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

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

2024 INTERIM RESULTS ANNOUNCEMENT

The Board of Directors (the “**Board**”) of China Southern Airlines Company Limited (the “**Company**”) hereby announces the unaudited results of the Company and its subsidiaries (the “**Group**”) for the six months ended 30 June 2024. This announcement, containing the full text of the 2024 Interim Report of the Company, complies with the relevant requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited in relation to information to accompany preliminary announcement of interim results. The 2024 interim results announcement of the Company is available for viewing on the HKEXnews website of Hong Kong Exchange and Clearing Limited at www.hkexnews.hk and the website of the Company at www.csair.com, and printed version of the Company’s 2024 Interim Report will be delivered to the registered holders of H shares of the Company in due course.

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

Guangzhou, the People’s Republic of China
29 August 2024

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





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DEFINITIONS

Unless the context otherwise requires, the terms below 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 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.
Nan Lung	Nan Lung Holding Limited
American Airlines	American Airlines, Inc.
PRC	The People's Republic of China
CSRC	China Securities Regulatory Commission
NDRC	National Development and Reform Commission
CAAC	Civil Aviation Administration of China
Daxing Airport	Beijing Daxing International Airport
SSE	Shanghai Stock Exchange
Stock Exchange	The Stock Exchange of Hong Kong Limited
Articles of Association	Articles of Association of China Southern Airlines Company Limited



Listing Rules	The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
Model Code	The Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 to the Listing Rules
Corporate Governance Code	Corporate Governance Code as set out in Part 2 of Appendix C1 to the Listing Rules
SFO	Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong)
Available Seat Kilometers or “ASK”	the number of seats made available for sale multiplied by the kilometers flown
Available Tonne Kilometers or “ATK”	the tonnes of capacity available for the transportation multiplied by the kilometers flown
Available Tonne Kilometers – passenger	the tonnes of capacity available for passenger multiplied by the kilometers flown
Available Tonne Kilometers – cargo	the tonnes of capacity available for cargo and mails multiplied by the kilometers flown
Revenue Passenger Kilometers or “RPK”	i.e. passengers traffic volume, the number of passengers carried multiplied by the kilometers flown
Revenue Tonne Kilometers or “RTK”	i.e. total traffic volume, the load (passengers, cargo and mail) in tonnes multiplied by the kilometers flown
Revenue Tonne Kilometers – cargo or “RFTK”	i.e. cargo and mail traffic volume, the load for cargo and mail in tonnes multiplied by the kilometers flown
Revenue Tonne Kilometers – passenger	the load for passenger in tonnes multiplied by the kilometers flown
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 RFTK	revenue from cargo and mail operations divided by RFTK
Yield per RTK	revenue divided by RTK

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
Secretary to the Board:	Chen Wei Hua
Joint Company Secretaries:	Chen Wei Hua Liu Wei
Securities Affairs Representative:	Xu Yang
Shareholder Enquiry:	The Board Office of the Company
Telephone:	+86-20-86112480
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E-mail:	ir@csair.com
Address:	China Southern Air Building, 68 Qixin Road, Baiyun District, Guangzhou, Guangdong Province, PRC
Registered Address:	Unit 301, 3/F, Office Tower Guanhao Science Park Phase I, 12 Yuyan Street, Huangpu District, Guangzhou, Guangdong Province, PRC
APP:	China Southern Airlines
WeChat Mini Program:	China Southern Airlines
WeChat Official Account:	China Southern Airlines
WeChat QR Code:	
WeChat ID:	CS95539
Sina Weibo:	http://weibo.com/csair
Place of Business:	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
Authorised Representatives under the Listing Rules:	Ma Xu Lun Chen Wei Hua
Controlling Shareholder:	China Southern Air Holding Company Limited
Principal Bankers:	The Export-Import Bank of China China Development Bank Agricultural Bank of China China Construction Bank Industrial and Commercial Bank of China
Designated Newspapers for Information Disclosure (A Shares):	China Securities Journal, Shanghai Securities News, Securities Times
Designated Website for Information Disclosure (A Shares):	www.sse.com.cn
Designated Website for Information Disclosure (H Shares):	www.hkexnews.hk
Interim Report Available for Inspection:	The Board Office of the Company
Place of Listing of A Shares:	Shanghai Stock Exchange
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 of Hong Kong Limited
Short Name of H Shares:	CHINA SOUTH AIR
Stock Code of H Shares:	01055
H Share Registrar:	Computershare Hong Kong Investor Services Limited 17M Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong
Domestic Legal Adviser:	Beijing Dentons Law Offices, LLP (Guangzhou)
Overseas Legal Adviser:	Jingtian & Gongcheng LLP
Domestic Auditors:	KPMG Huazhen LLP
Address of Domestic Auditors:	8th Floor, KPMG Tower, Oriental Plaza, 1 East Chang An Avenue, Beijing, China
Overseas Auditors:	KPMG (Public Interest Entity Auditor registered in accordance with the Accounting and Financial Reporting Council Ordinance)
Address of Overseas Auditors:	8th Floor, Prince's Building, 10 Chater Road, Central, Hong Kong



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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

	January to June 2024	January to June 2023	Increase/ (decrease) %
Operating revenue	84,790	71,830	18.04
Net loss attributable to equity shareholders of the Company	(1,054)	(2,877)	(63.36)
Net cash generated from operating activities	12,893	16,831	(23.40)
	30 June 2024	31 December 2023	Increase/ (decrease) %
Equity attributable to equity shareholders of the Company	35,945	37,071	(3.04)
Total assets	315,422	309,596	1.88

(II) Principal Financial Indicators

	January to June 2024	January to June 2023	Increase/ (decrease) %
Basic loss per share (RMB/share)	(0.06)	(0.16)	(62.50)
Diluted loss per share (RMB/share)	(0.06)	(0.16)	(62.50)

II. RECONCILIATION OF DIFFERENCES IN INTERIM FINANCIAL REPORT PREPARED UNDER PRC GAAP AND IFRS ACCOUNTING STANDARDS

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

Unit: RMB million

	Net loss attributable to equity shareholders of the Company		Equity attributable to equity shareholders of the Company	
	January to June 2024	January to June 2023	30 June 2024	31 December 2023
Amounts under PRC GAAP	(1,228)	(2,875)	35,484	36,784
Adjustments under IFRS Accounting Standards:				
Capitalisation of exchange difference of specific loans (a)	(3)	(3)	8	11
Government grants (b)	-	-	(3)	(3)
Adjustment arising from the Company's business combination under common control (c)	-	-	237	237
Reversal of impairment losses on property, plant and equipment (d)	201	-	327	126
Income tax effect of the above adjustments	(81)	1	(82)	(1)
Effect of the above adjustments on non-controlling interests	57	-	(26)	(83)
Amounts under IFRS Accounting Standards	(1,054)	(2,877)	35,945	37,071

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

- (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 are 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.

III. MAJOR CHARGES ON ASSETS, COMMITMENTS AND CONTINGENT LIABILITIES

As at 30 June 2024, the Group had capital commitments of approximately RMB179,582 million (as at 31 December 2023: RMB114,854 million). Of such amounts, approximately RMB165,397 million was for acquisition of aircraft, engines and related flight equipment, RMB1,086 million was for investment commitments and RMB13,099 million was for other property, plant and equipment.

Details of contingent liabilities of the Group are set out in Note 22 to the interim financial report prepared under International Accounting Standard 34.

As at 30 June 2024, certain aircraft of the Group with a carrying value of approximately RMB796 million (as at 31 December 2023: nil) were mortgaged under certain loans.

Pursuant to the agreements signed by the Group with Commercial Aircraft Corporation of China, Ltd. on 30 August 2019, with Airbus S.A.S. on 1 July 2022 and 22 September 2022 and with Commercial Aircraft Corporation of China, Ltd. on 29 April 2024, respectively, as of 30 June 2024, the Group had committed to purchase a total of 6 ARJ21 aircraft, 136 A320NEO series aircraft and 100 C919 series aircraft which are not yet delivered.

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MANAGEMENT DISCUSSION AND ANALYSIS



I. THE COMPANY'S INDUSTRY AND PRINCIPAL BUSINESS

(I) *Principal Business*

The scope of business of the Company covers: provision of scheduled and non-scheduled domestic, regional and international air transportation services for passengers, cargo, mail and luggage; provision of aircraft repair and maintenance services; acting as agents for other domestic and international airlines; provision of air catering services (operated by branch office only); provision of airline ground extension services; civil aircraft training (operated by branch office with proper license); asset



Ma Xu Lun

Chairman



During the reporting period, with the joint efforts of the management and all employees, the Group recorded 1.537 million safe flight hours, and carried 79.437 million passengers and 0.887 million tonnes of cargo and mail. We were honoured as the "Best Airline of the Year" by Civil Aviation Passenger Service Evaluation (CAPSE) for seven consecutive years. In January 2024, the Group was awarded the "Three-Star Diamond Award for Flight Safety", the top award for flight safety from the CAAC.

leasing; project management and technical consultancy; sales of aviation equipment; travel agency business service; merchandise retail and wholesale; health and medical examination service; internet sales (except for sale of commodities subject to licensing); concurrent-business insurance agent services; domestic trade agency; professional design service; Type 1 value-added telecommunication service; Type 2 value-added telecommunication service; advertisement preparation; advertisement publication; advertisement design and agency; internet data services; internet information service; information system integration service; IoT technical service; social and economic consulting service; 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.)

MANAGEMENT DISCUSSION AND ANALYSIS



(II) Operating Model

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

The Company adheres to the “five development” concepts of safety, high quality, innovation, cooperation and sharing; focuses on the “five strategies” in relation to hub network, ecosystem, innovation-driven, lean management and control, and brand management; carries out “six campaigns” on special actions of “making up for shortcomings, improving quality, and striving for first-class”, accelerating the construction of Beijing Daxing Hub, implementing reforms to deepen and enhance the action, pushing forward the digitalisation transformation with all-out efforts, pushing forward the adjustment and optimisation of the five major structures, and comprehensively providing “humanised, digitalised, refined, personalised and convenient” service; and strives for “six transformations” from speed-oriented to quality-oriented, from comprehensive market expansion to key areas exploration, from a relatively single industry to high correlative and diversified industries, from planning management and control to market operation, from the traditional business model to digitalisation and ecological circle, and from extensive management to refined management.



(III) Industry Summary

During the reporting period, the transportation and production of China's civil aviation industry remained stable, featured by "progress amidst stability and continued improvement". During the reporting period, the total transportation turnover volume, passenger transportation volume and cargo and mail transportation volume of China's civil aviation were 70.3 billion ton-kilometers, 350 million passengers and 4.174 million tonnes, respectively, representing year-on-year increases of 32.2%, 23.5% and 27.4%, respectively.

MANAGEMENT DISCUSSION AND ANALYSIS

II. ANALYSIS ON THE CORE COMPETITIVENESS

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

By focusing on the construction of route network structure with hubs as the core, strategic markets as the key and market development as support, the Group has striven to build two comprehensive international hubs in Guangzhou and Beijing to achieve two-wheel drive, thereby establishing a new profit model and development mode, and gradually developing a network-based airline company.





III. DISCUSSION AND ANALYSIS OF OPERATING CONDITIONS DURING THE REPORTING PERIOD

During the reporting period, the global economic growth remained relatively stable. The global economic growth in 2024 is projected to be 3.2% according to the World Economic Outlook report published by the International Monetary Fund. China's national economy continued to recover with a positive momentum, and achieved an overall stable operation with steady progress, the GDP in the first half of the year increased by 5% year-on-year, and the import and export trade volume increased by 6.1% year-on-year. In the first half of the year, the quantity and quality of the traffic and production of China's civil aviation improved, and the safety operation remained generally stable; China's civil aviation achieved a total traffic volume of 70.3 billion tonne-kilometres, a passenger traffic volume of 350 million, and a cargo and mail volume of 4.174 million tonnes, representing a year-on-year increase of 32.2%, 23.5% and 27.4%, respectively.

During the reporting period, the Group comprehensively coordinated safety production and operation, made every effort to facilitate quality and efficiency improvement in operation, and promoted the implementation of reform and development strategies. The Group has been honoured as the First Brand in Aviation Service Industry by the Ministry of Industry and Information Technology in China Brand Power Index for fourteen consecutive years, and as the "Best Airline of the Year" by the Civil Aviation Passenger Service Evaluation (CAPSE) for seven consecutive years.

MANAGEMENT DISCUSSION AND ANALYSIS



1. Safety Management

During the reporting period, the Group took a three-year action to address the root causes of workplace accidents and ensure production safety, carried out the “technical improvement, teams improvement and risks prevention (強技術、抓隊伍、防風險)”, and continuously enhanced the level of inherent safety. We implemented a comprehensive examination of the seven safety systems and saw that such systems are incorporated into our daily operations and produced the desired effect; optimised the quality control mechanism of pilot training, deeply promoted the reform of pilot training, and set up the refresher training mechanism for random grouping and route cross-checking. We incorporated high-risk hazards and outstanding issues in aircraft maintenance into standardised management, and developed



Han Wen Sheng

Vice chairman and president



and launched the “Tian Tong (天瞳)” system, the world’s only system that can simultaneously monitor the technical status of all major aircraft models; established a database of major accident hazards, a special flight mechanism for handling and supervising bad weather, and developed special control measures for runway incursions and extremely bad weather. During the reporting period, the Group achieved 1.537 million hours of safe flight with a leading position in the industry in terms of safety.

2. Operation Management

During the reporting period, the Group precisely grasped market hotspot opportunities, and pushed forward the improvement of the quality and efficiency of the operation with all-out efforts. We precisely studied and determined opportunities such as the Spring Festival travel, conferences and exhibitions, and made advance arrangements to ensure that the capacity matches with the market; made every effort to secure the new time slots and actively promoted the joint operation of the time slots; established a differentiated air ticket product system and continued to build up operation base of private domain; and promoted the construction of customer management system, and established the corporate customer group certification and classification system. We deepened the route-wide and accessible network of cargo transport, strengthened the linkage between the hubs, carried out a new model of air-ground intermodal transshipment innovatively, and opened up new paths for speed transshipment between the dual hubs of Guangzhou and Shanghai, deepened the construction of the dual management system for cargo transport customers and products, and engaged 99 new group customers; expanded the new business sector of cargo transport of battery-powered cargo of cross-border e-commerce, and completed the first chartered flight of battery-powered cargo of cross-border e-commerce. During the reporting period, the Company engaged 13.51 million new members, and the cargo and mail transportation volume recorded a year-on-year increase of 25.59%.



MANAGEMENT DISCUSSION AND ANALYSIS



3. Operation Service

During the reporting period, the operation quality of the Group improved steadily with the continuous improvement in service quality. We deeply carried out flight punctuality improvement actions, optimised the AOC and GOC management system and operation decision-making process, and established an operation indicator monitoring and warning mechanism; enhanced the operation service coordination, included the flight punctuality from the passenger's perspective into the evaluation, and reduced the number of passengers affected by unpunctual flights by 1.717 million year-on-year. We accelerated to promote the construction of "people-oriented, digitalised, refined, personalised, and convenient" services to improve passengers' whole-process experience during the travel; implemented a new refund and change policy of air tickets, and optimised the acceptance for carriage standards for passengers with special needs, such as wheelchair passengers; opened through-check baggage business in 18 city terminals in the Pearl River Delta, continued to improve the quality of meals and developed 383 new products for in-flight meals. During the reporting period, the Company was honoured as the "Best Airline of the Year" by Civil Aviation Passenger Service Evaluation (CAPSE) for seven consecutive years, and the "China Southern e-Travel" was honoured as the first batch of Outstanding Achievements of the Central Enterprises Brand Leadership Initiative.

4. Implementation of Strategies

During the reporting period, the Group actively served national strategies and solidly promoted high-quality development. We enhanced the route network coverage of the Guangzhou hub, improved the construction of flight waves for hubs, and built domestic and international shuttles around the dual hubs of Guangzhou and Beijing; we actively promoted the construction of an open ecosystem, enhanced the operation capability of refined products, constructed a unified traffic entrance with the CSA Mall as the core, and continuously enriched the product offerings; deeply revitalised the operation of real estate, and efficiently promoted the strategic synergies among airline subsidiaries; continuously promoted the digitalisation transformation, and further improved the IT research and development ecosystem. During the reporting period, the Group's flight transfer rate at the Guangzhou and Beijing hubs achieved 19.8% and 11.6%, respectively.



5. Reform and Development

During the reporting period, the Group further promoted the functional mission-oriented reform and the reform of systems and mechanisms to enhance core competitiveness. We accelerated the development of strategic and emerging industries highly relevant to civil aviation and established an incentive mechanism to support the technological innovation and the development of strategic and emerging industries; set up major scientific and technological breakthrough projects, and published the first set of self-developed high-level view system products, which enabled the flight planning system fully autonomous and controllable. We continued to improve the modern corporate governance of state-owned enterprises with Chinese characteristics, amended the Articles of Association and enhanced the standardised operation of the Board of Directors; promoted the expansion of the tenure system and contractual management, conducted the competitive selection of managers on a regular basis, and comprehensively implemented the adjustment to the lowest level and incompetent identification system.

6. Social Responsibility

During the reporting period, the Group proactively fulfilled its social responsibilities and continued to promote the assistance efforts in industrial revitalisation. We comprehensively promoted green development, took the lead in compiling the first plastic-restricted group standard for civil aviation in China, and implemented special assessments for energy conservation and environmental protection; organised the activity of energy conservation publicity week, launched “Earth Day” as well as “Social Responsibility Day” themed flights, and received an AA rating from China Reform ESG rating for its efforts made in sustainable development. We continued to innovate the initiatives of rural revitalisation and poverty alleviation, and vigorously promoted seven assistance models, including industrial revitalisation, consumption poverty alleviation, assistance in the air, knowledge education, skills training, civilisation demonstration villages, and volunteer services. During the reporting period, the fuel consumption per tonne-kilometre of the Company was reduced to 2.572 tonnes/10,000-tonne-kilometres.

