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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)

FIRST QUARTERLY REPORT OF 2017

Summary

The 2017 first quarterly financial report of China Southern Airlines Company Limited (the "Company", together with its subsidiaries, the "Group") was prepared in accordance with the PRC Accounting Standards and was unaudited.

This announcement is published pursuant to Rules 13.09 and 13.10B of The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

1 Important Notice

- 1.1 The board of directors (the “Board”) and the supervisory committee of the Company and its directors (the “Directors”), supervisors and senior management warrant the truthfulness, accuracy and completeness of the content contained in this quarterly report, and the report does not contain inaccurate or misleading statements or material omission, and jointly and severally accept full legal responsibility.
- 1.2 All Directors attended the meeting of the Board and considered the 2017 first quarterly report of the Company.
- 1.3 The responsible person of the Company, Mr. Wang Chang Shun (Chairman), the responsible person of the Company and the finance work of the Company, Mr. Tan Wan Geng (Vice Chairman and President of the Company), and the responsible person of the accounting department, Mr. Xiao Li Xin (Chief Financial Officer of the Company) warrant the truthfulness, accuracy and completeness of the financial statements contained in this quarterly report.
- 1.4 The 2017 first quarterly report of the Company is unaudited.

2 Major accounting data and changes of shareholders of the Company

- 2.1 Major accounting data

Unit: Million Currency: RMB

| | 31 March 2017 | 31 December 2016 | | Increase/ (decrease) (%) |
|--|----------------------------------|----------------------------------|----------------------|-----------------------------|
| | | After Adjustment | Before Adjustment | |
| Total assets | 202,131 | 200,461 | 200,461 | 0.83 |
| Net assets attributable to the shareholders of the Listed Company | 44,745 | 43,181 | 43,181 | 3.62 |
| | Three months ended 31 March 2017 | Three months ended 31 March 2016 | | Increase/ (decrease) (%) |
| | | After Adjustment | Before Adjustment | |
| Net cash flows from operating activities | 2,857 | 4,876 | 4,865 | (41.41) |
| | Three months ended 31 March 2017 | Three months ended 31 March 2016 | | Increase/ (decrease) (%) |
| | | After Adjustment | Before Adjustment | |
| Operating revenue | 30,969 | 28,006 | 27,993 | 10.58 |
| Net profit attributable to the shareholders of the Listed Company | 1,550 | 2,693 | 2,683 | (42.44) |
| Net profit attributable to the shareholders of the Listed Company after deducting non- | 1,411 | 2,514 | 2,514 | (43.87) |

| | | | | |
|---|------|------|------|-------------------------------------|
| recurring gains and losses | | | | |
| Weighted average return on net assets (%) | 3.53 | 6.65 | 6.66 | Decreased by 3.12 percentage points |
| Basic earnings per share (RMB/share) | 0.16 | 0.27 | 0.27 | (40.74) |
| Diluted earnings per share (RMB /share) | 0.16 | 0.27 | 0.27 | (40.74) |

Non-recurring gains and losses

Applicable Not applicable

Unit: Million Currency: RMB

| Items | Amount for the reporting period | Notes |
|---|---------------------------------|-------|
| Gains and losses on disposal of non-current assets | 182 | / |
| Other non-operating income and expenses besides items above | 99 | / |
| Effect on non-controlling interests after taxation | (72) | / |
| Effect of income tax | (70) | / |
| Total | 139 | / |

2.2 Total number of shareholders, particulars of the top ten shareholders and the top ten shareholders holding the Company's tradable shares not subject to selling restrictions as at the end of the reporting period

Unit: Share

| Total number of shareholders (shareholders) | | | | 280,152 | | |
|--|---|------------------|--|--------------------------|------------------|---------------------------------------|
| Particulars of the top ten shareholders | | | | | | |
| Name of the shareholder (in full) | Number of shares held as at the end of the reporting period | Shareholding (%) | Number of shares subject to trading restrictions | Pledged or frozen shares | | Capacity |
| | | | | Status | Number of shares | |
| China Southern Air Holding Company ("CSAHC") | 4,039,228,665 | 41.14 | 0 | No | 0 | State-owned legal entity |
| HKSCC Nominees Limited | 1,749,168,988 | 17.82 | 0 | Not known | Not known | Overseas legal entity |
| Nan Lung Holding Limited ("Nan Lung") | 1,033,650,000 | 10.53 | 0 | No | 0 | State-owned legal entity |
| China Securities Finance Corporation Limited | 239,296,520 | 2.44 | 0 | Not known | Not known | State-owned legal entity |
| Zhong Hang Xin Gang Guarantee Co., Ltd. | 64,630,000 | 0.66 | 0 | Not known | Not known | State-owned legal entity |
| Central Huijin Investment Ltd. | 64,510,900 | 0.66 | 0 | Not known | Not known | State-owned legal entity |
| China National Aviation Corporation (Group)Limited | 49,253,400 | 0.50 | 0 | Not known | Not known | State-owned legal entity |
| National Security Fund 118 | 41,245,900 | 0.42 | 0 | Not known | Not known | Domestic Non-state-owned legal entity |
| China Merchants Securities Co., Ltd. | 25,570,500 | 0.26 | 0 | Not known | Not known | Domestic Non-state-owned legal entity |
| Bosera Fund - Agricultural Bank of China - Bosera CSI Financial Assets Management Scheme | 25,425,500 | 0.26 | 0 | Not known | Not known | Domestic Non-state-owned legal entity |
| E Fund - Agricultural Bank of China - E Fund CSI Financial Assets Management Scheme | 25,425,500 | 0.26 | 0 | Not known | Not known | Domestic Non-state-owned legal entity |

