RMB million	31 December 2024 RMB million
Non-current liabilities			
Borrowings		43,221	54,046
Lease liabilities		71,141	60,487
Other non-current liabilities		1,426	1,321
Amounts due to related companies		–	6
Provision for major overhauls		2,902	2,631
Deferred benefits and gains		277	298
		118,967	118,789
Net assets		23,670	23,390
Capital and reserves			
Share capital		18,121	18,121
Reserves	57	5,549	5,269
Total equity		23,670	23,390

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 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 and 1 January 2025	51,998	–	2,725	(49,454)	5,269
Changes in equity for 2025:					
Total comprehensive income for the year	–	–	–	280	280
Balance at 31 December 2025	51,998	–	2,725	(49,174)	5,549

58 Benefits and interests of directors

(a) Directors' emoluments

The remuneration of every director for the year ended 31 December 2025 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) & (ii))	-	-	-	-	-
Independent non-executive Directors					
Guo Wei	200	-	-	-	200
Pansy Catilina Chiu King Ho	200	-	-	-	200
Zhu Hai Ping (Note (iii))	133	-	-	-	133
Zhang Jun Sheng	200	-	-	-	200

The remuneration of every director 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) & (ii))	-	-	-	-	-
Supervisors					
Ren Ji Dong (Note (v))	-	-	-	-	-
Lin Xiao Chun (Note (v))	-	-	-	-	-
Wei Zhen Xing (Note (v))	-	389	-	82	471
Yang Bin (Note (v))	-	865	-	176	1,041
Independent non-executive Directors					
Guo Wei	200	-	-	-	200
Pansy Catilina Chiu King Ho	200	-	-	-	200
Gu Hui Zhong (Note (iv))	117	-	-	-	117
Cai Hong Ping (Note (iv))	117	-	-	-	117
Zhang Jun Sheng	83	-	-	-	83

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi unless otherwise indicated)

58 Benefits and interests of directors (continued)

(a) Directors' 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) Resigned on 21 March 2025.
- (iii) Appointed on 23 May 2025.
- (iv) Resigned on 29 July 2024.
- (v) These supervisor position was abolished on 12 December 2025.

(b) Directors' termination benefits

None of the directors received or will receive any termination benefits for the year ended 31 December 2025 (2024: nil).

(c) Consideration provided to third parties for making available directors' services

For the year ended 31 December 2025, the Group did not pay consideration to any third parties for making available directors' services (2024: nil).

(d) Information about loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors

As at 31 December 2025, there is no loans, quasi-loans and other dealing arrangements in favour of directors, controlled bodies corporate by and connected entities with such director (2024: nil).

(e) Directors' 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 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 (2024: nil).

59 Possible impact of amendments, new standards and interpretations issued but not yet effective for the year ended 31 December 2025

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 2025 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 IFRS 9, <i>Financial instruments</i> and IFRS 7, <i>Financial instruments</i> : <i>disclosures – Contracts referencing nature-dependent electricity</i>	1 January 2026
Amendments to IFRS 9, <i>Financial instruments</i> and IFRS 7, <i>Financial instruments</i> : <i>disclosures – Amendments to the classification and measurement of financial instruments</i>	1 January 2026
Annual improvements to IFRSs – Volume 11	1 January 2026
IFRS 18, <i>Presentation and disclosure in financial statements</i>	1 January 2027
IFRS 19, <i>Subsidiaries without public accountability: disclosures</i>	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 except for the following:

IFRS 18, Presentation and disclosure in financial statements

IFRS 18 will replace IAS 1 Presentation of financial statements and aims to improve the transparency and comparability of information about an entity's financial statements. IFRS 18 is effective for annual reporting periods beginning on or after 1 January 2027 and is to be applied retrospectively.

Among other changes, under IFRS 18, entities are required to classify all income and expenses into five categories in the statement of profit or loss, namely the operating, investing, financing, discontinued operations and income tax categories. Entities are also required to provide specific disclosures about management-defined performance measures in a single note in the financial statements.

The Group does not plan to early adopt IFRS 18 and is still in the process of assessing the impact of the adoption.

SUPPLEMENTARY FINANCIAL INFORMATION

For the year ended 31 December 2025
(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.

