

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



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)

CONTINUING CONNECTED TRANSACTIONS RENEWAL OF THE MEDIA SERVICES FRAMEWORK AGREEMENT AND THE CATERING SERVICES FRAMEWORK AGREEMENT

The Board hereby announces that on 27 December 2024, the Company and certain subsidiaries of CSAH have renewed the Media Services Framework Agreement and the Catering Services Framework Agreement, both for a term of three years commencing from 1 January 2025.

CSAH is the controlling shareholder of the Company, directly and indirectly holding approximately 66.52% of the total number of issued shares in the Company as at the date of this announcement. CASH is a connected person of the Company under the Listing Rules. As CASH holds 60% equity interest in SACM and 50.1% equity interest in SACC, each of them is an associate of CASH and is a connected person of the Company under the Listing Rules. Accordingly, the transactions contemplated under each of the Continuing Connected Transaction Agreements constitute continuing connected transactions of the Company under the Listing Rules.

According to the Listing Rules, as the highest applicable percentage ratio for the annual caps of the transactions contemplated under each of the Continuing Connected Transaction Agreements for the three-year period ending 31 December 2027 exceeds 0.1% but is less than 5%, the transactions contemplated under each of the Continuing Connected Transaction Agreements are only subject to the reporting, announcement and annual review requirements and are exempted from the independent shareholders' approval requirement under the Listing Rules.

The Board hereby announces that on 27 December 2024, the Company and certain subsidiaries of CSAH have renewed the Media Services Framework Agreement and the Catering Services Framework Agreement, both for a term of three years commencing from 1 January 2025.

MEDIA SERVICES FRAMEWORK AGREEMENT

Reference is made to the announcement of the Company dated 28 December 2021 in relation to, among other matters, the Existing Media Services Framework Agreement.

As the Existing Media Services Framework Agreement and its existing annual caps will expire on 31 December 2024 and the transactions contemplated under the Existing Media Services Framework Agreement are expected to continue, the Company entered into the Media Services Framework Agreement on 27 December 2024 (after trading hours) with SACM to renew the Existing Media Services Framework Agreement for a further term of three years from 1 January 2025 to 31 December 2027.

Subject Matter

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

Pricing Policy

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

Existing Annual Caps and Historical Transaction Amounts

Set out below are the existing annual caps for the continuing connected transactions contemplated under the Existing Media Services Framework Agreement for the three years ending 31 December 2024 and historical transaction amounts of the continuing connected transactions contemplated under the Existing Media Services Framework Agreement for the two years ended 31 December 2023 and the nine months ended 30 September 2024:

For the year ended 31 December 2022	For the year ended 31 December 2023	For the year ending 31 December 2024
--	--	---

	<i>(RMB million)</i>	<i>(RMB million)</i>	<i>(RMB million)</i>
Existing Annual Caps	240	261	282
	For the year ended 31 December 2022 <i>(RMB million)</i>	For the year ended 31 December 2023 <i>(RMB million)</i>	For the nine months ended 30 September 2024 <i>(RMB million)</i>
Historical Transaction Amounts	110	112	98

The difference between the historical transaction amount for the transactions under the Existing Media Services Framework Agreement for the two years ended 31 December 2023 and the nine months ended 30 September 2024 and the existing annual caps is due to the impact of the pandemic, whereby flights were significantly reduced in 2022. Although flight volume gradually recovered from 2023, international flights still takes a long time to return to pre-pandemic levels, the Company's media service procurement expenditures decreased.