MANAGEMENT DISCUSSION AND ANALYSIS

IV. SUMMARY OF OPERATING DATA

	For the six months ended 30 June		Increase/ (decrease) %
	2024	2023	
Traffic			
Revenue passenger kilometers (RPK) (million)			
Domestic	111,841.40	96,670.00	15.69
Hong Kong, Macau and Taiwan	1,224.88	747.66	63.83
International	32,570.62	11,710.03	178.14
Total:	145,636.90	109,127.69	33.46
Revenue tonne kilometers (RTK) (million)			
Domestic	10,569.91	9,145.98	15.57
Hong Kong, Macau and Taiwan	121.99	74.49	63.78
International	6,624.24	4,059.01	63.20
Total:	17,316.14	13,279.47	30.40
RTK – Passenger (million)			
Domestic	9,789.32	8,508.76	15.05
Hong Kong, Macau and Taiwan	107.00	65.38	63.66
International	2,861.01	1,034.34	176.60
Total:	12,757.33	9,608.48	32.77
RTK – Cargo (million)			
Domestic	780.59	637.22	22.50
Hong Kong, Macau and Taiwan	14.99	9.11	64.59
International	3,763.23	3,024.67	24.42
Total:	4,558.81	3,671.00	24.18
Passengers carried (thousand)			
Domestic	70,442.01	61,588.85	14.37
Hong Kong, Macau and Taiwan	971.57	647.38	50.08
International	8,023.16	2,772.01	189.43
Total:	79,436.75	65,008.25	22.19
Cargo and mail carried (thousand tonnes)			
Domestic	452.98	379.50	19.36
Hong Kong, Macau and Taiwan	13.59	8.23	65.14
International	420.67	318.75	31.98
Total:	887.24	706.48	25.59



	For the six months ended 30 June		Increase/ (decrease) %
	2024	2023	
Capacity			
Available seat kilometres (ASK) (million)			
Domestic	133,845.85	127,731.33	4.79
Hong Kong, Macau and Taiwan	1,589.97	1,024.56	55.19
International	39,885.45	15,274.98	161.12
Total:	175,321.27	144,030.87	21.72
Available tonne kilometres (ATK) (million)			
Domestic	15,037.53	14,552.57	3.33
Hong Kong, Macau and Taiwan	188.75	133.40	41.49
International	9,446.27	5,778.40	63.48
Total:	24,672.55	20,464.38	20.56
ATK – Passenger (million)			
Domestic	12,046.13	11,495.82	4.79
Hong Kong, Macau and Taiwan	143.10	92.21	55.19
International	3,589.69	1,374.75	161.12
Total:	15,778.91	12,962.78	21.72
ATK – Cargo (million)			
Domestic	2,991.40	3,056.75	(2.14)
Hong Kong, Macau and Taiwan	45.66	41.19	10.84
International	5,856.58	4,403.66	32.99
Total:	8,893.64	7,501.60	18.56

MANAGEMENT DISCUSSION AND ANALYSIS

	For the six months ended 30 June		Increase/(decrease) percentage point
	2024	2023	
Load factor			
Passenger load factor (RPK/ASK) (%)			
Domestic	83.56	75.68	7.88
Hong Kong, Macau and Taiwan	77.04	72.97	4.06
International	81.66	76.66	5.00
Average:	83.07	75.77	7.30
Total load factor (RTK/ATK) (%)			
Domestic	70.29	62.85	7.44
Hong Kong, Macau and Taiwan	64.63	55.84	8.79
International	70.13	70.24	(0.12)
Average:	70.18	64.89	5.29

	For the six months ended 30 June		Increase/ (decrease) %
	2024	2023	
Yield			
Yield per RPK (RMB)			
Domestic	0.50	0.54	(7.41)
Hong Kong, Macau and Taiwan	0.77	0.94	(18.09)
International	0.47	0.66	(28.79)
Average:	0.49	0.56	(12.50)
Yield per RFTK (RMB)			
Domestic	0.94	1.29	(27.13)
Hong Kong, Macau and Taiwan	7.20	8.34	(13.67)
International	2.10	2.08	0.96
Average:	1.91	1.96	(2.55)
Yield per RTK (RMB)			
Domestic	5.34	5.83	(8.40)
Hong Kong, Macau and Taiwan	8.57	10.50	(18.38)
International	3.48	3.45	0.87
Average:	4.65	5.13	(9.36)



	For the six months ended 30 June		Increase/ (decrease) %
	2024	2023	
Cost			
Main business cost per ATK (RMB)	3.10	3.20	(3.13)
Flight Volume			
Kilometers flown (million)	962.74	820.05	17.40
Hours flown (thousand)			
Domestic	1,247.59	1,188.84	4.94
Hong Kong, Macau and Taiwan	14.20	8.67	63.88
International	274.81	129.23	112.66
Total:	1,536.60	1,326.73	15.82
Number of flights (thousand)			
Domestic	496.97	482.82	2.93
Hong Kong, Macau and Taiwan	6.62	4.47	48.04
International	52.90	21.80	142.69
Total:	556.49	509.09	9.31

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.

MANAGEMENT DISCUSSION AND ANALYSIS

V. SUMMARY OF FLEET DATA

As at 30 June 2024, the scale and structure of fleet, the age of aircraft and the delivery and disposal of aircraft of the Group were as follows:

Unit: number of aircraft

Models	Number of aircraft purchased	Number of aircraft under finance lease	Number of aircraft under operating lease	Average age (year)	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	2.8	0	0	20
A330 Series	9	18	5	9.5	0	4	32
A320 Series	154	67	144	9.4	12	7	365
B787 Series	9	21	10	7.3	1	0	40
B777 Series	1	14	0	7.7	0	0	15
B737 Series	142	60	179	10.4	6	11	381
EMB190	4	0	0	10.9	0	2	4
ARJ21	7	25	0	2.0	3	0	32
Freighter							
B777 Series	10	7	0	9.0	0	0	17
B737 Series	0	0	1	17.9	1	0	1
Total	342	226	339	9.3	23	24	907

As at 30 June 2024, except for the new purchase commitment of C919 series aircraft during the reporting period, the current information in relation to the capital expenditure plan and relevant financing plan for aircraft and related equipment has not changed materially from the information disclosed in the 2023 annual report of the Company.



VI. MAJOR INFORMATION OF OPERATIONS DURING THE REPORTING PERIOD

(I) Analysis on Changes in Financial Statements Related Items

Unit: RMB million

Items	January to June 2024	January to June 2023	Increase/ (decrease) %
Operating revenue	84,790	71,830	18.04
Operating expenses	84,126	72,204	16.51
Net cash generated from operating activities	12,893	16,831	(23.40)
Net cash used in investing activities	(9,776)	(4,505)	117.00
Net cash used in financing activities	(3,090)	(19,189)	(83.90)

(II) Operating Revenue Analysis

In the first half of 2024, the Group recorded operating revenue of RMB84,790 million, representing a year-on-year increase of 18.04%. Among which, traffic revenue was RMB80,494 million, representing a year-on-year increase of 18.13%, mainly due to an increase of passenger revenue. Passenger revenue was RMB71,764 million, which has increased in line with the increase of passengers during the reporting period. Cargo and mail revenue was RMB8,730 million, representing a year-on-year increase of 21.59%, mainly resulted from the increase of freight traffic volume during the reporting period. Revenue from other businesses was RMB4,296 million, representing a year-on-year increase of 16.36%, mainly due to an increase in revenue from commission income, hotel and tour operation income and air catering service income.

Unit: RMB million

Items	January to June 2024	January to June 2023	Increase/ (decrease) %
Traffic revenue	80,494	68,138	18.13
Including: Passenger	71,764	60,958	17.73
Cargo and mail	8,730	7,180	21.59
Other operating revenue	4,296	3,692	16.36
Total operating revenue	84,790	71,830	18.04

MANAGEMENT DISCUSSION AND ANALYSIS

Passenger Revenue by Region

Unit: RMB million

Items	January to June 2024	January to June 2023	Increase/ (decrease) %
Domestic	55,662	52,523	5.98
International	15,164	7,729	96.20
Hong Kong, Macau and Taiwan	938	706	32.86
Total	71,764	60,958	17.73

Cargo and Mail Revenue by Region

Unit: RMB million

Items	January to June 2024	January to June 2023	Increase/ (decrease) %
Domestic	736	823	(10.57)
International	7,886	6,281	25.55
Hong Kong, Macau and Taiwan	108	76	42.11
Total	8,730	7,180	21.59

(III) Operating Expenses Analysis

Operating expenses	January to June 2024		January to June 2023		Increase/ (decrease) (%)
	RMB Million	Percentage (%)	RMB Million	Percentage (%)	
Flight operation expenses	41,270	49.06	34,388	47.63	20.01
Maintenance expenses	7,351	8.74	6,530	9.04	12.57
Aircraft and transportation service expenses	14,545	17.29	11,977	16.59	21.44
Promotion and selling expenses	3,179	3.78	2,872	3.98	10.69
General and administrative expenses	2,064	2.45	1,922	2.66	7.39
Depreciation and amortisation	13,935	16.56	12,997	18.00	7.22
Hotel and tour operation expenses	411	0.49	331	0.46	24.17
External air catering service expenses	243	0.29	200	0.28	21.50
Financial institution charges	79	0.09	66	0.09	19.70
Cargo handling expenses	148	0.18	198	0.27	(25.25)
Reversal of impairment losses on property, plant and equipment	(304)	(0.36)	–	Not applicable	Not applicable
Others	1,206	1.43	723	1.00	66.80
Total operating expenses	84,126	100.00	72,204	100.00	16.51

Total operating expenses in the first half of 2024 amounted to RMB84,126 million, representing an increase of RMB11,922 million or 16.51% as compared to the first half of 2023. Total operating expenses accounted for 99.22% of total operating revenue, representing a decrease of 1.30 percentage points as compared to the same period last year.

Flight operating expenses, accounted for 49.06% of the total operating expenses, increased by 20.01% to RMB41,270 million as compared to the same period last year, mainly due to the increase of operating expenses as a result of the increased flight volume.

Maintenance expenses accounted for 8.74% of total operating expenses, increased by 12.57% to RMB7,351 million as compared to the same period last year, mainly due to the increase in aircraft utilisation rate as a result of the increased flight volume.

Aircraft and transportation service expenses, accounted for 17.29% of total operating expenses, increased by 21.44% to RMB14,545 million as compared to the same period last year, mainly due to the increase in landing and navigation fee as a result of the increase in the amounts of take-off and landing.

Promotion and selling expenses accounted for 3.78% of total operating expenses, increased by 10.69% to RMB3,179 million as compared to the same period last year, mainly due to the increase in sales commissions and computer reservation services expenses as a result of the increased flight volume.

Depreciation and amortisation accounted for 16.56% of total operating expenses, increased by 7.22% to RMB13,935 million as compared to the same period last year, mainly due to the increase in depreciation and amortisation of engines as a result of the increased flight hours.

Others represent the expenses related to other operating revenues, including sales of aviation materials expenses, pilot training expenses and maintenance service expenses. The increase of others was mainly due to an increase of sales of aviation materials and an increase of other expenses as result of the recovery of the industry.

MANAGEMENT DISCUSSION AND ANALYSIS

(IV) Cash Flow Analysis

In the first half of 2024, the Group recorded a net cash inflow from operating activities of RMB12,893 million, decreased by 23.40% from RMB16,831 million in the first half of last year. Net cash used in investment activities was RMB9,776 million, representing an increase of 117.00% as compared to RMB4,505 million in the same period of last year, mainly due to the increase in cash paid for the purchase of long-term assets during the reporting period. The net cash used in financing activities was RMB3,090 million, decreased by 83.90% from RMB19,189 million in the first half of last year, mainly due to the decrease in repayment of ultra-short-term financing bills during the reporting period. As at 30 June 2024, the cash and cash equivalents of the Group amounted to RMB9,553 million, which was stable as compared to 31 December 2023.

(V) Liquidity, Financial Resources and Capital Structure

1. Analysis on Assets and Liabilities Structure

Unit: RMB million

Items	30 June 2024	Percentage of total assets/ liabilities (%)	31 December 2023	Percentage of total assets/ liabilities (%)	Increase/ (decrease) (%)	Change of percentage point of total assets/ liabilities
Other equity instrument investments	374	0.12	547	0.18	(31.63)	(0.06)
Trade receivables	4,732	1.50	3,161	1.02	49.70	0.48
Other receivables	12,017	3.81	9,167	2.96	31.09	0.85
Assets held for sale	585	0.19	198	0.06	195.45	0.13
Amounts due from related companies	451	0.14	324	0.10	39.20	0.04
Amounts due to related companies	21	0.01	36	0.01	(41.67)	/

As of 30 June 2024, total assets of the Group amounted to RMB315,422 million, representing an increase of 1.88% as compared to 31 December 2023, among which, current assets were RMB32,577 million, accounting for 10.33% of the total assets, while non-current assets were RMB282,845 million, accounting for 89.67% of the total assets. Other equity instrument investments amounted to RMB374 million, accounting for 0.12% of the total assets, representing a decrease of 31.63% as compared to 31 December 2023, mainly due to the losses from changes in fair value of equity holdings. Trade receivables amounted to RMB4,732 million, accounting for 1.50% of the total assets, representing an increase of 49.70% as compared to 31 December 2023, mainly due to the increase of air ticket receivables. Other receivables amounted to RMB12,017 million, accounting for 3.81% of the total assets, representing an increase of 31.09% as compared to 31 December 2023, mainly due to an increase in government subsidies receivable and rebate from aircraft equipment manufacturers. Assets held for sale amounted to RMB585 million, accounting for 0.19% of the total assets, representing an increase of 195.45% as compared to 31 December 2023, mainly due to the increase of aircraft held for sale. Amounts due from related companies amounted to RMB451 million, accounting for 0.14% of the total assets, representing an increase of 39.20% as compared to 31 December 2023, mainly due to an increase in dividends receivable from related companies.

As at 30 June 2024, total liabilities of the Group amounted to RMB263,589 million, representing an increase of 2.47% as compared to the beginning of the period, among which, current liabilities were RMB140,253 million, accounting for 53.21% of the total liabilities; non-current liabilities were RMB123,336 million, accounting for 46.79% of the total liabilities.

The Group's interest-bearing liabilities classified by currencies are as follows:

Unit: RMB million

	30 June 2024		31 December 2023		
	Amount	Proportion (%)	Amount	Proportion (%)	Change (%)
USD	43,298	20.63	43,742	21.34	(1.02)
RMB	164,727	78.49	159,084	77.60	3.55
Others	1,845	0.88	2,172	1.06	(15.06)
Total	209,870	100.00	204,998	100.00	2.38

Net exchange loss of RMB456 million was recorded by the Group in the first half of 2024, as compared with a net exchange loss of RMB1,347 million in the corresponding period of 2023, mainly due to the lower devaluation rate of Renminbi against the USD during the reporting period compared with the same period last year.

2. Debt Paying Ability Analysis

As at 30 June 2024, the Group's debt ratio (total liabilities divided by total assets) was 83.57%, representing an increase of 0.48 percentage point as compared to 83.09% as at 31 December 2023. As at 30 June 2024, the Group's current ratio (current assets divided by current liabilities) was 23.23%, representing an increase of 2.52 percentage points as compared to 31 December 2023. As at 30 June 2024, the Group has obtained credit facilities of approximately RMB467,610 million in aggregate granted by several banks and other financial institutes, among which approximately RMB133,965 million has been utilised and the unutilised amount was approximately RMB333,645 million. Management believes that these credit facilities are sufficient for the Group to meet the requirement of working capital and future capital commitments.

3. Major Restricted Assets at the End of the Reporting Period

As at 30 June 2024, restricted deposits with banks and other financial institutes of the Group was approximately RMB141 million and certain aircraft with a carrying value of approximately RMB796 million were mortgaged under certain loans. Save as disclosed above, the Group has no other restricted assets.

VII. OTHER DISCLOSURE MATTERS

(I) 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) (if any)	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 Airlines Company Limited	Air passenger and cargo transportation	No	Capital injection	4,680	39%	No	Interest in associates	Own funds	/	/	Equivalent to RMB3.744 billion have been fully paid-up	N/A	Investment loss of RMB1,385 million	No	30 December 2023 30 April 2024	http://www.sse.com.cn/

MANAGEMENT DISCUSSION AND ANALYSIS

2. Major Non-equity Investment

On 29 April 2024, the Company entered into an agreement with Commercial Aircraft Corporation of China, Ltd. to purchase 100 C919 series aircraft from it. For details, please refer to the announcement of Major Transaction in relation to Purchase of Aircraft disclosed on the Stock Exchange on 29 April 2024 and the Announcement on the Purchase of Domestic Aircraft by China Southern 《南方航空關於購買國產飛機的公告》 of the Company disclosed on China Securities Journal, Shanghai Securities News, Securities Times and on the website of the SSE on 30 April 2024.

3. Financial Assets Carried at Fair Value

Unit: RMB million

Asset class	Opening balance	Gains or losses from changes in fair value during the period	Accumulated fair value change included in equity	Impairment for the current period	Amount of purchase during the period	Amount of disposal/redemption during the period	Other changes	Closing balance
Shares	573	(151)	285	/	/	/	/	422
Derivatives	4	11	3	/	19	(11)	/	23
Others	6,253	89	145	/	/	(606)	/	5,736
Total	6,830	(51)	433	/	19	(617)	/	6,181

(1) SECURITIES INVESTMENT

Unit: RMB million

Security type	Security code	Security abbreviation	Initial investment cost	Sources of funds	Beginning book value	Gains or losses from changes in fair value during the period	Accumulated fair value changes included in equity	Amount purchased during the period	Amount sold during the period	Profit and loss from investment during the period	Closing book value	Accounting item
Shares	000099	Citic Offshore Helicopter Co., Ltd.	9	/	26	22	29	/	/	/	48	Other non-current financial assets
Others	N/A	China Aircraft Services Limited	2	/	1	/	(1)	/	/	/	1	Other non-current financial assets
Others	N/A	Aviation Data Communication Corporation	1	/	30	1	23	/	/	/	31	Other non-current financial assets
Shares	00696	TravelSky Technology Limited	33	/	547	(173)	256	/	/	/	374	Other equity instrument investments
Total	/	/	45	/	604	(150)	307	/	/	/	454	/

(2) PRIVATE EQUITY INVESTMENT

Nil.

(3) DERIVATIVE INVESTMENT

Derivative investment for the purpose of hedging during the reporting period

Unit: RMB million

Type of derivative investment	Initial investment amount	Beginning book value	Gains or losses from changes in fair value during the period	Accumulated fair value changes included in equity	Amount purchased during the reporting period	Amount sold during the reporting period	Closing book value	Proportion of closing book value in the Company's closing net assets (%)
Jet fuel forward contracts	0	4	11	3	0	(11)	4	0.008
Total	0	4	11	3	0	(11)	4	0.008

Remarks on whether there have been material changes in the accounting policy and accounting measurement principles for the hedging business during the reporting period as compared with the previous reporting period

At initial recognition, the Group recognises jet fuel forward contracts as financial assets or financial liabilities measured at fair value through profit or loss based on the business model for managing financial instruments and the contractual cash flow characteristics of the financial instruments. After initial recognition, such financial instruments were subsequently measured at fair value, with gains or losses included in profit or loss. There were no material changes as compared to the previous reporting period.