| | | | | | | |
|---|------------|------|---|-----------|-----------|---------------------------------------|
| Da Cheng Fund – Agricultural Bank of China – Da Cheng CSI Financial Assets Management Scheme | 25,425,500 | 0.26 | 0 | Not known | Not known | Domestic Non-state-owned legal entity |
| Harvest Fund – Agricultural Bank of China – Harvest CSI Financial Assets Management Scheme | 25,425,500 | 0.26 | 0 | Not known | Not known | Domestic Non-state-owned legal entity |
| GF Fund – Agricultural Bank of China – GF CSI Financial Assets Management Scheme | 25,425,500 | 0.26 | 0 | Not known | Not known | Domestic Non-state-owned legal entity |
| Lombarda China Fund – Agricultural Bank of China – Lombarda China CSI Financial Assets Management Scheme | 25,425,500 | 0.26 | 0 | Not known | Not known | Domestic Non-state-owned legal entity |
| China Asset Management – Agricultural Bank of China – China Asset Management CSI Financial Assets Management Scheme | 25,425,500 | 0.26 | 0 | Not known | Not known | Domestic Non-state-owned legal entity |
| Yinhua Fund – Agricultural Bank of China – Yinhua CSI Financial Assets Management Scheme | 25,425,500 | 0.26 | 0 | Not known | Not known | Domestic Non-state-owned legal entity |
| CSAM – Agricultural Bank of China – CSAMCSI Financial Assets Management Scheme | 25,425,500 | 0.26 | 0 | Not known | Not known | Domestic Non-state-owned legal entity |
| ICBC Credit Suisse Fund – Agricultural Bank of China – ICBC Credit Suisse CSI Financial Assets Management Scheme | 25,425,500 | 0.26 | 0 | Not known | Not known | Domestic Non-state-owned legal entity |

Particulars of the top ten shareholders holding the Company's tradable shares not subject to trading restrictions

| Name of the shareholder (in full) | Number of tradable shares not subject to selling restrictions | Type and number of shares | |
|--|---|---------------------------------|------------------|
| | | Type of shares | Number of shares |
| China Southern Air Holding Company | 4,039,228,665 | RMB-denominated Ordinary shares | 4,039,228,665 |
| HKSCC Nominees Limited | 1,749,168,988 | Overseas listed foreign shares | 1,749,168,988 |
| Nan Lung Holding Limited | 1,033,650,000 | Overseas listed foreign shares | 1,033,650,000 |
| China Securities Finance Corporation Limited | 239,296,520 | RMB-denominated Ordinary shares | 239,296,520 |

| | | | |
|---|---|---------------------------------|------------|
| Zhong Hang Xin Gang Guarantee Co., Ltd. | 64,630,000 | RMB-denominated Ordinary shares | 64,630,000 |
| Central Huijin Investment Ltd. | 64,510,900 | RMB-denominated Ordinary shares | 64,510,900 |
| China National Aviation Corporation (Group) Limited | 49,253,400 | RMB-denominated Ordinary shares | 49,253,400 |
| National Security Fund 118 | 41,245,900 | RMB-denominated Ordinary shares | 41,245,900 |
| China Merchants Securities Co., Ltd. | 25,570,500 | RMB-denominated Ordinary shares | 25,570,500 |
| Yinhua Fund - Agricultural Bank of China - Yinhua CSI Financial Assets Management Scheme | 25,425,500 | RMB-denominated Ordinary shares | 25,425,500 |
| ICBC Credit Suisse Fund - Agricultural Bank of China - ICBC Credit Suisse CSI Financial Assets Management Scheme | 25,425,500 | RMB-denominated Ordinary shares | 25,425,500 |
| Da Cheng Fund - Agricultural Bank of China - Da Cheng CSI Financial Assets Management Scheme | 25,425,500 | RMB-denominated Ordinary shares | 25,425,500 |
| Harvest Fund - Agricultural Bank of China - Harvest CSI Financial Assets Management Scheme | 25,425,500 | RMB-denominated Ordinary shares | 25,425,500 |
| Bosera Fund - Agricultural Bank of China - Bosera CSI Financial Assets Management Scheme | 25,425,500 | RMB-denominated Ordinary shares | 25,425,500 |
| Lombarda China Fund - Agricultural Bank of China - Lombarda China CSI Financial Assets Management Scheme | 25,425,500 | RMB-denominated Ordinary shares | 25,425,500 |
| China Asset Management - Agricultural Bank of China - China Asset Management CSI Financial Assets Management Scheme | 25,425,500 | RMB-denominated Ordinary shares | 25,425,500 |
| E Fund - Agricultural Bank of China - E Fund CSI Financial Assets Management Scheme | 25,425,500 | RMB-denominated Ordinary shares | 25,425,500 |
| GF Fund - Agricultural Bank of China - GF CSI Financial Assets Management Scheme | 25,425,500 | RMB-denominated Ordinary shares | 25,425,500 |
| CSAM - Agricultural Bank of China - CSAMCSI Financial Assets Management Scheme | 25,425,500 | RMB-denominated Ordinary shares | 25,425,500 |
| Explanation of the connected relationship or acting in concert relationship of the above shareholders | Nan Lung is incorporated in Hong Kong and a wholly-owned subsidiary of CSAHC. The Company is not aware of any other connected relationship between other shareholders. The H shares held by HKSCC Nominees Limited include the 31,120,000 H shares of the Company held by Yazhou Travel Investment Company Limited, a fourth level subsidiary of CSAHC incorporated in Hong Kong. | | |
| Explanation of the preference shareholders with restored voting rights and its number of shares | Not applicable. | | |