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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	31 December 2025 RMB million	31 December 2024 RMB million
Assets		
Total current assets	42,598	37,643
Long-term equity investments	7,633	7,168
Fixed assets and construction in progress	136,253	135,275
Intangible assets and other non-current assets	150,953	136,779
Deferred tax assets	12,377	12,873
Total assets	349,814	329,738
Liabilities and equity		
Current liabilities	154,123	138,402
Deferred tax liabilities	21	7
Other non-current liabilities	140,659	138,734
Total liabilities	294,803	277,143
Total equity attributable to equity shareholders of the Company	35,580	34,729
Non-controlling interests	19,431	17,866
Total equity	55,011	52,595
Total liabilities and equity	349,814	329,738

SUPPLEMENTARY FINANCIAL INFORMATION

For the year ended 31 December 2025
(Prepared in accordance with PRC Accounting Standards)

RECONCILIATION OF DIFFERENCES IN FINANCIAL STATEMENTS PREPARED UNDER DIFFERENT GAAPS

(1) *The effect of the differences between PRC GAAP and IFRS Accounting Standards on profit/(loss) attributable to equity shareholders of the Company is analysed as follows:*

	Note	2025 RMB million	2024 RMB million
Amounts under PRC GAAP		857	(1,696)
Adjustments:			
Capitalisation of exchange difference of specific loans	(a)	(4)	(5)
Government grants	(b)	1	1
Reversal of impairment losses on property, plant and equipment	(d)	–	(126)
Income tax effect of the above adjustments		1	1
Effect of the above adjustments on non-controlling interests		–	56
Amounts under IFRS Accounting Standards		855	(1,769)

(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	2025 RMB million	2024 RMB million
Amounts under PRC GAAP		35,580	34,729
Adjustments:			
Capitalisation of exchange difference of specific loans	(a)	2	6
Government grants	(b)	(1)	(2)
Adjustment arising from the Company's business combination under common control	(c)	237	237
Income tax effect of the above adjustments		1	–
Effect of the above adjustments on non-controlling interests		(27)	(27)
Amounts under IFRS Accounting Standards		35,792	34,943

RECONCILIATION OF DIFFERENCES IN FINANCIAL STATEMENTS PREPARED UNDER DIFFERENT GAAPS (continued)

(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: (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 IFRS Accounting Standards.

CONSOLIDATED INCOME STATEMENT SUMMARY

	Year ended 31 December				
	2025 RMB million	2024 RMB million	2023 RMB million	2022 RMB million	2021 RMB million
Operating revenue	182,256	174,224	159,929	87,059	101,644
Operating expenses	(176,965)	(171,806)	(159,052)	(115,262)	(116,340)
Other net income	4,292	5,909	4,680	5,661	4,767
Operating profit/(losses)	9,583	8,327	5,557	(22,542)	(9,929)
Interest income	338	215	361	457	675
Interest expense	(5,553)	(5,758)	(5,928)	(6,006)	(6,202)
Share of associates' results	(754)	(1,244)	(2,244)	(13)	9
Share of joint ventures' results	817	628	546	304	271
Exchange gain/(loss), net	345	(912)	(687)	(3,619)	1,575
Other non-operating income/ (expenses)	32	195	874	(131)	(309)
Profit/(loss) before income tax	4,808	1,451	(1,521)	(31,550)	(13,910)
Income tax	(2,125)	(1,426)	(1,436)	(2,166)	2,894
Profit/(loss) for the year	2,683	25	(2,957)	(33,716)	(11,016)
Profit/(loss) attributable to:					
Equity shareholders of the Company	855	(1,769)	(4,140)	(32,699)	(12,106)
Non-controlling interests	1,828	1,794	1,183	(1,017)	1,090
Profit/(loss) for the year	2,683	25	(2,957)	(33,716)	(11,016)
Profit/(loss) per share Basic and diluted (expressed in RMB per share)	0.05	(0.10)	(0.23)	(1.90)	(0.75)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION SUMMARY

	As at 31 December				
	2025 RMB million	2024 RMB million	2023 RMB million (restated)	2022 RMB million (restated)	2021 RMB million (restated)
Non-current assets	307,456	292,216	281,657	278,792	285,345
Net current liabilities	(111,526)	(100,639)	(106,995)	(113,244)	(78,108)
Non-current liabilities	140,680	138,741	122,295	110,189	122,729
Total equity attributable to equity shareholders of the Company	35,792	34,943	37,071	41,275	67,851
Non-controlling interests	19,458	17,893	15,296	14,084	16,657



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