Remarks on actual profit or loss during the reporting period

During the reporting period, the Group did not enter into new forward contract. Certain jet fuel forward contracts amounting to RMB11 million have been settled and investment gain of RMB11 million has been recognized during the reporting period.

Remarks on the effects of hedging

Based on the comparison on major terms, the target for hedging has been achieved.

Source of funds for derivative investment

Credit facilities from financial institutions and its own funds

Remarks on risk analysis and control measures of derivative positions during the reporting period (including but not limited to market risk, liquidity risk, credit risk, operational risk and legal risk, etc.)

During the reporting period, derivative positions were exposed to market, liquidity, credit, policy and other types of risks. Following the hedging principles, the Company selected derivatives with simple structure, high liquidity and recognisable risks, established and improved the derivative business management system, strengthened counterparty management and appraisal and adopted other measures to actively manage and control risks.

Changes in market price or product fair value of invested derivatives during the reporting period, where specific methods and relevant assumptions and parameters used shall be disclosed in the analysis of derivatives' fair value

At the end of June 2024, the fair value of jet fuel forward contracts was RMB4 million, and there were no stock exchange rate and interest rate hedging contracts. The fair value of jet fuel forward contracts is mainly calculated based on crude oil futures prices during the corresponding lock-up period.

Lawsuits involved (if applicable)

N/A

Disclosure date of announcement of the board on approving derivative investment (if any)

On 27 March 2024, the Company held the nineteenth meeting of the 9th session of the Board of the Company to consider and approve the hedging plan and proposal of the Company for 2024.

Disclosure date of announcement of the general meeting on approving derivative investment (if any)

N/A

MANAGEMENT DISCUSSION AND ANALYSIS

(II) Major Assets and Shareholding Disposal

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

(III) Analysis on Major Controlling Companies

1. Main Operational Information of Six Airline Subsidiaries of the Group:

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	211	23.26	20,407.10	25.69	107,434.6	12.11	3,341.23	19.30	34,803.10	23.90
Shantou Airlines	21	2.32	1,935.46	2.44	6,910.5	0.78	241.18	1.39	2,633.50	1.81
Zhuhai Airlines	18	1.98	1,485.78	1.87	4,929.2	0.56	214.28	1.24	2,381.77	1.64
Guizhou Airlines	20	2.21	1,969.01	2.48	11,021.4	1.24	267.79	1.55	2,859.30	1.96
Chongqing Airlines	30	3.31	2,907.79	3.66	11,360.4	1.28	405.97	2.34	4,407.99	3.03
Henan Airlines	30	3.31	2,911.45	3.67	18,712.8	2.11	391.54	2.26	4,150.13	2.85

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

2. Analysis on Major Controlling Companies

(1) XIAMEN AIRLINES

Xiamen Airlines was established in August 1984 with registered capital of RMB14 billion. The legal representative is Xie Bing. The Company holds 55% of the shares in Xiamen Airlines; Xiamen Jianfa Group Co., Ltd. and Fujian Investment & Development Group Co., Ltd. also hold 34% and 11% of the shares in Xiamen Airlines, respectively.

During the reporting period, Xiamen Airlines recorded an operating revenue of RMB17,764 million, representing a year-on-year increase of 14.45%; and net profit of RMB191 million was recorded as compared with net profit of RMB235 million for the same period of the previous year. As at 30 June 2024, Xiamen Airlines' total assets amounted to RMB57,325 million, and net assets amounted to RMB20,290 million.

(2) CSA LOGISTICS

CSA Logistics was established in June 2018 with registered capital of RMB1.818 billion. The legal representative is Li Xiao. CSA Logistics is owned as to 55% by the Company.

During the reporting period, CSA Logistics recorded an operating revenue of RMB9,226 million, representing a year-on-year increase of 18.31%; and net profit of RMB1,712 million was recorded as compared with net profit of RMB1,258 million for the same period of the previous year. As at 30 June 2024, CSA Logistics's total assets amounted to RMB19,190 million, and net assets amounted to RMB15,401 million.



(IV) Potential Risks

1. Macro Environment Risks

(1) RISKS OF FLUCTUATION IN MACRO ECONOMY

The degree of prosperity of the civil aviation transportation industry is closely linked to the status of the development of the domestic and international macro economy. The degree of prosperity of macro economy has a direct impact on the development of economic activities, the disposable income of the residents and the increase or decrease in 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 MACROECONOMIC 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.

2. 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.

3. Industry Risks

(1) RISKS OF INTENSIFIED 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, it 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 transportation, railway transportation and road transportation. With the improving high-speed rail network, if the Company fails to develop an effective marketing strategy to deal with high-speed rail competition, it may affect the Company's operating efficiency.

MANAGEMENT DISCUSSION AND ANALYSIS

4. 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 safety 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 and service, etc. may be affected, as a result of which the Company may be affected and suffer losses.

(3) RISKS OF HIGH CAPITAL EXPENDITURE

The major capital expenditure of the Company is to purchase aircraft. In recent years, the Company has been optimising the aircraft 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 suffers from a severe downturn, it may lead to the significant drop in the operating profit, financial distress and other problems.

5. Financial Risks of the Company

(1) RISKS OF FLUCTUATION IN EXCHANGE RATE

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 center. Substantial of the Group's lease liabilities are denominated in foreign currencies, principally US dollars, Euro and Japanese Yen. Depreciation or appreciation of Renminbi against foreign currencies therefore affects the Group's results significantly. In particular, fluctuations in exchange rate of US dollar against Renminbi will have a material impact on the Group's finance expense. Assuming risks other than exchange rate remain unchanged, the shareholders' equity of the Group will increase (or decrease) by RMB322 million and the net loss of the Group will decrease (or increase) by RMB322 million during the reporting period in the case of each and every 1% increase (or decrease) of the exchange rate of RMB to US dollar at 30 June 2024.

(2) RISKS OF FLUCTUATION IN JET FUEL PRICE

The jet fuel cost is the most major expenditure for the Group. Both the fluctuation in the international crude oil prices and the adjustment of domestic fuel prices by the NDRC have a big impact on the cost of the Group. Although the Group has adopted various fuel-saving measures to decrease the fuel consumption volume, provided there is significant fluctuation in the international oil prices, the operating results of the Group may be significantly affected. Assuming that the fuel oil consumption remains unchanged, in the case of each and every 10% increase or decrease on average in fuel price during the reporting period, the Group's operating expenses would increase or decrease by RMB2,789 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 the "Notice on Questions about Establishing Linked Pricing Mechanism for Fuel Surcharges of Domestic Routes and Jet Fuel" jointly published by the NDRC and the CAAC in 2009, airlines may, within a prescribed scope, make their own decision as to fuel surcharges for domestic routes. The linked pricing mechanism, to a certain extent, reduces the Group's exposure to fluctuation in jet fuel price.

(3) RISKS OF FLUCTUATION IN INTEREST RATE

Since the civil aviation industry is featured with high investments, the gearing ratio of the airlines is generally high. Therefore, the interest rate fluctuation resulting from the change of capital in the market has a relatively greater influence on the Group's financial expense, so as to further affect the Group's operating results. During the reporting period, assuming all other risk variables other than interest rate remained constant, 100 basis point increase (or decrease) of the Group's comprehensive capital cost would decrease (or increase) shareholders' equity of the Group by the amount of RMB297 million and increase (or decrease) net loss of the Group by the amount of RMB297 million during the reporting period. As at 30 June 2024, the gearing ratio (defined as total borrowings divided by total equity) of the Group was 239%.

(V) *Business Plans for the Second Half of 2024*

In the second half of 2024, the International Monetary Fund expects that global inflation will continue to decline, and the uncertainty faced by the global economy will increase due to trade conflicts, geopolitical situation and other factors. China will adhere to the general principle of seeking progress while maintaining stability, devote greater efforts to stimulate market vitality and endogenous power for development, consolidate and boost the momentum of economic recovery, and promote the sustained and healthy development of the economy. The International Air Transport Association expects that the revenue of the global civil aviation industry will reach US\$996 billion in 2024, representing a year-on-year increase of 9.7%, and the global passenger traffic volume will reach 4.96 billion.

In the face of various challenges, the Group will accurately grasp the changes in the situation, take high-quality development as its primary task, firmly guard the safety bottom line, enhance and improve operational standards, continuously improve the quality of operation and service, accelerate the implementation of significant strategies, facilitate the deepening and improvement of reform in-depth, and constantly stride forward towards the goal of building the Group into a world-class aviation transportation enterprise.

1. Firmly Guarding the Safety Bottom Line

The Group will coordinate development and safety, utilise the seven safety systems to improve the safety governance capability, ensuring the "two absolute safeties". We will strengthen the quality control of professional team training, improve the safety data-driven training mechanism and conduct regular performance evaluations of flight instructors and inspectors; we will refine the international long-range route security plan by adopting the "one flight, one policy", with priority given to preventing extreme and complex weather, mechanical failure and other phased risks; we will also tap the potential of aircraft big data to advance the building of a preventive model of safety governance. In the second half of 2024, the Group will continue to maintain the stable trend of safety operations.

2. Improving the Level of Operation and Management

The Group will make layout plans in advance, implement cost reduction and efficiency improvement measures, and focus on improving the effectiveness of operation and management. We will improve the accuracy of market forecasting and balance the relationship between air ticket fares and the market; we will explore the opportunities in the lower-tier cities market and optimise air-rail intermodal products and services; we will vigorously advance complete access to the network and promote the recovery and development of potential markets; we will strengthen cooperation with external airlines and improve overseas operating capabilities; we will seize the opportunities of lithium battery goods in cross-border e-commerce and strengthen cooperation with e-commerce platforms customers. We will strengthen the air-ground network linkage, improve the belly-hold operation capacity and improve the efficiency of cost management and refined management.

MANAGEMENT DISCUSSION AND ANALYSIS

3. Improving Operation Service Quality

The Group will continue to improve operational efficiency and comprehensively enhance service quality. We will scientifically schedule aircraft mission sequences, reduce route costs and utilise the value of operation control. We will optimise flight management strategies under complex weather and make every effort to improve flight punctuality. We will optimise the service quality competitiveness model from the perspective of customers to enhance the travel experience of passengers. We will advance the deep integration of services and marketing, and vigorously promote products and services that meet market demands. We will plan themed flights and activities around major hotspots and important festivals to continuously promote the brand image of CSA.

4. Accelerating the Implementation of Strategies

The Group will maintain strategic focus, and make every effort to promote the implementation of the strategic targets. We will continue to build the Guangzhou and Beijing hubs with high quality, improve the transit capability of the Guangzhou hub and enhance the market control; we will strive for the new time slot resources at Daxing Airport to enhance the breadth and depth of the route network; we will further promote the adjustment and optimisation of the five major structures as well as the special action of “making up for shortcomings, improving quality, and striving for first-class”; we will deeply promote ecosystem construction and digitalisation transformation, explore the establishment of an intelligent recommendation platform for ecosystem-based products, and accelerate the completion of key targets such as IT R&D ecosystem, digitalisation support capability and network security.

5. Facilitating the Deepening and Improvement of Reform

The Group will coordinate and promote the functional and mission-oriented reform and the reform of systems and mechanisms. We will accelerate the development of supporting systems and mechanisms for technological innovation, set up special technological innovation incentives, explore the application of large models in the field of civil aviation, and accelerate the construction of the algorithm centre; we will establish the working mechanism for the Company’s strategic emerging industries; we will improve the operation system of the Board, and implement the “one policy for one enterprise” authorisation management among subsidiaries. We will deepen a new management responsibility system and further strengthen the application of the tenure system and contractual evaluation results; we will facilitate the refined management of total salary and labour costs and enhance the linkage mechanism of salary and performance.

CORPORATE GOVERNANCE

I. GENERAL MEETINGS

During the reporting period, on 24 May 2024, the Company held the 2023 Annual General Meeting, at which all resolutions were considered and approved by the shareholders by poll. For details, please refer to (i) the Announcement on Poll Results of 2023 Annual General Meeting of China Southern Airlines disclosed on China Securities Journal, Shanghai Securities News, Securities Times and the website of the SSE on 25 May 2024; and (ii) the announcement of the Company disclosed on the websites of the Stock Exchange and the Company on 24 May 2024.

II. CHANGES IN DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

During the reporting period, the changes in Directors, Supervisors and senior management of the Company were as follows:

Name	Position	Change
Yao Yong	Executive Vice President, Chief accountant and Chief financial officer	Resigned
Chen Dong	Executive Vice President, Chief accountant and Chief financial officer	Appointed
Li Shao Bin	Chief Training Officer	Resigned
Li Ye	COO Flight Safety	Resigned

During the reporting period, the Board of the Company held the 21th meeting of the 9th session of the Board on 24 May 2024, and appointed Mr. Chen Dong as the Executive Vice President, Chief Accountant and Chief Financial Officer of the Company. For details, please refer to the relevant announcements of the Company disclosed on China Securities Journal, Shanghai Securities News, Securities Times and on the website of the SSE on 25 May 2024.

The Company held the first extraordinary general meeting of 2024 on 29 July 2024, and elected Mr. Ma Xu Lun, Mr. Han Wen Sheng and Mr. Luo Lai Jun as executive Directors of the 10th session of the Board of the Company; elected Ms. Pansy Catilina Chiu King Ho, Mr. Guo Wei and Mr. Zhang Jun Sheng as independent non-executive Directors of the 10th session of the Board of the Company; elected Mr. Ren Ji Dong and Mr. Wei Zhen Xing as the shareholder representative Supervisors of the 10th session of the Supervisory Committee of the Company. The Company held the first meeting of the 10th session of the Board on 29 July 2024, and elected Mr. Ma Xu Lun as the chairman of the 10th session of the Board of the Company, elected Mr. Han Wen Sheng as the vice chairman of the 10th session of the Board of the Company, elected members of the special committees under the 10th session of the Board, and appointed senior management of the Company. On the same day, the Company held the first meeting of the 10th session of the supervisory committee and elected Ren Ji Dong, a Supervisor, as the Chairman of the 10th session of the Supervisory Committee of the Company. For details, please refer to the relevant announcements of the Company disclosed on China Securities Journal, Shanghai Securities News, Securities Times and on the website of the SSE on 30 July 2024. The Company held a plenary meeting during the intersessional period of the fifth session of the fifth employees' representative meeting, and elected Mr. Yang Bin as the employees' representative Supervisor of the 10th session of the Supervisory Committee of the Company, for details, please refer to the relevant announcements of the Company disclosed on China Securities Journal, Shanghai Securities News, Securities Times and on the website of the SSE on 17 July 2024.

CORPORATE GOVERNANCE

III. PROPOSALS FOR PROFIT DISTRIBUTION OR THE TRANSFER OF CAPITAL RESERVE TO SHARE CAPITAL

No interim dividend for the six months period ended 30 June 2024 was declared by the Company, and there was no issue of shares by way of conversion of capital reserve. The profit distribution proposal of the Company for the year 2023 was considered and approved at the 2023 annual general meeting of the Company held on 24 May 2024.

IV. EQUITY INCENTIVE PLAN

During the reporting period, the Company did not implement nor had an on-going equity incentive plan.

V. CHANGES OF INFORMATION OF DIRECTORS OR SUPERVISORS UNDER RULE 13.51B (1) OF THE LISTING RULES

Below are the information relating to the changes of Directors or Supervisors required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules:

Ma Xu Lun ceased to act as a member of the Board of Governors of International Air Transport Association.

Lin Xiao Chun concurrently served as a director of China Southern Air Logistics Company Limited.

Guo Wei ceased to act as the Chief Executive Officer of Digital China Group Co., Ltd., the director of Beijing Shougang Fund Co., Ltd., and the executive director and manager of Beijing Qixiang Technology Co., Ltd.

Cai Hong Ping ceased to act as the independent Director of China Eastern Airlines Corporation Limited.

Save as disclosed above, there is no information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

VI. INTERESTS OF THE DIRECTORS AND SUPERVISORS IN THE EQUITY OF THE COMPANY

As at 30 June 2024, none of the Directors, chief executive or Supervisors of the Company had interests or short positions in the shares, underlying shares and/or debentures (as the case may be) of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to the SFO (including interests or short positions which are taken or deemed to have under such provisions of the SFO), or which were required to be recorded in the register maintained by the Company pursuant to section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code as set out in Appendix C3 to the Listing Rules.

VII. SHAREHOLDING OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

During the reporting period, there was no change in shareholding of current Directors, Supervisors and senior management of the Company or the Directors, Supervisors and senior management of the Company who resigned during the reporting period.

During the reporting period, no share incentive was granted to the Directors, Supervisors and senior management of the Company.

VIII. EMPLOYEES

As at 30 June 2024, the Group had an aggregate of 100,378 employees (31 December 2023: 99,468). Staff cost of the Group during the reporting period amounted to RMB14,512 million (six months ended 30 June 2023: RMB14,297 million). The wages of the Group's employees mainly consist of basic salaries and bonuses. The current information in relation to the emolument policy of employees and training plan has not changed materially from the information disclosed in the 2023 annual report of the Company.

IX. COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Board of the Company considers that the Group has complied with the code provisions of the Corporate Governance Code as set out in Part 2 of Appendix C1 to the Listing Rules for the six months ended 30 June 2024.

X. COMPLIANCE WITH THE MODEL CODE

The Company has adopted a code of conduct which is no less stringent than the Model Code as set out in Appendix C3 to the Listing Rules regarding securities transactions of the Directors of the Company. Having made specific enquiries with all the Directors, the Directors have complied with the Model Code and the code of conduct during the six months ended 30 June 2024.

XI. REVIEW OF THE INTERIM REPORT BY THE AUDIT AND RISK MANAGEMENT COMMITTEE

The Audit and Risk Management Committee of the Company, together with the management and the external auditors, have reviewed the accounting principles and practises adopted by the Group and discussed the financial reporting matters, including the review of the interim financial report prepared in accordance with the International Accounting Standards 34.

XII. PURCHASE, SALE AND REDEMPTION OF SHARES

During the six months ended 30 June 2024, neither the Company nor any of its subsidiaries purchased, sold and redeemed any shares of the Company.