2.3 Total number of preference shareholders, particulars of the top ten preference shareholders and the top ten preference shareholders holding the Company's tradable preference shares not subject to selling restrictions as at the end of the reporting period

Applicable Not applicable

3 Major Events

3.1 Significant changes in major accounting items and financial indicators of the Company and the reasons for such changes

Applicable Not applicable

3.1.1 Significant changes in major items in consolidated balance sheet:

Unit: million Currency: RMB

| Items | 31 March 2017 | 31 December 2016 | Increase/ (decrease) (%) | Main reason(s) for the change |
|------------------------------|---------------|------------------|--------------------------|---|
| Short-term loans | 11,984 | 4,195 | 185.67 | Mainly due to the borrowings from short-term loans in the reporting period |
| Sales in advance of carriage | 5,817 | 8,420 | (30.91) | Mainly due to more tickets were sold before 31 December 2016 for the spring festival |
| Employee benefits payable | 1,881 | 2,858 | (34.18) | Mainly due to the payment of performance salary for the year ended 31 December 2016 in the reporting period |
| Taxes payable | 1,250 | 899 | 39.04 | Mainly due to the increase in the accrual of enterprise income tax which has not yet paid |

3.1.2 Significant changes in major items in consolidated income statement:

Unit: million Currency: RMB

| Items | Three months ended 31 March 2017 | Three months ended 31 March 2016 (After adjustment) | Increase/ (decrease) (%) | Main reason(s) for the change |
|---|----------------------------------|---|--------------------------|---|
| Operating profit | 1,843 | 3,546 | (48.03) | Mainly due to the increase in jet fuel price during the reporting period |
| Gains on disposal of non-current assets | 183 | 116 | 57.76 | Mainly due to the Company's gains on disposal of aircraft and Xiamen Airlines' gains on transfer of aircraft purchase quota in the reporting period |
| Income tax expense | 518 | 924 | (43.94) | Mainly due to the decrease in total profits for the reporting period |

3.1.3 Significant changes in major items in consolidated cash flow statement:

Unit: million Currency: RMB

| Items | Three months ended 31 March 2017 | Three months ended 31 March 2016 (After adjustment) | Increase/ (decrease) (%) | Main reason(s) for the change |
|--|----------------------------------|---|--------------------------|---|
| Proceeds from other operating activities | 412 | 293 | 40.61 | Mainly due to the increase in VAT rebates received on exports during the reporting period |
| Payment for other operating activities | 222 | 547 | (59.41) | Mainly due to Hebei Airlines' repayment of amounts due to its original shareholder in the same period of last year |
| Net proceeds from disposal of fixed assets, intangible assets and other long-term assets | 1,237 | 738 | 67.62 | Mainly due to the disposal of aircraft and Xiamen Airlines' receipt of advance payment for aircraft on transfer of purchase quota in the reporting period |
| Payment for acquisition of fixed assets, intangible assets and other long-term assets | 1,757 | 3,301 | (46.77) | Mainly due to the decrease in advance payment for aircraft in the reporting period |
| Proceeds from issuance of bonds | 1,002 | 9,000 | (88.87) | Mainly due to the decrease in issuance of corporate bonds and short-term financing bills during the reporting period |
| Repayments of borrowings | 13,102 | 22,207 | (41.00) | Mainly due to the decrease in the repayment of borrowings during the reporting period |
| Payment for dividends, profit distributions or interest | 818 | 600 | 36.33 | Mainly due to the increase in interest paid during the reporting period |