Annual Caps and Basis of Determination of the Annual Caps

The annual caps for the Media Services Framework Agreement for the three years ending 31 December 2027 are RMB180 million, RMB190 million and RMB200 million respectively. The above-mentioned annual caps were determined with reference to the historical transaction amounts of the transactions under the Existing Media Services Framework Agreement and the Group's development plan and projected business growth from 2025 to 2027. Based on the Group's operational and development needs, it is estimated that the transaction amounts for (i) in-flight entertainment program agency service; (ii) agency services for collecting, editing and distribution for the Group's internal publicity media and platforms; (iii) supply services for CSA Mall; and (iv) advertising agency services for the year ending 31 December 2025 will be RMB80 million, RMB19.5 million, RMB39 million and RMB30 million respectively. According to Boeing's "Commercial Market Outlook" released in August 2024, the annual growth rate for passenger traffic in China is expected to exceed 5.9%. In order for the Group to maintain market competitiveness, expenditures related to brand promotion, advertising, and customer relationship activities are also expected to increase correspondingly. Based on the above annual growth rate estimation, the Company proposed the annual caps for the years ending 31 December 2026 and 2027 accordingly.

Reasons for and Benefits of Entering into the Media Services Framework Agreement

The Company is expected to continue to benefit from the renewal of the Media Services Framework Agreement regarding various media services in order to fit the operational needs of the Group. Through the development of the cooperation with SACM in respect of services including the

advertising agency, the planning, procurement and production of in-flight entertainment program agency services, supply services for CSA Mall, public recruitment services and cooperation in other media services, etc., the Directors believe that these transactions will help satisfy the operational need of the Group, enhance the level of services and the corporate image of the Group, which will be in the interests of the Company and the shareholders as a whole.

CATERING SERVICES FRAMEWORK AGREEMENT

Reference is made to the announcement of the Company dated 28 December 2021 in relation to, among other matters, the Existing Catering Services Framework Agreement and its existing annual caps.

As the Existing Catering Services Framework Agreement and the existing annual caps thereunder will expire on 31 December 2024 and the transactions contemplated under the Existing Catering Services Framework Agreement are expected to continue, the Company entered into the Catering Services Framework Agreement on 27 December 2024 (after trading hours) with SACC to renew the Existing Catering Services Framework Agreement for a further term of three years from 1 January 2025 to 31 December 2027.

Subject Matter

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

Pricing Policy

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

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

Existing Annual Caps and Historical Transaction Amounts

Set out below are the annual caps for the continuing connected transactions contemplated under the Existing Catering Services Framework Agreement for the three years ending 31 December 2024 and historical transaction amounts of the continuing connected transactions contemplated under the Existing Catering Services Framework Agreement for the two years ended 31 December 2023 and the nine months ended 30 September 2024.

	For the year ended 31 December 2022 <i>(RMB million)</i>	For the year ended 31 December 2023 <i>(RMB million)</i>	For the year ending 31 December 2024 <i>(RMB million)</i>
Existing Annual Caps	200	230	265
	For the year ended 31 December 2022 <i>(RMB million)</i>	For the year ended 31 December 2023 <i>(RMB million)</i>	For the nine months ended 30 September 2024 <i>(RMB million)</i>
Historical Transaction Amounts	63	142	129

The difference between the historical transaction amounts and the existing annual caps are due to the significant reduction in flights in 2022 due to the impact of the pandemic. Although the domestic market basically recovered to the level of 2019 in 2023, the international market is still in the recovery period.

Annual Caps and Basis of Determination of the Annual Caps

The annual caps of the Catering Services Framework Agreement for the three years ending 31 December 2025, 2026 and 2027 are RMB234 million, RMB255 million and RMB270 million respectively. The above-mentioned annual caps were determined at an arms-length basis between both parties by reference to historical transaction amounts, the estimated passenger transportation volume in the next three years and the natural market growth. The annual growth rates for the catering business at Shenzhen Airport from 2025 to 2027 are projected to be 19%, 9%, and 6%, respectively. Therefore, the proposed annual caps for the three years ending 31 December 2027 are determined based on the historical transaction amounts for the contracts in the first half of 2024 and the estimated transaction amount from contracts in the second half of 2024, calculated using the growth rates of 19%, 9%, and 6% respectively.