ENVIRONMENTAL AND SOCIAL RESPONSIBILITY

I. INFORMATION ON ENVIRONMENTAL PROTECTION

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

1. Information on Pollution Discharge

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

Name of the Company or its subsidiaries	Names of major pollutants and featured pollutants	Method of discharge	Distribution of discharge outlets	Concentration of pollutant discharged	Implemented pollutant discharge standards	Total discharge	Total discharge approved	Excessive discharge
Shenyang Base of the Engineering Technology Branch of China Southern Airlines Company Limited	Wastewater: pH value, suspended solids, COD, total nitrogen, ammonia nitrogen, total phosphorous, petroleum, animal fats and vegetable oils	Intermittent discharge	Wastewater: 1 main outlet	/	Wastewater discharge standard is in accordance with the Integrated Sewage Discharge Standard of Liaoning Province (DB21/1627-2008) and the Integrated Sewage Discharge Standard (GB8978-1996)	/	/	No
	Exhaust gas: non-methane hydrocarbon, benzene series, methylbenzene, xylene, PM, nitrogen oxide, sulfur dioxide, blackness of flue gas	Intermittent discharge	Exhaust gas: 16 exhaust gas outlets	DA001-DA0016/ Boiler exhaust vent (DA015): Sulfur dioxide: 8 mg/m ³ Nitrogen oxides: 144 mg/m ³ PM: 5 mg/m ³ blackness of flue gas: <1	The Emission Standard of Volatile Organic Compounds for Industrial Surface Coating (DB21/3160-2019) and the Integrated Emission Standards for Air Pollutants (GB16297-1996) Boiler exhaust gas implements the Boiler Air Pollutant Emission Standard (GB13271-2014)	/	/	No



Name of the Company or its subsidiaries	Names of major pollutants and featured pollutants	Method of discharge	Distribution of discharge outlets	Concentration of pollutant discharged	Implemented pollutant discharge standards	Total discharge	Total discharge approved	Excessive discharge
	Hazardous waste	Intermittent discharge	5 temporary storage rooms for hazardous waste, 5 underground liquid storage tanks and 2 collection tanks for flushing wastewater	/	The Standard for Pollution Control on the Storage and Disposal Site for General Industrial Solid Wastes (GB18599-2001) and its 2013 Revisions (Notice No. 36 of 2013) were executed to handle solid waste; The relevant provisions of the Pollution Control Standards for Hazardous Waste Storage (GB18597-2001) and its Revisions (Notice No. 36 of the Ministry of Environmental Protection in 2013) were executed to handle hazardous waste; The relevant provisions of the Directory of National Hazardous Wastes were executed for the classification of industrial solid wastes.	900-404-06 Detergent 265.41t 900-214-08 Used lubricating oil, engine oil 9.75t 900-218-08 Used hydraulic oil 2.5t 900-249-08 Waste jet fuel 9.26t 900-007-09 Waste emulsion, waste cutting fluid 0t 900-252-12 Paint slag 0t 231-001-16 Photographic chemical wastes 0t 900-039-49 Waste activated charcoal 6t 900-041-49 Waste contaminants 56.09t 900-999-49 Waste paint 0t	900-404-06 Detergent 650t 900-214-08 Used lubricating oil, engine oil 15t 900-218-08 Used hydraulic oil 15t 900-249-08 Waste jet fuel 25t 900-007-09 Waste emulsion, waste cutting fluid 1t 900-252-12 Paint slag 30t 231-001-16 Photographic chemical wastes 3t 900-039-49 Waste activated charcoal 10t 900-041-49 Waste contaminants 120t 900-999-49 Waste paint 2t	No
Guangzhou Aircraft Maintenance Engineering Co., Ltd.	Exhaust gas	Intermittent discharge	6 exhaust vents in paint hangar	DA001: Benzene: 0.01 mg/m ³ Methylbenzene + Xylene: 0.05mg/m ³ VOCs: 0.19 mg/m ³ PM: <20 mg/m ³ DA002: Benzene: 0.03 mg/m ³ Methylbenzene + Xylene: 0.05 mg/m ³ VOCs: 0.22 mg/m ³ PM: <20 mg/m ³ DA003: Benzene: 0.01 mg/m ³ Methylbenzene + Xylene: 0.05 mg/m ³ VOCs: 0.19 mg/m ³ PM: <20 mg/m ³	Emission Standard of Volatile Organic Compounds for Surface Coating (Motor Industry) DB44/816-2010 Emission Standard of Volatile Organic Compounds for Surface Coating (Motor Industry) DB44/816-2010 Emission Standard of Volatile Organic Compounds for Surface Coating (Motor Industry) DB44/816-2010	/	/	No

ENVIRONMENTAL AND SOCIAL RESPONSIBILITY

Name of the Company or its subsidiaries	Names of major pollutants and featured pollutants	Method of discharge	Distribution of discharge outlets	Concentration of pollutant discharged	Implemented pollutant discharge standards	Total discharge	Total discharge approved	Excessive discharge
Guangzhou Aircraft Maintenance Engineering Co., Ltd.	Waste water	Intermittent discharge		DA004: Benzene: 0.1 mg/m ³ Methylbenzene + Xylene: 0.03 mg/m ³ VOCs: 0.34 mg/m ³ PM: <20 mg/m ³	Emission Standard of Volatile Organic Compounds for Surface Coating (Motor Industry) DB44/816-2010	/	/	No
				DA005: Benzene: 0.08 mg/m ³ Methylbenzene + Xylene: 0.03 mg/m ³ VOCs: 0.42 mg/m ³ PM: <20 mg/m ³	Emission Standard of Volatile Organic Compounds for Surface Coating (Motor Industry) DB44/816-2010	/	/	No
				DA006: Benzene: 0.07 mg/m ³ Methylbenzene + Xylene: 0.02 mg/m ³ VOCs: 0.38 mg/m ³ PM: <20 mg/m ³	Emission Standard of Volatile Organic Compounds for Surface Coating (Motor Industry) DB44/816-2010	/	/	No
			1 exhaust vent in surface treatment workshop	Lanthanum sulfate: ND mg/m ³ (below the detection limit) Mist of chromic acid: 0.016 mg/m ³ Nitrogen oxides: ND mg/m ³ (below the detection limit)	Electroplating Pollutant Discharge Standard GB 21900-2008	/	/	No
			1 pretreatment outlet in sewage treatment station	Hexavalent chromium: 0.006mg/L T-Cr: 0.006mg/L	Emission Limits of Water Pollutants DB44/26-2001	/	/	No
			1 main outlet in sewage treatment station	COD: 212 mg/L Five-day BOD: 62.6 mg/L Suspended solids: 8 mg/L Petroleum: 2.2 mg/L Ammonia nitrogen: 5.59 mg/L Anionic surfactant: 2.77 mg/L Phosphate: 0.1 mg/L	Emission Limits of Water Pollutants DB44/26-2001	/	/	No
			1 pretreatment outlet in surface treatment workshop	Hexavalent chromium: 0.007 mg/L T-Cr: 0.007 mg/L	Electroplating Water Pollutant Discharge Standard DB44/1597-2015	/	/	No
			1 main outlet in surface treatment Workshop	COD: ND mg/L (below the detection limit) Suspended solids: 6 mg/L Petroleum: 0.44 mg/L Ammonia nitrogen: 0.059 mg/L Total phosphorus: 0.14 mg/L Total nitrogen: 3.46 mg/L	Electroplating Water Pollutant Discharge Standard DB44/1597-2015	/	/	No

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

2. Construction and Operation of Facilities to Prevent Pollution

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

3. Environmental Impact Assessment of Construction Projects and Other Administrative Permission for Environmental Protection

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

4. Emergency Plans for Environmental Contingencies

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

5. Environment Self-monitoring Solutions

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

ENVIRONMENTAL AND SOCIAL RESPONSIBILITY

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

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

1. Green Flight

During the reporting period, the Company continued to promote fuel saving, with focus on improving single-engine sliding and fuel-efficient launching, retracting flap height, and replacing Auxiliary Power Units (APU) with bridge-mounted equipment, and made progress in fuel saving. The Company pressed ahead with meal-saving activities themed by “Green Flight” to encourage passengers to dine according to needs and cancel meals on a voluntary basis. In the first half of 2024, there were 2.943 million passengers participating in on-demand catering service, and the cumulative number of participants was 15.053 million.

2. Research on “Carbon Peak and Carbon Neutrality”

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

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

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

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

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

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 emergency plans of each secondary unit, so as to establish a complete emergency management system for environmental contingencies.

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

During the reporting period, the Company opened carbon accounts for passengers, which will record the reduced carbon emission behaviors such as cancelling meals, use of electronic check-in and use of E-ticket, and upgraded the passenger flight carbon calculator, launching the passenger carbon offset service on the company's APP. As of the end of June 2024, 600 tons of carbon dioxide had been offset.

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, continued to update the management standards for prohibition and restriction on plastic products, strictly implemented the standards of management and control in the production and procurement links, carried out separate recycling and disposal, and promoted the establishment of industry standards. The Company has worked on 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.

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.

(III) Measures and Effects to Reduce Carbon Emissions during the Reporting Period

During the reporting period, the Company formulated and implemented its "Carbon Peak and Carbon Neutrality" action plan and the relevant implementation plan, and systematically promoted the "Carbon Peak and Carbon Neutrality" related work. Through continuous introduction of new generation highly energy-efficient aircraft, phasing out high-emission aged aircraft, carrying out aircraft weight reduction projects, installing aircraft sharklet, and promoting refined management of jet fuel as well as other aviation carbon emissions reduction measures, the fuel consumption per tonne-kilometre decreased to 2.572 tonnes/10,000-tonne-kilometres. The Company continued to promote the "oil-to-electricity" transformation of ground vehicles, and introduced new energy field vehicles at the proportion set by regulatory requirements. We ensured that aircraft used bridge-mounted air conditioners and bridge-mounted power supplies instead of Auxiliary Power Units (APU) when they were docked, reducing carbon emissions caused by the consumption of aviation kerosene, gasoline and diesel. We promoted energy-saving renovation of existing buildings and upgraded the environmental protection and energy management system.

ENVIRONMENTAL AND SOCIAL RESPONSIBILITY

II. CONSOLIDATE AND EXPAND THE PROGRESS IN POVERTY ALLEVIATION AND RURAL REVITALISATION

In the first half of 2024, the Group strengthened its systematic planning to consolidate and expand the progress in poverty alleviation and rural revitalisation, enhanced its efforts to organize and implement assistance projects and activities, and continued to implement the projects in accordance with the characteristic assistance model of CSA, thereby demonstrating that “rural revitalisation is the responsibility of CSA”.

(I) Strengthened Projects Supervision, Effectively Promoted Implementation and Realisation of Projects

During the reporting period, the Group urged all assistance points to implement assistance projects as scheduled and continued to promote various measures in industry, education, talents, consumption, infrastructure and organizational assistance. The Group made great efforts to attract investment and saw to it that nearly 1,000 job opportunities were created; and various types of training were carried out benefiting 306 grassroots cadres, 458 pace-setters in rural revitalisation and 543 professional and technical talents.

(II) Enhanced Work Innovation, Deepened the Characteristics of CSA with High Quality

During the reporting period, the Group deepened the characteristic assistance model, and continued its efforts in advancing the “CSA Assistance Initiative”, under which we cooperated with the China Association of People with Physical Disabled, the Chinese Red Cross Foundation and other institutions to carry out assistance projects such as the “Standing up Programme (站立計劃)” and “Angel’s Journey – Xinjiang CHD Screening and Rescue Action (天使之旅 – 新疆先心病患兒篩查救助行動)”, providing free and whole-journey aviation services for more than 400 children with congenital diseases and disabilities in Hotan, Xinjiang to get medical treatment.

IMPORTANT MATTERS

I. UNDERTAKINGS

Undertakings given by CSAH, the controlling shareholder of the Company during the reporting period or existing to the reporting period are as follows:

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

IMPORTANT MATTERS

Background of undertaking	Type of undertaking	Undertaking party	Content of undertaking	Time of undertaking	Fulfilment time limit, if any	Term of undertaking	Strict fulfilment in time, if any	Reason for failed fulfilment 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) has 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 sq.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 has an effect on the daily operation of the Company and gives rise to loss, such loss shall be borne by CSAH and CSAH shall have no right to seek recovery from the Company.	December 2019	Yes	Long-term	Yes	Nil	Nil



Background of undertaking	Type of undertaking	Undertaking party	Content of undertaking	Time of undertaking	Fulfilment time limit, if any	Term of undertaking	Strict fulfilment in time, if any	Reason for failed fulfilment in a timely manner	Followup actions, in case of undertakings not fulfilled in a timely manner
	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 has an effect on the normal business operation of the Company and gives rise to loss, such loss shall be borne by CSAH and CSAH shall have no right to seek recovery from the Company.	February 2018	Yes	Long-term	Yes	Nil	Nil
Other Undertaking	Resolving defects in land and other properties	The Company	The Company issued an undertaking to China Southern Airlines General Aviation Limited ("General Aviation Limited") in August 2022 that the Company has injected the relevant assets and liabilities into General Aviation Limited on 1 July 2016 and General Aviation Limited has received all the assets and actually owned, controlled and used. In the event that any third party claims rights against General Aviation Limited due to defective property rights or General Aviation Limited suffers losses due to defective property rights affecting the normal business operations of General Aviation Limited, such losses shall be borne by the Company and the injected assets may be replaced in an appropriate manner if necessary.	August 2022	Yes	Long-term	Yes	Nil	Nil

IMPORTANT MATTERS

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



Background of undertaking	Type of undertaking	Undertaking party	Content of undertaking	Time of undertaking	Fulfilment time limit, if any	Term of undertaking	Strict fulfilment in time, if any	Reason for failed fulfilment in a timely manner	Followup actions, in case of undertakings not fulfilled in a timely manner
Other undertaking	Other	The Company	<p>The Company makes the following undertakings in connection with the proposed application of CSA Logistics for an initial public offering of RMB ordinary shares (A shares) and listing on the main board of the Shanghai Stock Exchange: To fully ensure the independence of the assets and operations of CSA Logistics, for the aforementioned freighters, the Company will effectively operate the relevant freighters during the transition period when Cargo Company does not have the capacity to operate the relevant freighters. The Company will only use the relevant freighters to provide air cargo transportation services for CSA Logistics, and will promptly transfer the relevant freighters to Cargo Company for operation after Cargo Company has the capacity to operate the relevant freighters. In particular:</p> <p>(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).</p>	October 2023	Yes	Until the relevant freighters are delivered to Cargo Company for operation	Yes	Nil	Nil

IMPORTANT MATTERS

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

II. MISAPPROPRIATION OF THE COMPANY'S FUNDS BY ITS CONTROLLING SHAREHOLDER AND RELATED PARTIES FOR NON-OPERATIONAL PURPOSE DURING THE REPORTING PERIOD

During the reporting period, there was no misappropriation of the Company's funds by its controlling shareholder or its related parties for non-operational purposes.

III. GUARANTEES IN VIOLATION

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

IV. APPOINTMENT AND DISMISSAL OF AUDITORS

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

On 24 May 2024, the above-mentioned resolution was considered and passed at 2023 annual general meeting.

V. BANKRUPTCY OR RESTRUCTURING EVENTS

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

VI. MATERIAL LITIGATIONS AND ARBITRATIONS

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

VII. SUSPECTED VIOLATION OF LAWS AND REGULATIONS BY, PUNISHMENT ON AND RECTIFICATION OF THE COMPANY AND ITS DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT, CONTROLLING SHAREHOLDER AND DE FACTO CONTROLLER

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

VIII. DESCRIPTION OF THE CREDIBILITY OF THE COMPANY AND ITS CONTROLLING SHAREHOLDER, DE FACTO CONTROLLER DURING THE REPORTING PERIOD

During the reporting period, the Company did not involve in the above-mentioned situation.

IMPORTANT MATTERS

IX. MATERIAL CONNECTED TRANSACTIONS

(I) Share Issuance

Share Issuance in 2020

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

On 15 April 2020, the Company issued 608,695,652 H shares in total to Nan Lung at the issue price of HK\$5.75 per H share pursuant to the subscription agreement dated 30 October 2019 entered into between the Company and Nan Lung. The net price of each new H share issued under the 2020 H Share Issuance was HK\$5.74 per H share. The gross proceeds and the net proceeds raised from the 2020 H Share Issuance were HK\$3,499,999,999 and RMB3,175,094,454.53 respectively. As of 30 June 2024, all proceeds raised from the 2020 H Share Issuance has been fully utilised. The use of proceeds utilised was consistent with the intended use of proceeds as previously disclosed.

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

Particulars of gross proceeds and the use of proceeds from the 2020 A Share Issuance

Gross proceeds from the 2020 A Share Issuance (RMB)	Intended use of the proceeds as previously disclosed	Utilised proceeds as of 30 June 2024 (RMB)	Unutilised proceeds as of 30 June 2024 (RMB)	Expected timeline for the use of unutilised proceeds
12,782,393,520.97	Procurement of aircraft	8,581,879,615.94	694,205,697.48	On or before 31 December 2024 ^(Note 1)
	Repayment of the Company's borrowings	3,500,000,000.00	0.00	Not applicable

Notes: 1. The expected timeline for the use of unutilised proceeds is determined based on the expected timeline for the Group's aircraft introduction as at the date of this report.

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

(II) A Share Convertible Bonds Issuance

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

On 15 October 2020, the Company has completed the public issuance of 160,000,000 A Share Convertible Bonds in the total amount of RMB16 billion with a nominal value of RMB100 each and the initial conversion price of RMB6.24 per share, out of which CSAH subscribed for 101,027,580 A Share Convertible Bonds.

Pursuant to the approval by the Self-discipline Supervision Decision [2020] No. 355 issued by the SSE, the A Share Convertible Bonds were listed on the SSE on 3 November 2020 with the bond abbreviation of “Nanhang Convertible Bonds (南航轉債)” and the bond code of 110075.

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

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

Particulars of gross proceeds and the use of proceeds from the issuance of the A Share Convertible Bonds:

Gross proceeds from the A Shares	Intended use of the proceeds as previously disclosed	Utilised proceeds as of 30 June 2024 (RMB)	Unutilised proceeds as of 30 June 2024 (RMB)	Expected timeline for the use of unutilised proceeds
16,000,000,000.00	Purchasing aircraft and aviation equipment and maintenance projects	9,445,899,189.33	1,097,476,218.67	On or before 31 December 2025 ^(Note 1)
	Introduction of spare engines	636,228,511.72	0.00	Not applicable
	Supplementing working capital	4,800,000,000.00	0.00	Not applicable

Notes: 1. The expected timeline for the use of unutilised proceeds is determined based on the expected timeline for the Group’s purchasing of aviation equipment and aircraft maintenance as at the date of this report.