3.2 Analysis and explanation of the development of major events and their impact and proposal as to the solutions

Applicable Not applicable

3.3 Undertakings of overdue performance during the reporting period

Applicable Not applicable

3.4 Warning in respect of, and the reason for, the forecast of a probable loss in respect of the accumulated net profit from the beginning of the financial year to the end of the next reporting period or any significant changes as compared to the corresponding period of the previous year

Applicable Not applicable

By order of the Board
China Southern Airlines Company Limited
Xie Bing
Company Secretary

Guangzhou, the People's Republic of China

28 April 2017

As at the date of this announcement, the Directors include Wang Chang Shun, Yuan Xin An and Yang Li Hua as non-executive Directors, Tan Wan Geng, Zhang Zi Fang and Li Shao Bin as executive Directors; and Ning Xiang Dong, Liu Chang Le, Tan Jin Song, Guo Wei and Jiao Shu Ge as independent non-executive Directors.

4、 APPENDIX

4.1 Financial Statements

Consolidated Balance Sheet

As at 31 March 2017

Prepared by: China Southern Airlines Company Limited

Unit: Million Currency: RMB Unaudited

| Items | 31 March 2017 | 31 December 2016 |
|---|---------------|------------------|
| Current assets: | | |
| Cash at bank and on hand | 5,201 | 4,855 |
| Settlement reserves fund | | |
| Deposits with banks and other financial institutions | | |
| Financial assets at fair value through profit or loss | | |
| Derivative financial assets | | |
| Bills receivable | | |
| Accounts receivable | 2,965 | 3,009 |
| Prepayments | 1,660 | 1,479 |
| Premiums receivable | | |
| Receivables from reinsurers | | |
| Provisions for reinsurance contracts | | |
| Interest receivable | | |
| Dividends receivable | | |
| Other receivables | 1,287 | 1,418 |
| Purchase of financial assets resold | | |
| Inventories | 1,721 | 1,588 |
| Assets classified as held for sale | | |
| Non-current assets due within one year | | |
| Other current assets | 1,661 | 1,415 |
| Total current assets | 14,495 | 13,764 |
| Non-current assets: | | |
| Entrusted loans and advances | | |
| Available-for-sale financial assets | 606 | 602 |
| Held-to-maturity investments | | |
| Long-term receivables | | |
| Long-term equity investments | 4,353 | 4,132 |
| Investment properties | 437 | 440 |
| Fixed assets | 146,477 | 146,388 |
| Construction in progress | 29,603 | 28,948 |
| Construction materials | | |
| Fixed assets to be disposed of | | |
| Bearer biological assets | | |
| Oil and gas assets | | |
| Intangible assets | 3,120 | 3,152 |

| | | |
|--|---------|---------|
| Development costs | | |
| Goodwill | | |
| Long-term deferred expenses | 541 | 568 |
| Deferred tax assets | 1,765 | 1,721 |
| Other non-current assets | 734 | 746 |
| Total non-current assets | 187,636 | 186,697 |
| Total assets | 202,131 | 200,461 |
| Current liabilities: | | |
| Short-term loans | 11,984 | 4,195 |
| Borrowings from central bank | | |
| Deposits from customers and other banks | | |
| Advances from banks and other financial institutions | | |
| Financial liabilities at fair value through profit or loss | | |
| Derivative financial liabilities | | |
| Bills payable | 100 | 400 |
| Accounts payable | 14,051 | 13,021 |
| Sales in advance of carriage | 5,817 | 8,420 |
| Financial assets sold under agreements repurchase | | |
| Handling charges and commissions payable | | |
| Employee benefits payable | 1,881 | 2,858 |
| Taxes payable | 1,250 | 899 |
| Interest payable | 811 | 844 |
| Dividends payable | | 1 |
| Other payables | 4,759 | 4,749 |
| Amounts due to reinsurers | | |
| Reserves on insurance contracts | | |
| Securities trading agency fees | | |
| Securities underwriting fees | | |
| Liabilities classified as held for sale | | |
| Non-current liabilities due within one year | 10,094 | 10,559 |
| Other current liabilities | 15,800 | 21,986 |
| Total current liabilities | 66,547 | 67,932 |
| Non-current liabilities: | | |
| Long-term loans | 1,106 | 1,069 |
| Bonds payable | 17,691 | 17,689 |
| Including: Preference shares | | |
| Perpetual bonds | | |
| Long-term payables | 54,033 | 53,527 |
| Long-term employee benefits payable | 4 | 6 |
| Special payables | | |
| Provisions | | |
| Deferred income | 2,816 | 2,600 |