Reasons for and Benefits of Entering into the Catering Services Framework Agreement

SACC is a double-certified catering enterprise with both HACCP System Certification of SGS and ISO22000 System Certification. It has sufficient staff and assets to complete all the work content required

by the Catering Services Framework Agreement and has full ability to fulfill the contract. As a catering enterprise under CSAH, SACC is irreplaceable both in terms of long-term cooperation experience and convenience.

Internal Control Measures

The Company has adopted relevant internal control policies to monitor the pricing policy of the continuing connected transactions contemplated under the renewed Continuing Connected Transaction Agreements and to ensure that the annual caps set under the Continuing Connected Transaction Agreements will not be exceeded:

- The Company's internal audit department is responsible for the annual review and evaluation of the Group's internal control procedures, including but not limited to the relevant information relating to the Continuing Connected Transaction Agreements. In addition, the internal audit department will prepare an internal control report for review and approval by the Board.
- the Legal Standards Department and Finance Department of the Company is responsible for regularly monitoring, collecting and evaluating details of the continuing connected transactions under the Continuing Connected Transaction Agreements, including but not limited to the implementation of pricing policies, payment arrangements and actual transaction amounts under specific transactions, to ensure that such transactions are conducted in accordance with the Continuing Connected Transaction Agreements.
- The Board Office of the Company is responsible for regularly reviewing the implementation of the pricing policy and the annual caps of the Continuing Connected Transaction Agreements.
- the independent non-executive Directors have reviewed and will continue to review the continuing connected transactions contemplated under the Continuing Connected Transaction Agreements to ensure that the transactions are entered into in the ordinary and usual course of business of the Group on normal commercial terms and that the terms of the relevant Continuing Connected Transaction Agreements are fair and reasonable and in the interests of the Company and the shareholders as a whole; and
- the Company's auditors will also conduct an annual review of the pricing policy and annual caps of the continuing connected transactions under the Continuing Connected Transaction Agreements.

Having considered that (i) the above methods and procedures include the necessary components of a system of internal control such as designated departments and responsible officers, clear approval procedures and monitoring systems and detailed and defined evaluation criteria; and (ii) the above review procedures for the detailed and defined evaluation criteria will ensure that the transactions will be executed in accordance with the pricing principles set out in the Continuing Connected Transaction Agreements, the Directors (including the independent non-executive Directors) consider that the Company has implemented effective internal control and risk management measures and that such

methods and procedures will ensure that the transactions contemplated under the Continuing Connected Transaction Agreements will be carried out on normal commercial terms and in the interests of the Company and its shareholders as a whole.

IMPLICATIONS UNDER THE LISTING RULES

CSAH is the controlling shareholder of the Company, directly and indirectly holding approximately 66.52% of the total number of issued shares in the Company as at the date of this announcement. CASH is a connected person of the Company under the Listing Rules. As CASH holds 60% equity interests in SACM and 50.1% equity interests in SACC, each of them is an associate of CASH and is a connected person of the Company under the Listing Rules.

According to the Listing Rules, as the highest applicable percentage ratio for the annual caps of the transactions contemplated under each of the Continuing Connected Transaction Agreements for the three-year period ending 31 December 2027 exceeds 0.1% but is less than 5%, the transactions contemplated under each of the Continuing Connected Transaction Agreements are only subject to the reporting, announcement and annual review requirements and are exempted from the independent shareholders' approval requirement under the Listing Rules.

The transactions contemplated under each of the Continuing Connected Transaction Agreements are separate transactions from each other and they together do not constitute a series of transactions which should be aggregated pursuant to Rule 14A.81 of the Listing Rules.

Moreover, save as disclosed above, there are no other transactions which should be aggregated with the transactions contemplated under each of the Continuing Connected Transaction Agreements under Rules 14.22 and 14A.81 of the Listing Rules.

The Directors (including the independent non-executive Directors) consider that the terms of the Continuing Connected Transaction Agreements and the caps in respect thereof are fair and reasonable, and the transactions contemplated thereunder are entered into on normal commercial terms or better, and in the ordinary and usual course of business of the Company, and are in the interests of the Company and its shareholders as a whole.