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

IMPORTANT MATTERS

As of 30 June 2024, the A Share Convertible Bonds with a nominal value of RMB5,896,304,000 were outstanding. If the outstanding A Share Convertible Bonds were fully converted during the reporting period based on the conversion price of RMB6.17 per share, the Company would have issued approximately 955,640,842 A shares and the total issued shares of the Company would have increased to approximately 19,076,549,268 shares, while the shares held by the controlling shareholder of the Company, CSAH, would have decreased to approximately 63.18% of the total issued shares of the Company. The A Share Convertible Bonds may be conditionally redeemed by the Company during the conversion period. It is expected that the full redemption of the outstanding A Share Convertible Bonds during the reporting period would not have material adverse impact on the financial and liquidity position of the Company. Please refer to notes 12 and 17 to the interim financial report prepared under International Accounting Standard 34 and the section headed “Related Information of Bonds – II. CORPORATE CONVERTIBLE BONDS” for the dilution impact on loss per share that may be brought by the full conversion of the outstanding A Share Convertible Bonds during the reporting period and other details of the A Share Convertible Bonds.

(III) Related party credit and debt transaction

Nil.

(IV) Financial Business between the Company and Its Related Financial Company, and between Financial Company Controlled by the Company and Related Parties

1. Deposits Business

Unit: RMB million

Related party	Related party relationship	The maximum daily deposit limit	Deposit interest rate range	Balance at the beginning of the period	Amount incurred during the period		Balance at the end of the period
					Total amount deposited during the current period	Total amount withdrawn during the current period	
Finance Company	The same controlling shareholder	21,000	0.45%-1.9575%	8,940	204,860	203,820	9,980
Total	/	/	/	8,940	204,860	203,820	9,980

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	The same controlling shareholder	21,000	2.8%-3.3%	7,442	10,607	11,320	6,729
Total	/	/	/	7,442	10,607	11,320	6,729

3. Credit Business and Other Financial Business

Unit: RMB million

Related party	Related party relationship	Type of business	Total amount	Amount incurred
Finance Company	The same controlling shareholder	handling charge	7.5	1
Finance Company	The same controlling shareholder	Comprehensive credit facilities	30,000	9,195

X. MAJOR CONTRACTS

Trust, Contracting and Lease

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

Please refer to the sections headed “Summary of Fleet Data” in “Principal Accounting Information and Financial Indicators” and “Connected Transactions Related to Daily Operation” in “Important Matters” for matters related to the Company’s lease transactions during the reporting period.

XI. CIRCUMSTANCES, REASONS AND EFFECT OF CHANGES IN ACCOUNTING POLICIES, ACCOUNTING ESTIMATES AND ACCOUNTING METHODS COMPARED WITH THE PREVIOUS ACCOUNTING PERIOD

The Group has applied the following amendments to IFRS Accounting Standards issued by the IASB to this interim financial report for the current accounting period:

- Amendments to IAS 1, *Presentation of financial statements: Classification of liabilities as current or non-current* (“**2020 amendments**”)
- Amendments to IAS 1, *Presentation of financial statements: Non-current liabilities with covenants* (“**2022 amendments**”)
- Amendments to IFRS 16, *Leases: Lease liability in a sale and leaseback*
- Amendments to IAS 7, *Statement of cash flows* and IFRS 7, *Financial instruments: Disclosures – Supplier finance arrangements*

IMPORTANT MATTERS

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

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

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

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

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

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

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

Please refer to note 2 to the interim financial report for the impact of the adoption of the IAS 1 amendments.

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

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

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

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

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

I. CHANGES IN SHARE CAPITAL

(I) Changes in Shareholdings

Unit: Share

	31 December 2023		Increase/ (decrease) during January to June 2024	30 June 2024	
	Number of Shares	Percentage (%)		Number of Shares	Percentage (%)
I. Shares subject to trading restrictions					
Shares held by state-owned legal entities	803,571,428	4.43	0	803,571,428	4.43
II. Shares not subject to trading restrictions					
1. RMB ordinary shares	12,673,338,070	69.94	1,620	12,673,339,690	69.94
2. Overseas-listed foreign shares	4,643,997,308	25.63	0	4,643,997,308	25.63
III. Total number of shares	18,120,906,806	100.00	1,620	18,120,908,426	100.00

(II) Description of Change in Shares

The Company publicly issued RMB16 billion Convertible Bonds with the bond abbreviation of “Nanhang Convertible Bonds (南航轉債)” on 15 October 2020. During the reporting period, the total number of shares being converted by the holders of “Nanhang Convertible Bonds (南航轉債)” was 1,620 shares. For details, please refer to the relevant announcements published by the Company on China Securities Journal, Shanghai Securities News and Securities Times and the website of the SSE.



(III) Other Information Considered to be Necessary by the Company or Required to be Disclosed by the Securities Regulatory Authorities

Nil.

(IV) Changes in Shares Subject to Trading Restrictions

Unit: Share

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

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

II. PARTICULARS OF SHAREHOLDERS AND DE FACTO CONTROLLER

(I) Number of Shareholders

As at the end of the reporting period, total number of ordinary shareholders of the Company was 157,330.

(II) Particulars of Shareholdings of Top Ten Shareholders and Top Ten Shareholders Holding the Company's Tradable Shares (or Shareholders Not Subject to Trading Restrictions) as at the End of the Reporting Period

Particulars of the top ten shareholders

Unit: Share

Name of the shareholder (in full)	Increase/ (decrease) during the reporting period	Total number of shares held at the end of reporting period	Shareholding percentage (%)	Number of shares held subject to trading restrictions	Status of pledged, tagged or frozen shares	Capacity of shareholders Number
China Southern Air Holding Company Limited	0	9,404,468,936	51.90	803,571,428	Nil	0 State-owned legal entity
Nan Lung Holding Limited	0	2,612,124,036	14.41	0	Nil	0 State-owned legal entity
HKSCC Nominees Limited	95,000	1,751,018,727	9.66	0	Unknown	- Overseas legal entity
Hong Kong Securities Clearing Company Limited	(49,339,743)	567,613,786	3.13	0	Nil	0 Overseas legal entity
China Securities Finance Corporation Limited	0	320,484,148	1.77	0	Nil	0 State-owned legal entity
American Airlines, Inc.	0	270,606,272	1.49	0	Nil	0 Overseas legal entity
China National Aviation Fuel Group Corporation	0	261,685,354	1.44	0	Nil	0 State-owned legal entity
Spring Airlines Co., Ltd.	50,300	140,346,661	0.77	0	Nil	0 Domestic non-state-owned legal entity
China Structural Reform Fund Co., Ltd.	0	72,077,475	0.40	0	Nil	0 State-owned legal entity
Industrial and Commercial Bank of China Limited - Huatai-PineBridge CSI 300 Traded Open-end Index Securities Investment Fund	23,639,100	63,899,041	0.35	0	Nil	0 Other



Particulars of the top ten shareholders not subject to trading restrictions

Unit: Share

Name of Shareholder	Number of tradable shares held not subject to trading restrictions	Type and number of shares	
		Type	Number
China Southern Air Holding Company Limited	8,600,897,508	RMB ordinary shares	8,600,897,508
Nan Lung Holding Limited	2,612,124,036	Overseas-listed foreign shares	2,612,124,036
HKSCC Nominees Limited	1,751,018,727	Overseas-listed foreign shares	1,751,018,727
Hong Kong Securities Clearing Company Limited	567,613,786	RMB ordinary shares	567,613,786
China Securities Finance Corporation Limited	320,484,148	RMB ordinary shares	320,484,148
American Airlines, Inc.	270,606,272	Overseas-listed foreign shares	270,606,272
China National Aviation Fuel Group Corporation	261,685,354	RMB ordinary shares	261,685,354
Spring Airlines Co., Ltd.	140,346,661	RMB ordinary shares	140,346,661
China Structural Reform Fund Co., Ltd.	72,077,475	RMB ordinary shares	72,077,475
Industrial and Commercial Bank of China Limited - Huatai-PineBridge CSI 300 Traded Open-end Index Securities Investment Fund	63,899,041	RMB ordinary shares	63,899,041
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		

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

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

Unit: Share

No.	Name of shareholder subject to trading restrictions	Number of shares held subject to trading restrictions	Listing status of shares which are subject to trading restrictions		
			Eligible listing time	Number of new listed shares	Conditions for trading restrictions
1	China Southern Air Holding Company Limited	803,571,428	24 November 2025	803,571,428	Non-public issuance of shares subject to trading restrictions
Explanation of the related party relationship or concert party relationship of the above shareholder		CSAH held in 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 connected relationship between other shareholders.			

(III) 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.

(IV) Changes of the Controlling Shareholder or De Facto Controller

During the reporting period, there were no changes of the controlling shareholder or de facto controller of the Company.

III. DISCLOSURE OF INTERESTS

As at 30 June 2024, to the best knowledge of the Directors, chief executive and Supervisors of the Company, the following persons (other than the Directors, chief executive or Supervisors of the Company) had interests or short positions in the shares (“Shares”) or underlying Shares 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	Class 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 Share	14,840,738,255 (L) (Note 1)	110.12%	–	81.90%
	Interest of controlled corporations	H Share	3,503,865,005 (L) (Note 2)	–	75.45%	19.34%
		Sub-total		18,344,603,260 (L)	–	–
Nan Lung	Beneficial owner and interest of controlled corporations	H Share	3,503,865,005 (L) (Note 3)	–	75.45%	19.34%
American Airlines Group Inc. (Note 4)	Interest of controlled corporations	H Share	270,606,272 (L)	–	5.83%	1.49%

Notes:

- As at 30 June 2024, CSAH was directly interested in 14,840,738,255 A Shares of the Company, which included 5,436,269,319 A Shares subscribed under the A Shares Subscription Agreement dated 31 May 2023 entered into between the Company and CSAH (“A Shares Subscription Agreement”). Those A Shares had not been issued as at 30 June 2024. As at the date of this report, the A Shares Subscription Agreement had lapsed and those A Shares will not be issued.
- As at 30 June 2024, CSAH was indirectly interested in 3,503,865,005 H Shares of the Company through its controlled corporations Nan Lung and Perfect Lines (Hong Kong) Limited, a wholly-owned subsidiary of Nan Lung, which included 855,028,969 H Shares subscribed under the H Shares Subscription Agreement dated 31 May 2023 entered into between the Company and Nan Lung (“H Shares Subscription Agreement”) by Nan Lung. Those H Shares had not been issued as at 30 June 2024. As at the date of this report, the H Shares Subscription Agreement had lapsed and those H Shares will not be issued.
- As at 30 June 2024, Nan Lung was interested in 3,503,865,005 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 3,472,715,005 H Shares (which included not more than 855,028,969 H Shares subscribed under the H Shares Subscription Agreement). Those H Shares had not been issued as at 30 June 2024. As at the date of this report, the H Shares Subscription Agreement had lapsed and those H Shares will not be issued.
- 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 13,476,911,118 A Shares, total issued H Shares of 4,643,997,308 H Shares and the total issued Shares of 18,120,908,426 Shares of the Company as at 30 June 2024.

Save as disclosed above, as at 30 June 2024, so far as was known to the Directors, chief executive and Supervisors of the Company, no other person (other than the Directors, chief executive or Supervisors of the Company) had interests or short positions 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.

RELATED INFORMATION OF BONDS

I. CORPORATE BOND (INCLUDING ENTERPRISE BOND) AND NON-FINANCIAL CORPORATE DEBT FINANCING INSTRUMENTS

(I) Corporate Bond (Including Enterprise Bond)

Nil

(II) Non-financial Corporate Debt Financing Instruments in the Interbank Bond Market

Basic information of non-financial corporate debt financing instruments

The table below sets out the non-financial corporate debt financing instruments outstanding of the Group as of the disclosure date of this report:

Unit: RMB million

Name of bonds	Abbreviation	Code	Issuance date	Interest date	Maturity date	Outstanding balance of bonds	Interest rate (%)	Repayment of principal and interest	Trading floor	Trading mechanism	Whether there is a risk of termination of the listing
The fifth tranche of medium-term notes of China Southern Airlines Company Limited in 2020	20 China Southern Airlines MTN005	102000240	2020/3/3	2020/3/5	2025/3/5	1,000.00	3.28%	Pay interests once a year, pay back principal plus interests when due	National Interbank bond market	Price-enquiry transaction approach and one-click-order transaction approach	No
The second tranche of medium-term notes of China Southern Airlines Company Limited in 2021	21 China Southern Airlines MTN002	102101975	2021/9/26	2021/9/28	2024/9/28	3,000.00	3.09%	Pay interests once a year, pay back principal plus interests when due	National Interbank bond market	Price-enquiry transaction approach and one-click-order transaction approach	No
The third tranche of medium-term notes of China Southern Airlines Company Limited in 2021	21 China Southern Airlines MTN003	102103046	2021/11/18	2021/11/22	2024/11/22	3,500.00	3.20%	Pay interests once a year, pay back principal plus interests when due	National Interbank bond market	Price-enquiry transaction approach and one-click-order transaction approach	No
The fourth tranche of medium-term notes of China Southern Airlines Company Limited in 2021	21 China Southern Airlines MTN004	102103343	2021/12/27	2021/12/28	2024/12/28	1,500.00	2.90%	Pay interests once a year, pay back principal plus interests when due	National Interbank bond market	Price-enquiry transaction approach and one-click-order transaction approach	No



Name of bonds	Abbreviation	Code	Issuance date	Interest date	Maturity date	Outstanding balance of bonds	Interest rate (%)	Repayment of principal and interest	Trading floor	Trading mechanism	Whether there is a risk of termination of the listing
The first tranche of medium-term notes of China Southern Airlines Company Limited in 2022	22 China Southern Airlines MTN001	102280279	2022/2/16	2022/2/17	2025/2/17	1,300.00	2.73%	Pay interests once a year, pay back principal plus interests when due	National Interbank bond market	Price-enquiry transaction approach and one-click-order transaction approach	No
The second tranche of medium-term notes of China Southern Airlines Company Limited in 2022	22 China Southern Airlines MTN002	102280597	2022/3/22	2022/3/23	2025/3/23	1,000.00	2.95%	Pay interests once a year, pay back principal plus interests when due	National Interbank bond market	Price-enquiry transaction approach and one-click-order transaction approach	No
The third tranche of medium-term notes of China Southern Airlines Company Limited in 2022	22 China Southern Airlines MTN003	102281130	2022/5/25	2022/5/26	2025/5/26	1,500.00	2.69%	Pay interests once a year, pay back principal plus interests when due	National Interbank bond market	Price-enquiry transaction approach and one-click-order transaction approach	No
The first tranche of medium-term notes of China Southern Airlines Company Limited in 2023	23 China Southern Airlines MTN001	102382762	2023/10/18	2023/10/20	2026/10/20	2,000.00	2.98%	Pay interests once a year, pay back principal plus interests when due	National Interbank bond market	Price-enquiry transaction approach and one-click-order transaction approach	No
The first tranche of Ultra-short-term Financing Bills of China Southern Airlines Company Limited in 2024	24 China Southern Airlines SCP001	012480638	2024/02/28	2024/02/29	2024/08/27	500.00	2.08%	Repayment of the principal and interest in lump sum when due	National Interbank bond market	Price-enquiry transaction approach and one-click-order transaction approach	No
The first tranche of medium-term notes of China Southern Airlines Company Limited in 2024	24 China Southern Airlines MTN001	102481187	2024/03/25	2024/3/27	2027/3/27	1,000.00	2.49%	Pay interests once a year, pay back principal plus interests when due	National Interbank bond market	Price-enquiry transaction approach and one-click-order transaction approach	No

RELATED INFORMATION OF BONDS

Name of bonds	Abbreviation	Code	Issuance date	Interest date	Maturity date	Outstanding balance of bonds	Interest rate (%)	Repayment of principal and interest	Trading floor	Trading mechanism	Whether there is a risk of termination of the listing
The third tranche of medium-term notes of China Southern Airlines Company Limited in 2024	24 China Southern Airlines MTN003	102482055	2024/05/23	2024/5/27	2027/5/27	500.00	2.30%	Pay interests once a year, pay back principal plus interests when due	National Interbank bond market	Price-enquiry Transaction approach and one-click-order transaction approach	No
The fourth tranche of medium-term notes of China Southern Airlines Company Limited in 2024	24 China Southern Airlines MTN004	102482065	2024/05/24	2024/5/28	2027/5/28	500.00	2.30%	Pay interests once a year, pay back principal plus interests when due	National Interbank bond market	Price-enquiry Transaction approach and one-click-order transaction approach	No
The fifth tranche of medium-term notes of China Southern Airlines Company Limited in 2024	24 China Southern Airlines MTN005	102482085	2024/05/28	2024/5/29	2027/5/29	500.00	2.29%	Pay interests once a year, pay back principal plus interests when due	National Interbank bond market	Price-enquiry Transaction approach and one-click-order transaction approach	No
The sixth tranche of medium-term notes of China Southern Airlines Company Limited in 2024	24 China Southern Airlines MTN006	102482100	2024/05/29	2024/5/30	2027/5/30	500.00	2.28%	Pay interests once a year, pay back principal plus interests when due	National Interbank bond market	Price-enquiry Transaction approach and one-click-order transaction approach	No
The seventh tranche of medium-term notes of China Southern Airlines Company Limited in 2024	24 China Southern Airlines MTN007	102482750	2024/06/25	2024/6/26	2027/6/26	3,000.00	2.19%	Pay interests once a year, pay back principal plus interests when due	National Interbank bond market	Price-enquiry Transaction approach and one-click-order transaction approach	No



Name of bonds	Abbreviation	Code	Issuance date	Interest date	Maturity date	Outstanding balance of bonds	Interest rate (%)	Repayment of principal and interest	Trading floor	Trading mechanism	Whether there is a risk of termination of the listing	
The eighth tranche of medium-term notes of China Southern Airlines Company Limited in 2024	24 China Southern Airlines	MTN008	102482775	2024/06/26	2024/6/27	2027/6/27	1,000.00	2.18%	Pay interests once a year, pay back principal plus interests when due	National Interbank bond market	Price-enquiry transaction approach and one-click-order transaction approach	No
The first tranche of green medium-term notes of Xiamen Airlines Company Limited in 2022	22 Xiamen Airlines	MTN001 (Green)	102280538	2022/3/15	2022/3/16	2025/3/16	100.00	3.00%	Pay interests once a year, pay back principal plus interests when due	National Interbank bond market	Price-enquiry transaction approach and one-click-order transaction approach	No
The first tranche of ultra-short-term financing bills of Xiamen Airlines Company Limited in 2024	24 Xiamen Airlines	SCP001	012481684	2024/05/27	2024/5/28	2024/8/26	300.00	1.93%	Repayment of the principal and interest in lump sum when due	National Interbank bond market	Price-enquiry transaction approach and one-click-order transaction approach	No
The second tranche of ultra-short-term financing bills of Xiamen Airlines Company Limited in 2024	24 Xiamen Airlines	SCP002	012481742	2024/06/04	2024/6/5	2024/9/3	700.00	1.73%	Repayment of the principal and interest in lump sum when due	National Interbank bond market	Price-enquiry transaction approach and one-click-order transaction approach	No
The third tranche of ultra-short-term financing bills of Xiamen Airlines Company Limited in 2024	24 Xiamen Airlines	SCP003	012481999	2024/06/26	2024/6/27	2024/9/25	1,000.00	1.69%	Repayment of the principal and interest in lump sum when due	National Interbank bond market	Price-enquiry transaction approach and one-click-order transaction approach	No
The fourth tranche of ultra-short-term financing bills of Xiamen Airlines Company Limited in 2024	24 Xiamen Airlines	SCP004	012481992	2024/06/26	2024/6/27	2024/9/25	200.00	1.69%	Repayment of the principal and interest in lump sum when due	National Interbank bond market	Price-enquiry transaction approach and one-click-order transaction approach	No
The first tranche of medium-term notes of Xiamen Airlines Company Limited in 2024	24 Xiamen Airlines	MTN001	102482088	2024/05/28	2024/5/29	2027/5/29	500.00	2.35%	Pay interests once a year, pay back principal plus interests when due	National Interbank bond market	Price-enquiry transaction approach and one-click-order transaction approach	No

RELATED INFORMATION OF BONDS

II. CORPORATE CONVERTIBLE BONDS

(I) Issuance of Convertible Bonds

On 14 May 2020, the thirteenth meeting of the eighth session of Board of the Company was held, and the resolution on the satisfaction by the Company of the conditions of the public issuance of A Share Convertible Bonds was passed, as well as the resolutions on the specific plan, preliminary proposal and feasibility report, etc. On 30 June 2020, 2019 annual general meeting, 2020 first class meeting for holders of A Shares and 2020 first class meeting for holders of H Shares were held, at which the relevant resolutions on the public issuance of A Share Convertible Bonds were considered and approved.