| | | |
|--|---------|---------|
| Deferred tax liabilities | 745 | 841 |
| Other non-current liabilities | 2,522 | 2,089 |
| Total non-current liabilities | 78,917 | 77,821 |
| Total liabilities | 145,464 | 145,753 |
| Owners' equity | | |
| Share capital | 9,818 | 9,818 |
| Other equity instruments | | |
| Including: Preference shares | | |
| Perpetual bonds | | |
| Capital reserve | 13,951 | 13,951 |
| Less: Treasury shares | | |
| Other comprehensive income | 225 | 211 |
| Specific reserve | | |
| Surplus reserve | 1,957 | 1,957 |
| Provision for ordinary risks | | |
| Retained earnings | 18,794 | 17,244 |
| Total equity attributable to shareholders of the Company | 44,745 | 43,181 |
| Non-controlling interests | 11,922 | 11,527 |
| Total owners' equity | 56,667 | 54,708 |
| Total liabilities and owners' equity | 202,131 | 200,461 |

Legal Representative of the Company: Mr. Wang Chang Shun
Responsible person of the finance work: Mr. Tan Wan Geng
Responsible person of the accounting department: Mr. Xiao Li Xin

Balance Sheet of the Company
As at 31 March 2017

Prepared by: China Southern Airlines Company Limited

Unit: Million Currency: RMB Unaudited

| Items | 31 March 2017 | 31 December 2016 |
|--|----------------|------------------|
| Current assets: | | |
| Cash at bank and on hand | 3,167 | 3,202 |
| Financial assets at fair value through profit or loss | | |
| Derivative financial assets | | |
| Bills receivable | | |
| Accounts receivable | 2,314 | 2,216 |
| Prepayments | 943 | 938 |
| Interest receivable | | |
| Dividends receivable | | |
| Other receivables | 845 | 781 |
| Inventories | 1,156 | 1,036 |
| Assets classified as held for sale | | |
| Non-current assets due within one year | | |
| Other current assets | 1,538 | 1,212 |
| Total current assets | 9,963 | 9,385 |
| Non-current assets: | | |
| Available-for-sale financial assets | 135 | 134 |
| Held-to-maturity investments | | |
| Long-term receivables | | |
| Long-term equity investments | 10,803 | 10,431 |
| Investment properties | 323 | 326 |
| Fixed assets | 114,586 | 114,572 |
| Construction in progress | 16,887 | 15,316 |
| Construction materials | | |
| Fixed assets to be disposed of | | |
| Bearer biological assets | | |
| Oil and gas assets | | |
| Intangible assets | 1,652 | 1,677 |
| Development costs | | |
| Goodwill | | |
| Long-term deferred expenses | 276 | 285 |
| Deferred tax assets | 1,708 | 1,663 |
| Other non-current assets | 614 | 631 |
| Total non-current assets | 146,984 | 145,035 |
| Total assets | 156,947 | 154,420 |
| Current liabilities: | | |
| Short-term loans | 9,405 | 3,605 |
| Financial liabilities at fair value through profit or loss | | |
| Derivative financial liabilities | | |
| Bills payable | | |
| Accounts payable | 10,473 | 10,030 |
| Sales in advance of carriage | 5,028 | 7,167 |
| Employee benefits payable | 1,235 | 2,194 |
| Taxes payable | 944 | 687 |
| Interest payable | 652 | 672 |

| | | |
|---|---------|---------|
| Dividends payable | | |
| Other payables | 9,407 | 8,801 |
| Liabilities classified as held for sale | | |
| Non-current liabilities due within one year | 8,002 | 8,560 |
| Other current liabilities | 13,000 | 15,988 |
| Total current liabilities | 58,146 | 57,704 |
| Non-current liabilities: | | |
| Long-term loans | | |
| Bonds payable | 13,000 | 13,000 |
| Including: Preference shares | | |
| Perpetual bonds | | |
| Long-term payables | 46,652 | 46,300 |
| Long-term employee benefits payable | 2 | 5 |
| Special payables | | |
| Provisions | | |
| Deferred income | 2,177 | 1,995 |
| Deferred tax liabilities | | |
| Other non-current liabilities | 1,947 | 1,527 |
| Total non-current liabilities | 63,778 | 62,827 |
| Total liabilities | 121,924 | 120,531 |
| Owners' equity | | |
| Share capital | 9,818 | 9,818 |
| Other equity instruments | | |
| Including: Preference shares | | |
| Perpetual bonds | | |
| Capital reserve | 13,918 | 13,918 |
| Less: Treasury shares | | |
| Other comprehensive income | 48 | 36 |
| Specific reserve | | |
| Surplus reserve | 1,957 | 1,957 |
| Retained earnings | 9,282 | 8,160 |
| Total owners' equity | 35,023 | 33,889 |
| Total liabilities and owners' equity | 156,947 | 154,420 |

Legal Representative of the Company: Mr. Wang Chang Shun
Responsible person of the finance work: Mr. Tan Wan Geng
Responsible person of the accounting department: Mr. Xiao Li Xin