Among the six Directors, Mr. Ma Xu Lun, Mr. Han Wen Sheng and Mr. Luo Lai Jun, were deemed to have material interests in the continuing connected transactions contemplated under the Continuing Connected Transaction Agreements due to their positions held in CSAH, and thus are required to abstain from voting on the relevant resolutions at the board meeting. Save as mentioned above, none of the other Directors has a material interest in such transactions and is required to abstain from voting on the relevant resolution at the board meeting. All remaining three Directors who were entitled to vote unanimously approved the above resolutions. The format and procedure for passing the resolutions were in compliance with the Company Law of the People Republic of China and the articles of association of the Company.

GENERAL INFORMATION

The principal business activity of the Company is that of civil aviation services.

The principal business activity of SACM is advertising release; advertising production; advertising design and agency; conference and exhibition services; organizing cultural and artistic exchange activities; information consulting services (excluding licensing information consulting services); Internet sales (except for sales of commodities that require a license); wholesale of arts and crafts and collectibles; ticket agency services; engaging in investment activities with own funds; project planning and public relations services; Internet live broadcast technology services, etc. As at the date of this announcement, CSAH and the Company hold 60% and 40% equity interests in SACM respectively.

The principal business activity of SACC is that of provision of in-flight catering, delivery and other services to airlines. As at the date of this announcement, CSAH holds 50.1% equity interests in SACC.

CSAH is a state-owned enterprise established in the PRC. The principal business activity of CSAH is operating the Group and other enterprises which the Group invested in and which constitutes wholly state-owned assets and state-owned equity formed through the state's investments.

DEFINITIONS

In this announcement, unless the context requires otherwise, the following expressions are defined as follows:

“Board”	the board of directors of the Company
“Catering Services Framework Agreement”	the new catering services framework agreement dated 27 December 2024 entered into between the Company and SACC for a term of three years from 1 January 2025 to 31 December 2027
“Company”	China Southern Airlines Company Limited, a company incorporated under the laws of the PRC whose H Shares and A Shares are listed on the Stock Exchange and the Shanghai Stock Exchange, respectively
“Continuing Connected Transaction Agreements”	collectively, the Media Services Framework Agreement and the Catering Services Framework Agreement
“CSAH”	China Southern Air Holding Company Limited, a state-owned enterprise established under the laws of the PRC and the controlling shareholder of the Company
“Directors”	the directors of the Company

“Existing Catering Services Framework Agreement”		the catering services framework agreement dated 28 December 2021 entered into between the Company and SACC for a term of three years from 1 January 2022 to 31 December 2024
“Existing Media Services Framework Agreement”		the media service framework agreement dated 28 December 2021 entered into between the Company and SACM for a term of three years from 1 January 2022 to 31 December 2024
“Group”		the Company and its subsidiaries
“Hong Kong”		the Hong Kong Special Administrative Region of the PRC
“Listing Rules”		The Rules Governing the Listing of Securities on the Stock Exchange
“Media Services Framework Agreement”		the new media service framework agreement dated 27 December 2024 entered into between the Company and SACM for a term of three years from 1 January 2025 to 31 December 2027
“PRC” or “China”		the People’s Republic of China (other than, for the purpose of this announcement only, Hong Kong, the Macau Special Administrative Region and Taiwan)
“RMB”		Renminbi, the lawful currency of the PRC
“SACC”		Shenzhen Air Catering Co., Ltd. (深圳航空食品有限公司), a company owned as to 50.1% by CSAH as at the date of this announcement
“SACM”		Southern Airlines Culture and Media Co., Ltd. (中國南航集團文化傳媒股份有限公司), a company owned as to 40% by the Company and 60% by CSAH as at the date of this announcement
“SACM Group”		SACM and its subsidiaries
“Stock Exchange”		The Stock Exchange of Hong Kong Limited

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

Guangzhou, the People's Republic of China
27 December 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.