On 21 September 2020, the Company received the “Approval of China Southern Airlines Company Limited’s Public Issuance of Convertible Bonds (Zheng Jian Xu Ke [2020] No. 2264) 《關於核准中國南方航空股份有限公司公開發行可轉換公司債券的批覆》(證監許可[2020]2264號)” issued by the CSRC. On 15 October 2020, the Company publicly issued 160 million A Share Convertible Bonds with nominal value of RMB100 each, representing a total amount of RMB16 billion. On 21 October 2020, the Company received the proceeds from public issuance of A Share Convertible Bonds and deposited them in the special account for the proceeds.

Pursuant to the approval by the Self-discipline Supervision Decision [2020] No. 355 issued by the SSE, the convertible bonds of the Company with an amount of RMB16 billion were listed on the SSE since 3 November 2020 with the bond abbreviation of “Nanhang Convertible Bonds (南航轉債)” and the bond code of “110075”.

(II) Holders and Guarantors of Convertible Bonds during the Reporting Period

Name of convertible bonds	2020 Convertible Bonds of China Southern Airlines Company Limited
Numbers of holders of convertible bonds at the end of the period	19,292
Guarantor of the convertible bonds of the Company	Nil
Material changes in profitability, assets conditions and credit of guarantors	Nil

(III) Changes in Convertible Bonds during the Reporting Period

Unit: RMB

Name of convertible bonds	Before change	Increase/decrease in the current change			After change
		Converted	Redeemed	Resold	
2020 Convertible Bonds of China Southern Airlines Company Limited	5,896,314,000.00	10,000.00	–	–	5,896,304,000.00

(IV) Cumulative Number of Shares Converted during the Reporting Period

Name of convertible bonds	2020 Convertible Bonds of China Southern Airlines Company Limited
Convertible bonds converted during the reporting period (RMB)	10,000.00
Number of shares converted during the reporting period (shares)	1,620
Aggregated number of shares converted (shares)	1,619,182,144
Aggregated number of shares converted over total number of shares issued by the Company before conversion (%)	10.56
Outstanding convertible bonds (RMB)	5,896,304,000.00
Outstanding convertible bonds over total number of convertible bonds issued (%)	36.85

(V) Information on the Company's Liability and Credit Changes as well as the Cash Arrangement for Debt Repayment in the Coming Years

Pursuant to the relevant provisions of the Administrative Measures for the Issuance of Securities by Listed Companies, the Administrative Measures for Issuance and Trading of Corporate Bonds issued by CSRC and the Rules Governing the Listing of Stocks on the Shanghai Stock Exchange, during the reporting period, the Company entrusted a credit rating agency China Lianhe Credit Rating Co., Ltd. (聯合資信評估股份有限公司) to conduct credit rating for the Nanhong Convertible Bonds issued by the Company in October 2020. China Lianhe Credit Rating Co., Ltd. issued the 2024 Follow-up Rating Report for Convertible Bonds of China Southern Airlines Company Limited 《中國南方航空股份有限公司可轉換公司債券2024年跟蹤評級報告》. The rating results are as follows: it maintained the AAA long-term credit rating of the main body of the Company, the credit rating of AAA of Nanhong Convertible Bonds with stable outlook. The Company's operations are stable in all aspects with relatively balanced asset structure, and the credit status is good. The Company's cash sources for debt repayment in the coming years mainly include cash inflows from income from the normal business operations of the Company.

INDEPENDENT AUDITOR'S REPORT



Review report to the Board of Directors of China Southern Airlines Company Limited

(Incorporated in the People's Republic of China with limited liability)

Introduction

We have reviewed the interim financial report set out on pages 75 to 110 which comprises the consolidated statement of financial position of China Southern Airlines Company Limited (the "Company") as of 30 June 2024 and the related consolidated income statement, consolidated statement of comprehensive income and consolidated statement of changes in equity and consolidated cash flow statement for the six-month period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and International Accounting Standard 34, *Interim financial reporting*, issued by the International Accounting Standards Board. The directors are responsible for the preparation and presentation of the interim financial report in accordance with International Accounting Standard 34.

Our responsibility is to form a conclusion, based on our review, on the interim financial report and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the International Auditing and Assurance Standards Board. A review of the interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report as at 30 June 2024 is not prepared, in all material respects, in accordance with International Accounting Standard 34, *Interim financial reporting*.

KPMG
Certified Public Accountants

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

29 August 2024



CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2024 – unaudited

	Note	Six months ended 30 June	
		2024 RMB million	2023 RMB million
Operating revenue			
Traffic revenue		80,494	68,138
Other operating revenue		4,296	3,692
Total operating revenue	4	84,790	71,830
Operating expenses			
Flight operation expenses		41,270	34,388
Maintenance expenses		7,351	6,530
Aircraft and transportation service expenses		14,545	11,977
Promotion and selling expenses		3,179	2,872
General and administrative expenses		2,064	1,922
Depreciation and amortisation		13,935	12,997
Reversal of impairment losses on property, plant and equipment	13	(304)	–
Others		2,086	1,518
Total operating expenses		84,126	72,204
Other net income	7	3,843	1,807
Operating profit	9	4,507	1,433
Interest income		95	219
Interest expense	8	(2,910)	(2,970)
Exchange loss, net		(456)	(1,347)
Share of associates' results		(1,320)	18
Share of joint ventures' results		282	279
Changes in fair value of financial assets/liabilities		159	604
Profit/(loss) before income tax		357	(1,764)
Income tax	10	(765)	(717)
Loss for the period		(408)	(2,481)
Loss attributable to:			
Equity shareholders of the Company		(1,054)	(2,877)
Non-controlling interests		646	396
Loss for the period		(408)	(2,481)
Loss per share			
Basic and diluted (expressed in RMB per share)	12	(0.06)	(0.16)

The accompanying notes form part of this interim financial report.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2024 – unaudited

	Note	Six months ended 30 June	
		2024 RMB million	2023 RMB million
Loss for the period		(408)	(2,481)
Other comprehensive income:			
Items that will not be reclassified to profit or loss			
– Equity investments at fair value through other comprehensive income – net movement in fair value reserve (non-recycling)		(173)	(111)
– Income tax effect of the above items		43	28
Items that may be reclassified subsequently to profit or loss			
– Differences resulting from the translation of foreign currency financial statements		–	1
Other comprehensive income for the period	11	(130)	(82)
Total comprehensive income for the period		(538)	(2,563)
Total comprehensive income for the period attributable to:			
Equity shareholders of the Company		(1,126)	(2,922)
Non-controlling interests		588	359
Total comprehensive income for the period		(538)	(2,563)

The accompanying notes form part of this interim financial report.



CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2024 – unaudited

	Note	At 30 June 2024 RMB million	At 31 December 2023 RMB million (restated)
Non-current assets			
Property, plant and equipment, net	13	95,834	93,575
Construction in progress	14	36,433	34,177
Right-of-use assets	15	124,470	127,634
Goodwill		237	237
Interest in associates		2,801	2,714
Interest in joint ventures		3,995	4,005
Aircraft lease deposits		418	386
Other equity instrument investments		374	547
Other non-current financial assets		3,358	3,419
Amounts due from related companies	21(c)	216	262
Deferred tax assets		12,389	12,279
Other assets		2,320	2,422
		282,845	281,657
Current assets			
Inventories		1,788	1,565
Trade receivables	16	4,732	3,161
Other receivables		12,017	9,167
Cash and cash equivalents		9,553	9,531
Assets held for sale	13	585	198
Restricted bank deposits		141	137
Prepaid expenses and other current assets		607	695
Other financial assets		2,699	3,157
Derivative financial assets		4	4
Amounts due from related companies	21(c)	451	324
		32,577	27,939
Current liabilities			
Derivative financial liabilities		859	907
Borrowings	17	75,610	71,192
Lease liabilities		19,034	19,261
Trade and bills payables	18	1,880	2,004
Contract liabilities		1,565	1,509
Sales in advance of carriage		7,660	7,179
Current income tax		438	346
Amounts due to related companies	21(c)	640	594
Accrued expenses		23,935	23,142
Other liabilities		8,632	8,800
		140,253	134,934
Net current liabilities		(107,676)	(106,995)
Total assets less current liabilities		175,169	174,662

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2024 – unaudited

	Note	At 30 June 2024 RMB million	At 31 December 2023 RMB million (restated)
Non-current liabilities			
Borrowings	17	48,423	45,024
Lease liabilities		66,622	69,232
Other non-current liabilities		1,814	1,497
Amounts due to related companies	21(c)	21	36
Provision for major overhauls		5,609	5,731
Deferred benefits and gains		824	752
Deferred tax liabilities		23	23
		123,336	122,295
Net assets			
		51,833	52,367
Capital and reserves			
Share capital		18,121	18,121
Reserves		17,824	18,950
Total equity attributable to equity shareholders of the Company			
		35,945	37,071
Non-controlling interests			
		15,888	15,296
Total equity			
		51,833	52,367

Approved and authorised for issue by the Board of Directors on 29 August 2024.

Ma Xu Lun
Director

Han Wen Sheng
Director

The accompanying notes form part of this interim financial report.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2024 – unaudited

	Attributable to equity shareholders of the Company							Non-controlling interests RMB million	Total equity RMB million
	Share capital RMB million	Share premium RMB million (Note 19(b)(i))	Fair value		Accumulated losses RMB million	Total RMB million	Other reserves RMB million (Note 19(b)(iii))		
			Fair value reserve (non-recycling) RMB million (Note 19(b)(ii))	Other reserves RMB million (Note 19(b)(iii))					
Balance at 1 January 2023	18,121	52,251	257	3,406	(32,760)	41,275	14,084	55,359	
Changes in equity for the six months ended 30 June 2023:									
Loss for the period	-	-	-	-	(2,877)	(2,877)	396	(2,481)	
Other comprehensive income	-	-	(46)	1	-	(45)	(37)	(82)	
Total comprehensive income for the period	-	-	(46)	1	(2,877)	(2,922)	359	(2,563)	
Capital injection from non-controlling interests	-	-	-	-	-	-	1,017	1,017	
Distributions to non-controlling interests	-	-	-	-	-	-	(900)	(900)	
Decrease in non-controlling interests for the liquidation of a subsidiary	-	-	-	-	-	-	(27)	(27)	
Balance at 30 June 2023 and 1 July 2023	18,121	52,251	211	3,407	(35,637)	38,353	14,533	52,886	
Changes in equity for the six months ended 31 December 2023:									
Loss for the period	-	-	-	-	(1,263)	(1,263)	787	(476)	
Other comprehensive income	-	-	-	-	-	-	(1)	(1)	
Total comprehensive income for the period	-	-	-	-	(1,263)	(1,263)	786	(477)	
Distributions to non-controlling interests	-	-	-	-	-	-	(9)	(9)	
Decrease in non-controlling interests for the liquidation of a subsidiary	-	-	-	-	-	-	(3)	(3)	
Acquisition of non-controlling interests in a subsidiary	-	-	-	(19)	-	(19)	(11)	(30)	
Balance at 31 December 2023 and 1 January 2024	18,121	52,251	211	3,388	(36,900)	37,071	15,296	52,367	
Changes in equity for the six months ended 30 June 2024:									
Loss for the period	-	-	-	-	(1,054)	(1,054)	646	(408)	
Other comprehensive income	-	-	(72)	-	-	(72)	(58)	(130)	
Total comprehensive income for the period	-	-	(72)	-	(1,054)	(1,126)	588	(538)	
Capital injection from non-controlling interests	-	-	-	-	-	-	4	4	
Balance at 30 June 2024	18,121	52,251	139	3,388	(37,954)	35,945	15,888	51,833	

The accompanying notes form part of this interim financial report.

CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2024 – unaudited

	Six months ended 30 June	
	2024 RMB million	2023 RMB million
Operating activities		
Cash generated from operating activities	16,418	20,464
Interest received	101	248
Interest paid	(2,918)	(3,192)
Income tax paid	(708)	(689)
Net cash generated from operating activities	12,893	16,831
Investing activities		
Proceeds from disposal of property, plant and equipment, right-of-use assets and assets held for sale	527	1,064
Proceeds from disposal of other financial assets	606	–
Dividends received from joint ventures	192	140
Proceeds from maturity of term deposits	–	72
Dividends received from associates	13	15
Proceeds from disposal of derivative financial instruments	11	21
Dividends received from other non-current financial assets	11	1
Acquisition of property, plant and equipment and other assets	(8,764)	(5,815)
Acquisition of term deposits	(1,475)	(1)
Capital injection for associates	(855)	(2)
Acquisition of an associate	(42)	–
Net cash used in investing activities	(9,776)	(4,505)
Financing activities		
Proceeds from bank borrowings	33,732	20,564
Proceeds from ultra-short-term financing bills	2,700	8,500
Proceeds from corporate bonds	7,500	–
Capital injections from non-controlling interests	4	1,017
Refund of aircraft lease deposits	40	–
Repayment of bank borrowings	(36,416)	(15,842)
Repayment of corporate bonds	–	(8,000)
Repayment of ultra-short-term financing bills	–	(13,100)
Capital element of lease rentals paid	(10,578)	(11,391)
Payments for aircraft lease deposits	(72)	(10)
Dividends paid to non-controlling interests	–	(900)
Payments to non-controlling interests for the liquidation of a subsidiary	–	(27)
Net cash used in financing activities	(3,090)	(19,189)
Net increase/(decrease) in cash and cash equivalents	27	(6,863)
Cash and cash equivalents at 1 January	9,531	19,889
Exchange (loss)/gain on cash and cash equivalents	(5)	50
Cash and cash equivalents at 30 June	9,553	13,076

The accompanying notes form part of this interim financial report.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi unless otherwise indicated)

1 Basis of preparation

This interim financial report of China Southern Airlines Company Limited (the “Company”) and its subsidiaries (the “Group”) has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with International Accounting Standard (“IAS”) 34, *Interim financial reporting*, issued by the International Accounting Standards Board (“IASB”). It was authorised for issue by the Company’s Board of Directors on 29 August 2024.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2023 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2024 annual financial statements. Details of any changes in accounting policies are set out in Note 2.

The preparation of an interim financial report in conformity with IAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

This interim financial report contains consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2023 annual financial statements. The consolidated interim financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with International Financial Reporting Standards (“IFRS Accounting Standards”).

The interim financial report is unaudited, but has been reviewed by KPMG in accordance with International Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the International Auditing and Assurance Standards Board. KPMG’s independent review report to the Board of Directors is included on page 74.

2 Changes in accounting policies

The Group has applied the following amendments to IFRS Accounting Standards issued by the IASB to this interim financial report for the current accounting period:

- Amendments to IAS 1, *Presentation of financial statements: Classification of liabilities as current or non-current (“2020 amendments”)*
- Amendments to IAS 1, *Presentation of financial statements: Non-current liabilities with covenants (“2022 amendments”)*
- Amendments to IFRS 16, *Leases: Lease liability in a sale and leaseback*
- Amendments to IAS 7, *Statement of cash flows* and IFRS 7, *Financial instruments: Disclosures – Supplier finance arrangements*

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi unless otherwise indicated)

2 Changes in accounting policies (continued)

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

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

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

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

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

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

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

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

	As previously reported RMB million	Effect of adopting the IAS 1 amendments RMB million	As restated RMB million
Consolidated statement of financial position as at 31 December 2023:			
Borrowings	65,694	5,498	71,192
Total current liabilities	129,436	5,498	134,934
Net current liabilities	101,497	5,498	106,995
Total assets less current liabilities	180,160	(5,498)	174,662
Borrowings	50,522	(5,498)	45,024
Total non-current liabilities	127,793	(5,498)	122,295



2 Changes in accounting policies (continued)

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

The following table illustrates the amounts that would have been in the Group’s consolidated statement of financial position as at 30 June 2024 if the IAS 1 amendments had not been adopted:

	As reported RMB million	Backing out effect of adopting the IAS 1 amendments RMB million	If accounting policy had not been changed RMB million
Consolidated statement of financial position as at 30 June 2024:			
Borrowings	75,610	(5,629)	69,981
Total current liabilities	140,253	(5,629)	134,624
Net current liabilities	107,676	(5,629)	102,047
Total assets less current liabilities	175,169	5,629	180,798
Borrowings	48,423	5,629	54,052
Total non-current liabilities	123,336	5,629	128,965

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

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

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

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

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

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi unless otherwise indicated)

3 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 interim financial report does not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2023.

There have been no changes in the risk management policies since 31 December 2023.

(a) Liquidity risk

As at 30 June 2024, the Group's current liabilities exceeded its current assets by RMB107,676 million. For the six months ended 30 June 2024, the Group recorded a net cash inflow from operating activities of RMB12,893 million, a net cash outflow from investing activities of RMB9,776 million and a net cash outflow from financing activities of RMB3,090 million, which in total resulted in a net increase in cash and cash equivalents of RMB27 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 borrowing 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 30 June 2024, the Group has obtained credit facilities of RMB467,610 million in aggregate (31 December 2023: RMB396,794 million) granted by several banks and other financial institutions, among which approximately RMB333,645 million (31 December 2023: RMB266,766 million) was unutilised. The Directors of the Company believe that sufficient financing will be available to the Group when and where needed.