Consolidated Income Statement
For the three months ended 31 March 2017

Prepared by: China Southern Airlines Company Limited

Unit: Million Currency: RMB Unaudited

| Items | Three months ended 31 March 2017 | Three months ended 31 March 2016 (After adjustments) | Three months ended 31 March 2016 (Before adjustments) |
|---|--|---|--|
| 1. Total revenue | 30,969 | 28,006 | 27,993 |
| Including: | | | |
| Operating income | 30,969 | 28,006 | 27,993 |
| Interest income | | | |
| Premiums earned | | | |
| Fees and commission income | | | |
| 2. Total operating costs | 29,352 | 24,738 | 24,738 |
| Including: | | | |
| Cost of sales | 26,402 | 21,826 | 21,826 |
| Interest expenses | | | |
| Fees and commission expenses | | | |
| Returned premium | | | |
| Net compensation expenses | | | |
| Net provision for insurance contract | | | |
| Insurance policy dividend expenses | | | |
| Reinsurance expenses | | | |
| Taxes and surcharges | 40 | 62 | 62 |
| Selling and distribution expenses | 1,592 | 1,401 | 1,401 |
| General and administrative expenses | 741 | 688 | 688 |
| Financial expenses | 577 | 759 | 759 |
| Assets impairment losses | | 2 | 2 |
| Add: Gains/(losses) arising from changes in fair value (“-” for losses) | | | |
| Investment income (“-” for losses) | 226 | 278 | 278 |
| Including: Share of profit of associates and joint ventures | 226 | 277 | 277 |
| Exchange gains (“-” for losses) | | | |
| 3. Operating profit (“-” for losses) | 1,843 | 3,546 | 3,533 |
| Add: Non-operating income | 526 | 419 | 419 |
| Including: Gains on disposal of non- current assets | 183 | 116 | 116 |
| Less: Non-operating expenses | 11 | 6 | 6 |
| Including: Losses on disposal of non-current assets | 1 | 1 | 1 |
| 4. Total profits (“-” for losses) | 2,358 | 3,959 | 3,946 |
| Less: Income tax expenses | 518 | 924 | 921 |
| 5. Net profit (“-” for net losses) | 1,840 | 3,035 | 3,025 |
| Net profit attributable to shareholders of the Company | 1,550 | 2,693 | 2,683 |
| Non-controlling interests | 290 | 342 | 342 |
| 6. Other comprehensive income, net of tax | 16 | (70) | (70) |
| Other comprehensive income (net of tax) attributable to shareholders of the Company | 14 | (66) | (66) |
| (1) Items that will not be reclassified to | | | |

| | | | |
|---|-------|-------|-------|
| profit or loss | | | |
| 1. Remeasurement of defined benefit plan liability | | | |
| 2. Share of other comprehensive income of the equity-accounted investee | | | |
| (2) Items that may be reclassified to profit or loss: | 14 | (66) | (66) |
| 1. Share of other comprehensive income of the equity-accounted investee | | 1 | 1 |
| 2. Gains or losses arising from changes in fair value of available-for-sale financial assets | 2 | (5) | (5) |
| 3. Gains or losses arising from reclassification of held-to-maturity investments to available-for-sale financial assets | | | |
| 4. Effective hedging portion of gains or losses arising from cash flow hedging instruments | 12 | (62) | (62) |
| 5. Translation differences arising on translation of foreign currency financial statements | | | |
| 6. Others | | | |
| Other comprehensive income (net of tax) attributable to non-controlling interests | 2 | (4) | (4) |
| 7. Total comprehensive income | 1,856 | 2,965 | 2,955 |
| Attributable to shareholders of the Company | 1,564 | 2,627 | 2,617 |
| Attributable to non-controlling interests | 292 | 338 | 338 |
| 8. Earnings per share: | | | |
| (1) Basic earnings per share (RMB/share) | 0.16 | 0.27 | 0.27 |
| (2) Diluted earnings per share (RMB/share) | 0.16 | 0.27 | 0.27 |

Legal Representative of the Company: Mr. Wang Chang Shun
Responsible person of the finance work: Mr. Tan Wan Geng
Responsible person of the accounting department: Mr. Xiao Li Xin