As at 30 June 2024, the contractual maturities of the Group's borrowings are disclosed in Note 17.

(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.

Interest rate swaps, denominated in United States Dollars ("USD"), have been entered into to mitigate its cash flow interest rate risk. Under the interest rate swaps, the Group agrees with other third parties to exchange, at specified intervals (primarily quarterly), the difference between fixed contract rates and floating-rate interest amounts calculated by reference to the agreed notional amounts. As at 31 December 2023, all interest rate swaps had been settled prior to the due dates. During six month ended 30 June 2024, the Group do not enter into any interest rate swaps.

As at 30 June 2024, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would have increased/decreased the Group's loss after tax and the Group's accumulated losses by approximately RMB297 million (31 December 2023: RMB331 million).

In respect of the exposure to cash flow interest rate risk arising from floating-rate non-derivative instruments held by the Group at the end of the reporting period, the impact on the Group's loss after tax (and accumulated losses) and other components of consolidated equity is estimated as an annualised impact on interest expense or income of such a change in interest rates. This analysis is performed on the same basis as that for 2023.



3 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 People's Bank of China or other institutions authorised to buy and sell foreign exchange or at a swap centre.

The Group has significant exposure to foreign currency risk as majority of the Group's lease liabilities 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.

The following table indicates the instantaneous change in the Group's loss after tax and accumulated losses that would arise if foreign exchange rates to which the Group has significant exposure at the end of the reporting period had changed at that date, assuming all other risk variables remained constant. The range of such sensitivity was considered to be reasonably possible at the end of the reporting date.

	30 June 2024	
	Appreciation/ (depreciation) of Renminbi against foreign currency	Decrease/(increase) on loss after tax and accumulated losses RMB million
USD	1% (1%)	322 (322)
Euro	1% (1%)	12 (12)
Japanese Yen	10% (10%)	6 (6)
	31 December 2023	
	Appreciation/ (depreciation) of Renminbi against foreign currency	Decrease/(increase) on loss after tax and accumulated losses RMB million
USD	1% (1%)	320 (320)
Euro	1% (1%)	14 (14)
Japanese Yen	10% (10%)	13 (13)

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi unless otherwise indicated)

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

(d) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. The Group's credit risk is primarily attributable to cash and cash equivalents, trade receivables, other receivables, other non-current financial assets (amortised cost) and derivative financial instruments.

Cash and cash equivalents

Substantially all of the Group's cash and cash equivalents are deposited with major reputable financial institutions in Chinese mainland, 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 30 June 2024, the balance due from BSP agents amounted to RMB1,356 million (31 December 2023: RMB632 million). The credit risk exposure to BSP and the remaining trade receivables balance are monitored by the Group on an ongoing basis and the relevant credit risk is within management's expectations.

The Group measures loss allowances for trade receivables at an amount equal to lifetime ECLs, which is calculated using a provision matrix. As the Group's historical credit loss experience indicates significantly different loss patterns for different customer segments, the loss allowance based on past due status is further distinguished between air ticket receivables, mileage credits sales receivables, receivables on cooperation flights and other trade receivables.



3 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 30 June 2024:

	30 June 2024		
	Expected loss rates %	Gross carrying amount RMB million	Loss allowance RMB million
Within 3 months	0.01%	3,493	–
More than 3 months but less than 1 year	50.00%	65	33
More than 1 year but less than 2 years	100.00%	5	5
More than 2 years but less than 3 years	100.00%	12	12
More than 3 years	100.00%	12	12
		3,587	62
	31 December 2023		
	Expected loss rates %	Gross carrying amount RMB million	Loss allowance RMB million
Within 3 months	0.01%	2,155	–
More than 3 months but less than 1 year	50.00%	16	8
More than 1 year but less than 2 years	100.00%	28	28
More than 2 years but less than 3 years	100.00%	1	1
More than 3 years	100.00%	12	12
		2,212	49

Expected loss rates are estimated with reference to actual loss experience over the past years. These rates are adjusted to reflect differences between economic conditions during the period over which the historical data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

The credit risk of mileage credits sales receivables and receivables on cooperation flights are considered to be low. The Group does not make credit loss allowance for these receivables.

As at 30 June 2024, the Group measures loss allowance for other trade receivables amounted to RMB23 million (31 December 2023: RMB15 million) based on ECLs.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi unless otherwise indicated)

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

(d) Credit risk (continued)

Other receivables

The Group measures the 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.

As at 30 June 2024, the Group measures loss allowance for other receivables amounted to RMB134 million (31 December 2023: RMB134 million) based on ECLs.

Derivative financial instruments

The Group entered into derivative financial instruments arrangements with counterparties including banks. Such arrangements are settled in net. As the counterparties have favourable credit ratings, the Group does not expect there to be a risk of default.

(e) Jet fuel price risk

The Group's results of operations may be significantly affected by fluctuations in fuel prices since the jet fuel expenses are a significant cost for the Group. The Group may hedge a portion of the future fuel requirements through various financial derivative instruments linked to certain fuel commodities to lock in fuel costs within a hedged price range. In 2023, the Group entered into certain crude oil forward contracts to mitigate jet fuel price risk. As at 30 June 2024, the fair value of such financial derivative instruments is RMB4 million (31 December 2023: RMB4 million).

A reasonable possible increase/decrease of 10% (six months ended 30 June 2023:10%) in jet fuel price, with volume of fuel consumed and all other variables held constant, would have increased/decreased the jet fuel costs by approximately RMB2,789 million (six months ended 30 June 2023: RMB2,280 million). The sensitivity analysis indicates the instantaneous change in the Group's jet fuel costs that would arise assuming that the change in jet fuel price had occurred at the beginning of and throughout the reporting period.

(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 the six months ended 30 June 2024, the Group's strategy, which was unchanged from 2023, was to maintain a debt ratio at a range of levels to support the operations and development of the Group's business in the long run. In order to maintain or adjust the debt ratio, the Group may issue new shares, return capital to shareholders, raise new debt financing, sell assets to reduce debt or adjust the dividends payment policy.

The Group's debt ratio was 83.57% as at 30 June 2024 (31 December 2023: 83.09%).

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

(g) Fair value

(i) Financial instruments carried at fair value

FAIR VALUE HIERARCHY

The following table presents the carrying value of financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in IFRS 13, *Fair value measurement*. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date
- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available
- Level 3 valuations: Fair value measured using significant unobservable inputs

	Fair value at 30 June 2024 RMB million	Fair value measurements as at 30 June 2024 categorised into		
		Level 1 RMB million	Level 2 RMB million	Level 3 RMB million
Recurring fair value measurement				
Financial assets/(liabilities):				
Other equity instrument investments:				
– Non-tradable listed shares	374	–	–	374
Other non-current financial assets:				
– Listed shares	48	48	–	–
– Non-listed shares	32	–	–	32
– Certificates of deposit	3,005	–	3,005	–
– Put option of interest in an associate	19	–	–	19
Other financial assets:				
– Certificates of deposit	2,699	–	2,699	–
Derivative financial assets:				
– Crude oil forward contracts	4	–	4	–
Derivative financial liabilities:				
– Derivative component of convertible bonds	(859)	–	(859)	–

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi unless otherwise indicated)

3 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)

Recurring fair value measurement	Fair value at 31 December 2023 RMB million	Fair value measurements as at 31 December 2023 categorised into		
		Level 1 RMB million	Level 2 RMB million	Level 3 RMB million
Financial assets/(liabilities):				
Other equity instrument investments:				
– Non-tradable listed shares	547	–	–	547
Other non-current financial assets:				
– Listed shares	26	26	–	–
– Non-listed shares	31	–	–	31
– Certificates of deposit	3,065	–	3,065	–
Other financial assets:				
– Certificates of deposit	3,157	–	3,157	–
Derivative financial assets:				
– Crude oil forward contracts	4	–	4	–
Derivative financial liabilities:				
– Derivative component of convertible bonds	(907)	–	(907)	–

During the six months ended 30 June 2024 and 30 June 2023, there were no transfers among Level 1, Level 2 and Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

Valuation techniques and inputs used in Level 2 fair value measurements

Fair value of certificates of deposit is measured by the expected recoverable amounts that would receive assuming that these certificates of deposit had been sold at the end of the reporting period.

Fair value of derivative component of convertible bonds is measured by using the Binomial Model. The major inputs used in the Binomial Model are:

	At 30 June 2024	At 31 December 2023
Conversion price	RMB6.17	RMB6.17
Stock price of A shares	RMB5.85	RMB5.88
Stock market volatility	29.23%	31.39%
Risk-free interest rate	1.68%	2.27%

3 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

	Valuation technique	Significant unobservable inputs	Range
Other equity instruments investments			
– Non-tradable listed shares (1)&(3)	Market approach-valuation multiples	Discount for lack of marketability	32%
Other non-current financial assets			
– Non-listed shares (2)	Income approach-discounted cash flow	Expected profit growth rates during the projection period	8.95%-10.00%
		Perpetual growth rates	1.66%-2.72%
		Expected dividend payout rates during the projection period	27%-33%
		Perpetual dividend payout rates	80%
		Discount rates	8.65%-11.77%
– Put option of interest in an associate (4)	Market approach-valuation multiples	Discount for lack of marketability	27%

(1) The fair value of non-tradable listed shares are determined by market value adjusted for lack of marketability discount. The fair value measurement is negatively correlated to the discount for lack of marketability.

(2) The fair value of these non-listed shares is determined by discounting projected cash flow series associated with respective investments. The valuation takes into account the expected profit growth rates and expected dividend payout rate of the investees. The discount rates used have been adjusted to reflect specific risks relating to respective investees. The fair value measurement is positively correlated to the expected profit growth rates during the projection period, perpetual growth rate, expected dividend payout rates during the projection period and perpetual dividend payout rate of respective investees, and negatively correlated to the discount rates.

(3) Any gain or loss arising from the remeasurement of the Group's non-tradable equity securities held for strategic purposes are recognised in the fair value reserve (non-recycling) in other comprehensive income. Upon disposal of the equity securities, the amount accumulated in other comprehensive income is transferred directly to retained earnings.

(4) The fair value of put 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 option of interest in an associate is recognised in the changes in fair value of financial assets.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi unless otherwise indicated)

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

(g) Fair value (continued)

(ii) Financial instruments not carried at fair value

All other financial instruments, including cash and cash equivalents, amounts due from/to related companies, trade and other receivables, other non-current financial assets (amortised cost), trade and other payables, borrowings and lease liabilities are carried at amounts not materially different from their fair values as at 30 June 2024 and 31 December 2023.

4 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.

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

	Six months ended 30 June	
	2024 RMB million	2023 RMB million
Revenue from contracts with customers within the scope of IFRS 15:		
Disaggregated by service lines		
– Traffic revenue		60,958
– Passenger	71,764	7,180
– Cargo and mail	8,730	1,423
– Commission income	1,620	480
– Cargo handling income	437	344
– Hotel and tour operation income	431	291
– Ground services income	244	198
– Air catering service income	258	823
– Others	1,093	
	84,577	71,697
Revenue from other sources:		
– Rental income	213	133
	84,790	71,830

Disaggregation of revenue from contracts with customers by geographic markets is disclosed in Note 5(b).



5 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 hotel and tour operation, ground services, air catering services and other miscellaneous services.

For the purposes of assessing segment performance and allocating resources between segments, the Group’s chief operating decision maker (“CODM”) monitors the results, assets and liabilities attributable to each reportable segment based on financial results prepared under the People’s Republic of China Accounting Standards for Business Enterprises (“PRC GAAP”). As such, the amount of each material reconciling item from the Group’s reportable segment profit/(loss) before taxation, assets and liabilities, which arises from different accounting policies, are set out in Note 5(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.

The segment results of the Group for the six months ended 30 June 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	83,556	1,234	-	-	84,790
Inter-segment sales	220	3,048	(3,268)	-	-
Reportable segment revenue	83,776	4,282	(3,268)	-	84,790
Reportable segment profit/(loss) before taxation	622	376	18	(857)	159
Reportable segment profit/(loss) after taxation	53	305	16	(899)	(525)
Other segment information					
Income tax	569	71	2	42	684
Interest income	85	11	(1)	-	95
Interest expense	2,902	19	(11)	-	2,910
Depreciation and amortisation	13,852	84	-	-	13,936
Credit loss	21	-	-	-	21
Share of associates’ and joint ventures’ results	-	-	-	(1,038)	(1,038)
Change in fair value of financial assets/ liabilities	-	-	-	159	159
Non-current assets additions during the period [#]	16,538	369	(362)	-	16,545

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(Expressed in Renminbi unless otherwise indicated)

5 Segment reporting (continued)

(a) Business segments (continued)

The segment results of the Group for the six months ended 30 June 2023 are as follows:

	Airline transportation operations RMB million	Other segments RMB million	Elimination RMB million	Unallocated*	Total RMB million
Revenue from external customers	70,952	878	–	–	71,830
Inter-segment sales	368	2,184	(2,552)	–	–
Reportable segment revenue	71,320	3,062	(2,552)	–	71,830
Reportable segment (loss)/profit before taxation	(2,895)	277	(49)	906	(1,761)
Reportable segment (loss)/profit after taxation	(3,424)	226	(36)	755	(2,479)
Other segment information					
Income tax	529	51	(13)	151	718
Interest income	209	10	–	–	219
Interest expense	2,963	16	(9)	–	2,970
Depreciation and amortisation	12,911	100	–	–	13,011
Credit loss	7	–	–	–	7
Impairment loss	–	1	–	–	1
Share of associates' and joint ventures' results	–	–	–	297	297
Change in fair value of financial assets/ liabilities	–	–	–	604	604
Non-current assets additions during the period [#]	11,246	277	(24)	–	11,499



5 Segment reporting (continued)

(a) Business segments (continued)

The segment assets and liabilities of the Group as at 30 June 2024 and 31 December 2023 are as follows:

	Airline transportation operations RMB million	Other segments RMB million	Elimination RMB million	Unallocated* RMB million	Total RMB million
As at 30 June 2024					
Reportable segment assets	297,292	8,163	(3,496)	12,976	314,935
Reportable segment liabilities	262,002	4,208	(3,480)	859	263,589
As at 31 December 2023					
Reportable segment assets	291,170	7,654	(3,146)	13,548	309,226
Reportable segment liabilities	255,347	4,090	(3,115)	907	257,229

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

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

(b) Geographical information

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

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

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

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5 Segment reporting (continued)

(b) Geographical information (continued)

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

	Six months ended 30 June	
	2024 RMB Million	2023 RMB Million
Domestic	60,694	57,038
International	23,050	14,010
Hong Kong, Macau and Taiwan	1,046	782
	84,790	71,830

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

(c) Reconciliation of reportable segment profit/(loss) before income tax, assets and liabilities to the consolidated figures as reported in the unaudited interim financial report

	Note	Six months ended 30 June	
		2024 RMB million	2023 RMB million
Profit/(loss) before income tax			
Reportable segment profit/(loss) before taxation	5(a)	159	(1,761)
Capitalisation of exchange difference of specific loans	(i)	(3)	(3)
Reversal of impairment losses on property, plant and equipment	(iv)	201	–
Consolidated profit/(loss) before income tax		357	(1,764)
Assets			
	Note	30 June 2024 RMB million	31 December 2023 RMB million
Reportable segment assets	5(a)	314,935	309,226
Capitalisation of exchange difference of specific loans	(i)	8	11
Government grants	(ii)	(3)	(3)
Adjustments arising from business combinations under common control	(iii)	237	237
Reversal of impairment losses on property, plant and equipment	(iv)	327	126
Others		(82)	(1)
Consolidated total assets		315,422	309,596

5 Segment reporting (continued)

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

Liabilities

As at 30 June 2024 and 31 December 2023, the amount of reportable segment liabilities is the same as the amount of 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 such as investment grants granted by the government and clearly defined in the approval documents as part of “capital reserve” are accounted for as increase in capital reserve. Under IFRS Accounting Standards, assets related government grants are deducted to the cost of the related assets. The difference is resulted from government grants received in previous years and are recognised in capital reserve under PRC GAAP.
- (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 in subsequent accounting periods. 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.

6 Seasonality of operations

The civil aviation industry is subject to seasonal fluctuations, with peak demand during the holiday season in the second half of the year. As such, the revenue and results of the Group in the first half of the year are generally lower than those in the second half of the year.

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7 Other net income

	Six months ended 30 June	
	2024 RMB million	2023 RMB million
Government grants (Note 1)	1,682	1,449
Gains on disposal of property, plant and equipment, right-of-use assets and assets held for sale		
– Aircraft and spare engines	50	142
– Other property, plant and equipment and right-of-use assets	58	21
Others (Note 2)	2,053	195
	3,843	1,807

Note 1: 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 six months ended 30 June 2024 and 2023.

Note 2: These mainly include flight operation remedies.

8 Interest expense

	Six months ended 30 June	
	2024 RMB million	2023 RMB million
Interest on borrowings	1,607	1,516
Interest on leases liabilities	1,645	1,779
Total interest expense on financial liabilities not at fair value through profit or loss	3,252	3,295
Less: interest expense capitalised (Note)	(342)	(325)
	2,910	2,970

Note: The weighted average interest rate used for interest capitalisation was 2.44% per annum for the six months ended 30 June 2024 (six months ended 30 June 2023: 2.47%).

9 Operating profit

Operating profit are stated after charging the following items:

	Six months ended 30 June	
	2024 RMB million	2023 RMB million
Staff costs	14,512	14,297
Jet fuel costs	27,885	22,797
Depreciation charge		
– Property, plant and equipment	5,359	4,854
– Right-of-use assets	8,275	7,924
Other amortisation	301	219
Rental charges	987	652

10 Income tax

(a) Taxation in the consolidated statement of profit or loss represents:

	Six months ended 30 June	
	2024 RMB million	2023 RMB million
Current tax	832	540
Deferred tax	(67)	177
	765	717

In respect of majority of the Group's airlines operation outside Chinese mainland, there was no material overseas income tax for the six months ended 30 June 2024 and 2023, as the Group has obtained exemptions from overseas taxation pursuant to the bilateral aviation agreements between the overseas governments and the Chinese government.

For the six months ended 30 June 2024, the Company and its branches and subsidiaries in Chinese mainland are subject to income tax rates ranging from 15% to 25% (six months ended 30 June 2023: 15% to 25%), and certain subsidiaries of the Company in Hong Kong are subject to income tax at 16.5% (six months ended 30 June 2023: 16.5%).

(b) Pillar Two income tax

The Group is subject to the global minimum top-up tax under the Pillar Two model rules published by the Organisation for Economic Co-operation and Development. No current tax expense was recognised related to Pillar Two income taxes for the six months ended 30 June 2024.

11 Other comprehensive income

	Six months ended 30 June	
	2024 RMB million	2023 RMB million
Equity investments measured at FVOCI:		
Changes in fair value recognised during the period	(173)	(111)
Net deferred tax credited to other comprehensive income	43	28
	(130)	(83)
Differences resulting from the translation of foreign currency financial statements	-	1
Other comprehensive income for the period	(130)	(82)

12 Loss per share

The calculation of basic loss per share for the six months ended 30 June 2024 is based on the loss attributable to equity shareholders of the Company of RMB1,054 million (six months ended 30 June 2023: RMB2,877 million) and the weighted average of 18,120,907,822 shares (six months ended 30 June 2023: 18,120,892,710 shares) in issue during the period.

The amount of diluted loss per share is the same as basic loss per share as the effect of convertible bonds is anti-dilutive for the six months ended 30 June 2024 and 2023.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi unless otherwise indicated)

13 Property, plant and equipment, net

	Six months ended 30 June 2024			
	Aircraft RMB million	Other flight equipment including rotables RMB million	Others RMB million	Total RMB million
Carrying amounts at 1 January 2024	63,161	8,886	21,528	93,575
Additions	1,810	658	214	2,682
Transfers from construction in progress (Note 14)	2,171	307	39	2,517
Transferred from right-of-use assets on exercise of purchase option (Note 15)	3,439	55	–	3,494
Transferred from right-of-use assets (Note 15)	–	–	1	1
Depreciation charges	(3,730)	(725)	(904)	(5,359)
Reversal of impairment losses (Note)	304	–	–	304
Transfer to assets held for sale (Note)	(585)	–	–	(585)
Disposals	(693)	(54)	(48)	(795)
Transfer from aircraft to other flight equipment	(13)	13	–	–
Carrying amounts at 30 June 2024	65,864	9,140	20,830	95,834

Note: As at 30 June 2024, certain aircraft amounting to RMB585 million is transferred to held for sale as the carrying amount of the aircraft will be recovered principally through a sale transaction rather than through continuing use. The transaction price with third party is no less than the carrying amount of the aircraft, and the sale is expected to be completed within one year. During six months ended 30 June 2024, impairment losses of RMB304 million in relation to the above aircraft were reversed.



14 Construction in progress

	Six months ended 30 June 2024		
	Advance payments for aircraft and flight equipment RMB million	Others RMB million	Total RMB million
Carrying amounts at 1 January 2024	32,270	1,907	34,177
Additions	5,880	656	6,536
Transfers to property, plant and equipment (Note 13)	(2,478)	(39)	(2,517)
Transfers to right-of-use assets (Note 15)	(1,546)	–	(1,546)
Transfers to others	–	(217)	(217)
Carrying amounts at 30 June 2024	34,126	2,307	36,433

15 Right-of-use assets

	Six months ended 30 June 2024				
	Aircraft and engines RMB million	Land use rights RMB million	Buildings RMB million	Others RMB million	Total RMB million
Carrying amounts at 1 January 2024	119,546	5,521	1,984	583	127,634
Additions	5,501	361	1,092	146	7,100
Transfers from construction in progress (Note 14)	1,546	–	–	–	1,546
Transferred to property, plant and equipment on exercise of purchase option (Note 13)	(3,439)	–	–	(55)	(3,494)
Transferred to other property, plant and equipment (Note 13)	–	(1)	–	–	(1)
Depreciation charges	(7,635)	(85)	(480)	(75)	(8,275)
Disposals	–	(15)	(25)	–	(40)
Carrying amounts at 30 June 2024	115,519	5,781	2,571	599	124,470

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi unless otherwise indicated)

16 Trade receivables

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

	30 June 2024 RMB million	31 December 2023 RMB million
Within 1 month	3,208	2,259
More than 1 month but less than 3 months	909	517
More than 3 months but less than 12 months	546	315
More than 1 year	154	134
	4,817	3,225
Less: loss allowance	(85)	(64)
	4,732	3,161

17 Borrowings

Borrowings are analysed as follows:

	30 June 2024 RMB million	31 December 2023 RMB million (restated)
Non-current		
Long-term borrowings	38,931	38,130
Medium-term notes (Note (iii))	9,492	6,894
	48,423	45,024
Current		
Current portion of long-term borrowings	4,718	5,153
Short-term borrowings	48,344	51,362
Ultra-short-term financing bills	2,704	–
Current portion of medium-term notes (Note (iii))	14,180	9,167
Convertible bonds (Note (ii))	5,664	5,510
	75,610	71,192
Total borrowings	124,033	116,216
The borrowings are repayable:		
Within one year	75,610	71,192
In the second year	18,767	16,334
In the third to fifth year	26,992	26,308
After the fifth year	2,664	2,382
Total borrowings	124,033	116,216



17 Borrowings (Continued)

Borrowings are analysed as follows: (Continued)

Notes:

- (i) As at 30 June 2024, the Group had secured borrowings amounting to RMB685 million (31 December 2023: Nil).
- (ii) In October 2020, the Group issued a total of 160,000,000 A share convertible bonds with par value of RMB100 each at par. The convertible bonds have a term of six years from the date of the issuance and the convertible bonds bear interest at the annual rate of 0.2% in the first year, 0.4% in the second year, 0.6% in the third year, 0.8% in the fourth year, 1.5% in the fifth year and 2.0% in the sixth year. Interest is paid once a year. Conversion rights are exercisable from 21 April 2021 to 14 October 2026 at an initial conversion price of RMB6.24 per share, subject to clauses of adjustment and downward revision of conversion price, redemption and sell-back. Convertible bonds, which conversion rights have not been exercised in five transaction days after maturity, will be redeemed at 106.5% of par value (including the interest for the sixth year).

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

For the six months ended 30 June 2024, 100 convertible bonds were converted to A shares at the conversion price of RMB6.17 per share (six months ended at 30 June 2023: 790 convertible bonds). As at 30 June 2024, the carrying amount of liability component of the remaining 58,963,040 A share convertible bonds was RMB5,664 million (31 December 2023: 58,963,140 A share convertible bonds with a carrying amount of RMB5,510 million), and the fair value of the derivative component of remaining 58,963,040 A share convertible bonds was RMB859 million (31 December 2023: 58,963,140 A share convertible bonds with fair value of RMB907 million). For the six months ended 30 June 2024, gain on the changes in fair value of the derivative component amounted to RMB48 million was recognised (six months ended 30 June 2023: RMB609 million).

- (iii) The Company issued medium-term notes with aggregate nominal value of RMB8,000 million in 2020 at annual interest rates ranging from 2.44% to 3.28% with terms of 3 to 5 years. The medium-term notes with aggregate nominal value of RMB7,000 million were redeemed by the Company in 2023 upon maturity. As at 30 June 2024, RMB1,000 million will mature within 1 year.

The Company issued medium-term notes with aggregate nominal value of RMB9,000 million in 2021 at annual interest rates ranging from 2.90% to 3.20% with terms of 3 years. As at 30 June 2024, the medium-term notes will mature within 1 year.

The Company issued medium-term notes with aggregate nominal value of RMB3,800 million in 2022 at annual interest rates ranging from 2.69% to 2.95% with terms of 3 years. As at 30 June 2024, the medium-term notes will mature within 1 year.

The Company issued medium-term notes with aggregate nominal value of RMB2,000 million in 2023 at annual interest rate of 2.98% with terms of 3 years. As at 30 June 2024, the medium-term notes will mature over 1 year.

The Company issued medium-term notes with aggregate nominal value of RMB7,000 million in 2024 at annual interest rates ranging from 2.18% to 2.49% with terms of 3 years. As at 30 June 2024, the medium-term notes will mature over 1 year.

Xiamen Airlines issued medium-term notes with aggregate nominal value of RMB100 million in 2022 at annual interest rate of 3.00% per annum with a term of 3 years. As at 30 June 2024, the medium-term notes will mature within 1 year.

Xiamen Airlines issued medium-term notes with aggregate nominal value of RMB500 million in 2024 at annual interest rate of 2.35% per annum with a term of 3 years. As at 30 June 2024, the medium-term notes will mature over 1 year.

- (iv) 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. Further details of the Group's management of liquidity risk are set out in Note 3(a). As at 30 June 2024, none of the covenants relating to drawn down facilities had been breached.

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18 Trade and bills payables

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

	30 June 2024 RMB million	31 December 2023 RMB million
Within 1 month	784	756
More than 1 month but less than 3 months	601	674
More than 3 months but less than 6 months	209	271
More than 6 months but less than 1 year	114	109
More than 1 year	172	194
	1,880	2,004

19 Capital, reserves and dividends

(a) Dividends

The directors did not propose any interim dividend for the six months ended 30 June 2024 and 2023.

(b) Reserves

(i) Share premium

The share premium represents the difference between the par value of the shares of the Company and consideration for the shares issued.

(ii) 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.

(iii) Other reserves

Other reserves mainly comprise statutory surplus reserve. For the six months ended 30 June 2024, the Company did not make any appropriation of statutory surplus reserve (six months ended 30 June 2023: nil).

20 Commitments

As at the end of the reporting period, the Group had capital commitments as follows:

	30 June 2024 RMB million	31 December 2023 RMB million
Commitments in respect of aircraft, engines and flight equipment		
– authorised and contracted for	165,397	102,883
Investment commitments		
– authorised and contracted for		
– share of capital commitments of a joint venture	11	19
– capital contributions for acquisition of interests in an associate	1,027	2,431
– authorised but not contracted for		
– share of capital commitments of a joint venture	48	46
	1,086	2,496
Commitments for other property, plant and equipment		
– authorised and contracted for	7,174	3,597
– authorised but not contracted for	5,925	5,878
	13,099	9,475
	179,582	114,854

21 Material related party transactions

(a) Key management personnel remuneration

Key management, including directors, supervisors and senior management personnel receive compensation in the form of fees, salaries, allowances, discretionary bonuses and retirement scheme contributions. Key management personnel received total compensation of RMB2.50 million for the six months ended 30 June 2024 (six months ended 30 June 2023: RMB3.64 million). Such remuneration is included in “staff costs” as disclosed in Note 9.

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21 Material related party transactions (continued)

(b) Transactions with China Southern Air Holding Company Limited (“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:

	Six months ended 30 June	
	2024 RMB million	2023 RMB million
Income from the CSAH and its affiliates:		
Entrusted management income	21	19
Aviation material sales income	27	24
Rental income	1	4
Pilot training income	3	13
Air catering supplies income	4	3
Others	6	4
Purchase of goods and services from CSAH and its affiliates:		
Lease charges for land and buildings	277	216
Maintenance materials purchase expense and lease charges for maintenance materials	35	35
Property management fee	88	83
Air catering supplies expenses	82	56
Commission expenses	15	17
Pilot training fee	12	–
Others	3	2
Income from joint ventures and associates:		
Cargo and mail revenue	411	–
Pilot training income	2	6
Air catering supplies income	15	10
Ground service income	30	11
Maintenance material sales and handling income	52	25
Aircraft leasing income	3	4
Repairing income	1	9
Commission income	5	–
Building and equipment lease income	9	–
Others	10	11

21 Material related party transactions (continued)

(b) *Transactions with China Southern Air Holding Company Limited (“CSAH”) and its affiliates, associates, joint ventures and other related companies of the Group (continued)*

	Six months ended 30 June	
	2024 RMB million	2023 RMB million
Purchase of goods and services from joint ventures and associates:		
Repairing charges and maintenance material purchase expenses	1,453	1,155
Repairing charges	2,289	1,616
Ground service expenses	62	10
Advertising expenses and cultural products purchase expenses	60	45
Cargo handling expenses	86	–
Lease charges for land and buildings	5	185
Purchase of goods	1	9
Others	26	11
Purchase of goods and services from other related companies:		
Computer reservation services	443	376
Others	5	5
Aircraft related transactions with CSAH and its affiliates:		
Payment of lease charges on aircraft	3,132	2,805
Other assets related transactions with CSAH and its affiliates:		
Sales of other flight equipment	–	58

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi unless otherwise indicated)

21 Material related party transactions (continued)

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

	30 June 2024 RMB million	31 December 2023 RMB million
Current receivables:		
CSAH and its affiliates	40	27
Associates	233	268
Joint ventures	167	29
Other related companies	11	–
	451	324
Long-term receivables:		
Associates	216	262
Prepayments for acquisition of long-term assets:		
CSAH and its affiliates	429	429
Payables:		
CSAH and its affiliates	273	308
Associates	2	4
Joint ventures	365	282
	640	594
Accrued expenses:		
CSAH and its affiliates	143	144
Associates	105	76
Joint ventures	2,213	1,471
Other related companies	2,079	1,819
	4,540	3,510
Lease liabilities:		
CSAH and its affiliates	25,385	25,854
Associates	55	48
	25,440	25,902
Long-term payables:		
CSAH and its affiliates	21	36

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, except the long-term receivables, long-term payables and lease liabilities as disclosed above.

21 Material related party transactions (continued)

(d) Loans from and deposits placed with related parties

(i) Loans from China Southern Airlines Group Finance Company Limited (“Finance Company”)

As at 30 June 2024, loans from Finance Company to the Group amounted to RMB6,729 million (31 December 2023: RMB7,442 million). During six months ended 30 June 2024, interest expense on such loans amounted to RMB83 million (six months ended 30 June 2023: RMB113 million) and the interest rates range from 2.80% to 3.30% per annum during six months ended 30 June 2024 (six months ended 30 June 2023: 2.90% to 3.30% per annum).

(ii) Entrusted loans from CSAH

According to the entrusted loan agreements entered between CSAH, Finance Company and the Group, as at 30 June 2024, the unsecured entrusted loans of RMB15,000 million were repayable over one year (31 December 2023: RMB15,000 million), and accrued interest expense of RMB8 million were repayable within one year (31 December 2023: RMB8 million).

Interest expense charged on such loans amounted to RMB149 million (six months ended 30 June 2023: RMB125 million) and the interest rate was 2.00% - 3.43% per annum during the six months ended 30 June 2024 (six months ended 30 June 2023: 2.00% per annum).

(iii) Deposits placed with Finance Company

As at 30 June 2024, the Group’s deposits with Finance Company amounted to RMB9,980 million (31 December 2023: RMB8,940 million). The applicable interest rates were determined in accordance with the rates published by the People’s Bank of China.

During the six months ended 30 June 2024, interest income from such deposits amounted to RMB81 million (six months ended 30 June 2023: RMB114 million).

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22 Contingencies

- (a) The Group leased certain properties and buildings from CSAH which were located in Guangzhou, Wuhan, Haikou, etc. Although such properties and buildings were used by CSAH before being leased to the Group, as known to the Group, such properties and buildings lack adequate documentation evidencing CSAH's rights thereto. Pursuant to the indemnification agreement dated 22 May 1997 entered into between the Group and CSAH, CSAH has agreed to indemnify the Group against any loss or damage arising from any challenge of the Group's right to use the aforementioned properties and buildings.
- (b) The Group entered into certain agreements with CSAH in prior years to acquire certain land use right and buildings from CSAH. The change of business registration of such land use right and buildings are still in progress. CSAH issued letters of commitment to the Company, committing to indemnify the Group against any claims from third parties to the Group, or any loss or damage in the Group's operation activities due to lack adequate documentation of the certain properties and buildings, without recourse to the Group.
- (c) The Company issued an undertaking to China Southern Airlines General Aviation Limited ("General Aviation Limited") in prior years that the Company has injected the relevant assets and liabilities into General Aviation Limited on 1 July 2016 and General Aviation Limited has received all the assets and actually owned, controlled and used. In the event that any third party claims rights against General Aviation Limited due to defective land use rights and property rights or General Aviation Limited suffers losses due to defective land use rights and property rights affecting the normal business operations of General Aviation Limited, such losses shall be borne by the Company and the contributed assets may be replaced in an appropriate manner if necessary.
- (d) The Company and its subsidiary, Xiamen Airlines, entered into agreements with certain pilot trainees and certain banks to provide guarantees on personal bank loans amounting to RMB696 million (31 December 2023: RMB696 million) that can be drawn by the pilot trainees to finance their respective flight training expenses. As at 30 June 2024, total personal bank loans of RMB82 million (31 December 2023: RMB102 million), under these guarantees, were drawn down from the banks. During the period, RMB74 thousand has been paid by the Group due to the default of payments of certain pilot trainees (six months ended 30 June 2023: RMB112 thousand).

23 Non-adjusting events after the period

After the financial period end, there were no non-adjusting events occurred up to the date of issue of these financial statements.



SUPPLEMENTARY INFORMATION TO THE INTERIM FINANCIAL REPORT

(Expressed in Renminbi)

RECONCILIATION OF DIFFERENCES IN INTERIM FINANCIAL REPORT PREPARED UNDER DIFFERENT GAAPS

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

	Note	Six months ended 30 June 2024 RMB million	Six months ended 30 June 2023 RMB million
Amounts under PRC GAAP		(1,228)	(2,875)
Adjustments:			
Capitalisation of exchange difference of specific loans	(a)	(3)	(3)
Reversal of impairment losses on property, plant and equipment	(d)	201	–
Income tax effect of the above adjustments		(81)	1
Effect of the above adjustments on non-controlling interests		57	–
Amounts under IFRS Accounting Standards		(1,054)	(2,877)

(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	As at 30 June 2024 RMB million	As at 31 December 2023 RMB million
Amounts under PRC GAAP		35,484	36,784
Adjustments:			
Capitalisation of exchange difference of specific loans	(a)	8	11
Government grants	(b)	(3)	(3)
Adjustment arising from the Company's business combination under common control	(c)	237	237
Reversal of impairment losses on property, plant and equipment	(d)	327	126
Income tax effect of the above adjustments		(82)	(1)
Effect of the above adjustments on non-controlling interests		(26)	(83)
Amounts under IFRS Accounting Standards		35,945	37,071

SUPPLEMENTARY FINANCIAL INFORMATION

(Expressed in Renminbi)

RECONCILIATION OF DIFFERENCES IN INTERIM FINANCIAL REPORT 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 such as investment grants granted by the government and clearly defined in the approval documents as part of "capital reserve" are accounted for as increase in capital reserve. Under IFRS Accounting Standards, assets related government grants are deducted to the cost of the related assets. The difference is resulted from government grants received in previous years and are recognised in capital reserve under PRC GAAP.
- (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.