Income Statement of the Company
For the three months ended 31 March 2017

Prepared by: China Southern Airlines Company Limited

Unit: Million Currency: RMB Unaudited

| Items | Three months ended 31 March 2017 | Three months ended 31 March 2016 |
|---|-------------------------------------|-------------------------------------|
| 1. Total revenue | 21,527 | 19,803 |
| Less: Cost of sales | 18,543 | 15,392 |
| Taxes and surcharges | 17 | 34 |
| Selling and distribution expenses | 1,078 | 971 |
| General and administrative expenses | 458 | 427 |
| Financial expenses | 493 | 644 |
| Assets impairment losses | | |
| Add: Gains/(losses) arising from changes in fair value (“-” for losses) | | |
| Investment income (“-” for losses) | 220 | 268 |
| Including: Share of profit of associates and joint ventures | 220 | 268 |
| 2. Operating profit (“-” for losses) | 1,158 | 2,603 |
| Add: Non-operating income | 275 | 228 |
| Including: Gains on disposal of non-current assets | 22 | 5 |
| Less: Non-operating expenses | 9 | 5 |
| Including: Losses on disposal of non-current assets | 1 | 1 |
| 3. Total profits (“-” for losses) | 1,424 | 2,826 |
| Less: Income tax expenses | 302 | 640 |
| 4. Net profit (“-” for net losses) | 1,122 | 2,186 |
| 5. Other comprehensive income, net of tax | 12 | (63) |
| Other comprehensive income (net of tax) attributable to shareholders of the Company | | |
| (1) Items that will not be reclassified to profit or loss | | |
| 1. Remeasurement of defined benefit plan liability | | |
| 2. Share of other comprehensive income of the equity-accounted investee | | |
| (2) Items that may be reclassified to profit or loss: | | |
| 1. Share of other | 12 | (63) |
| | | 1 |

| | | |
|---|-------|-------|
| comprehensive income of the equity-accounted investee | | |
| 2. Gains or losses arising from changes in fair value of available-for-sale financial assets | | (2) |
| 3. Gains or losses arising from reclassification of held-to-maturity investments to available-for-sale financial assets | | |
| 4. Effective hedging portion of gains or losses arising from cash flow hedging instruments | 12 | (62) |
| 5. Translation differences arising on translation of foreign currency financial statements | | |
| 6. Others | | |
| 6. Total comprehensive income | 1,134 | 2,123 |
| 7. Earnings per share: | | |
| (1) Basic earnings per share (RMB/share) | | |
| (2) Diluted earnings per share (RMB/share) | | |

Legal Representative of the Company: Mr. Wang Chang Shun
Responsible person of the finance work: Mr. Tan Wan Geng
Responsible person of the accounting department: Mr. Xiao Li Xin

Consolidated Cash Flow Statement
For the three months ended 31 March 2017

Prepared by: China Southern Airlines Company Limited

Unit: Million Currency: RMB Unaudited

| Items | Three months ended 31 March 2017 | Three months ended 31 March 2016 (After adjustments) | Three months ended 31 March 2016 (Before adjustments) |
|---|-------------------------------------|--|--|
| 1. Cash flows from operating activities: | | | |
| Proceeds from sale of goods and rendering of services | 31,303 | 28,052 | 28,052 |
| Net increase in customer deposits and deposits in other banks | | | |
| Net increase in borrowings from central bank | | | |
| Net increase in advances from other financial institutions | | | |
| Cash received from original insurance policy premium | | | |
| Net cash received from reinsurance operations | | | |
| Net increase in policyholders' deposits and investment | | | |
| Net increase in disposal of financial assets at fair value through profit or loss | | | |
| Interest, fees and commissions received in cash | | | |
| Net increase in advances from banks and other financial institutions | | | |
| Net increase in repurchase of business funds | | | |
| Refund of taxes and surcharges | 40 | | |
| Proceeds from other operating activities | 412 | 293 | 293 |
| Sub-total of operating cash inflows from operating activities | 31,755 | 28,345 | 28,345 |
| Payment for goods and services | 21,082 | 16,588 | 16,588 |
| Net increase in customers deposits and advances | | | |
| Net increase in deposits with Central Bank and other banks | | | |
| Compensation paid pursuant to original insurance contract and settled in cash | | | |
| Interest, fees and commission paid in cash | | | |
| Insurance policy dividend paid by cash | | | |
| Payment to and for employees | 6,836 | 5,625 | 5,609 |
| Payment of taxes and surcharges | 758 | 709 | 706 |

| | | | |
|--|--------|---------|---------|
| Payment for other operating activities | 222 | 547 | 577 |
| Sub-total of cash outflows from operating activities | 28,898 | 23,469 | 23,480 |
| Net cash flows from operating activities | 2,857 | 4,876 | 4,865 |
| 2. Cash flows from investment activities: | | | |
| Proceeds from disposal of investments | | | |
| Investment income received | 4 | 9 | 9 |
| Net proceeds from disposal of fixed assets, intangible assets and other long-term assets | 1,237 | 738 | 738 |
| Net proceeds from disposal of subsidiaries and other business units | | | |
| Proceeds from other investing activities | 19 | 50 | 47 |
| Sub-total of cash inflows from investing activities | 1,260 | 797 | 794 |
| Payment for acquisition of fixed assets, intangible assets and other long-term assets | 1,757 | 3,301 | 3,301 |
| Payment for acquisition of investments | | 359 | 359 |
| Net increase in pledged loans | | | |
| Net payment for acquisition of subsidiaries and other business units | | | |
| Payment for other investing activities | | | |
| Sub-total of cash outflows from investment activities | 1,757 | 3,660 | 3,660 |
| Net cash flows from investing activities | (497) | (2,863) | (2,866) |
| 3. Cash flows from financing activities: | | | |
| Proceeds from investors | 104 | 100 | 100 |
| Including: Proceeds from non-controlling shareholders of subsidiaries | 104 | 100 | 100 |
| Proceeds from borrowings | 10,830 | 9,971 | 9,971 |
| Proceeds from issuance of bonds | 1,002 | 9,000 | 9,000 |
| Proceeds from other financing activities | | | |
| Sub-total of cash inflows from financing activities | 11,936 | 19,071 | 19,071 |
| Repayments of borrowings | 13,102 | 22,207 | 22,207 |
| Payment for dividends, profit distributions or interest | 818 | 600 | 600 |
| Including: Dividends and profits paid to non-controlling shareholders of subsidiaries | 1 | 8 | 8 |
| Payment for acquisition of non-controlling interest of subsidiaries | | | |

| | | | |
|---|---------|---------|---------|
| Payment for other financing activities | | | |
| Sub-total of cash outflows from financing activities | 13,920 | 22,807 | 22,807 |
| Net cash flows from financing activities | (1,984) | (3,736) | (3,736) |
| 4. Effect of changes in exchange rate on cash and cash equivalents | (2) | (3) | (3) |
| 5. Net increase in cash and cash equivalents | 374 | (1,726) | (1,740) |
| Add: Cash and cash equivalents at the beginning of the period | 4,720 | 5,484 | 5,321 |
| 6. Cash and cash equivalents at the end of the period | 5,094 | 3,758 | 3,581 |

Legal Representative of the Company: Mr. Wang Chang Shun
Responsible person of the finance work: Mr. Tan Wan Geng
Responsible person of the accounting department: Mr. Xiao Li Xin

Cash Flow Statement of the Company
For the three months ended 31 March 2017

Prepared by: China Southern Airlines Company Limited

Unit: Million Currency: RMB Unaudited

| Items | Three months ended 31 March 2017 | Three months ended 31 March 2016 |
|--|-------------------------------------|-------------------------------------|
| 1. Cash flows from operating activities: | | |
| Proceeds from sale of goods and rendering of services | 22,258 | 20,069 |
| Refund of taxes and surcharges | | |
| Proceeds from other operating activities | 333 | 282 |
| Sub-total of operating cash inflows from operating activities | 22,591 | 20,351 |
| Payment for goods and services | 14,560 | 11,200 |
| Payment to and for employees | 5,365 | 4,286 |
| Payment of taxes and surcharges | 451 | 483 |
| Payment for other operating activities | 183 | 200 |
| Sub-total of cash outflows from operating activities | 20,559 | 16,169 |
| Net cash flows from operating activities | 2,032 | 4,182 |
| 2. Cash flows from investment activities: | | |
| Proceeds from disposal of investments | | |
| Investment income received | 4 | 9 |
| Net proceeds from disposal of fixed assets, intangible assets and other long-term assets | 231 | 21 |
| Net proceeds from disposal of subsidiaries and other business units | | |
| Proceeds from other investing activities | 14 | 5 |
| Sub-total of cash inflows from investing activities | 249 | 35 |
| Payment for acquisition of fixed assets, intangible assets and other long-term assets | 2,008 | 2,197 |
| Payment for acquisition of investments | | |
| Net payment for acquisition of subsidiaries and other business units | | |
| Payment for other investing activities | 156 | 359 |
| Sub-total of cash outflows from investment activities | 2,164 | 2,556 |
| Net cash flows from investing activities | (1,915) | (2,521) |
| 3. Cash flows from financing activities: | | |
| Proceeds from investors | | |
| Including: Proceeds from non-controlling shareholders of subsidiaries | | |
| Proceeds from borrowings | 8,800 | 7,640 |
| Proceeds from other financing activities | 1,000 | 9,000 |
| Sub-total of cash inflows from financing activities | 9,800 | 16,640 |
| Repayments of borrowings | 9,253 | 19,120 |
| Payment for dividends, | 698 | 491 |

| | | |
|---|-------|---------|
| profit distributions or interest | | |
| Payment for other financing activities | | |
| Sub-total of cash outflows from financing activities | 9,951 | 19,611 |
| Net cash flows from financing activities | (151) | (2,971) |
| 4. Effect of changes in exchange rate on cash and cash equivalents | (2) | (3) |
| 5. Net increase in cash and cash equivalents | (36) | (1,313) |
| Add: Cash and cash equivalents at the beginning of the period | 3,120 | 3,080 |
| 6. Cash and cash equivalents at the end of the period | 3,084 | 1,767 |

Legal Representative of the Company: Mr. Wang Chang Shun
Responsible person of the finance work: Mr. Tan Wan Geng
Responsible person of the accounting department: Mr. Xiao Li Xin

4.2 Audited Report

Applicable Not applicable