

---

**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

---

**If you are in any doubt** as to any aspect of this circular, you should consult a stockbroker or other registered dealers in securities, bank manager, solicitor, professional accountant or other professional advisers.

**If you have sold or transferred** all your shares of China Southern Airlines Company Limited, you should at once hand this circular to the purchaser or transferee or to the bank, stockbroker or other agents through whom the sale was effected for transmission to the purchaser or the transferee.

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this circular, 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 circular.

---



**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)

**MAJOR TRANSACTION**  
**ACQUISITION OF AIRCRAFT**

---

A general meeting of China Southern Airlines Company Limited (the "Company") will be held on the date to be further notified by the Company. If you are not able to attend and/or vote at the general meeting, you are strongly urged to complete the accompanying form of proxy in accordance with the instructions printed thereon and return it to the Company's branch share registrar in Hong Kong, Hong Kong Registrars Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong as soon as possible and in any event not later than 24 hours before the time appointed for the holding of the general meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting at the meeting or any adjourned meeting should you so wish.

26 September 2012

---

## CONTENTS

---

	<i>Page</i>
<b>DEFINITIONS</b> .....	1
<b>LETTER FROM THE BOARD</b> .....	3
<b>APPENDIX I – FINANCIAL INFORMATION OF THE GROUP</b> .....	8
<b>APPENDIX II – GENERAL INFORMATION</b> .....	10

---

## DEFINITIONS

---

*In this circular, unless the context requires otherwise, the following expressions have the following meanings:*

“A Share(s)”	A Share(s) of RMB 1.00 each in the capital of the Company
“Acquisition”	the acquisition of the Boeing Aircraft under the Boeing Aircraft Acquisition Agreement
“Articles of Association”	the articles of association of the Company
“ATKs”	the tonnes of capacity available for the transportation of revenue load (passengers and/or cargo) multiplied by the kilometers flown
“Board”	the board of Directors
“Boeing”	the Boeing Company, the vendor to the Boeing Aircraft Acquisition Agreement
“Boeing Aircraft”	40 Boeing B737 series aircraft, the subject matter of the Boeing Aircraft Acquisition Agreement
“Boeing Aircraft Acquisition Agreement”	the aircraft acquisition agreement entered into between Boeing and Xiamen Airlines on 3 August 2012, pursuant to which Xiamen Airlines agreed to acquire and Boeing agreed to sell the Boeing Aircraft
“China” or “PRC”	the People’s Republic of China and, for the purpose of this circular, excludes Hong Kong, Macau and Taiwan
“Company”	China Southern Airlines Company Limited, a company incorporated under the laws of the PRC, whose H Shares, A Shares and American depositary shares are listed on the Stock Exchange, the Shanghai Stock Exchange and the New York Stock Exchange, respectively
“CSAHC”	China Southern Air Holding Company, the controlling Shareholder directly and indirectly holding approximately 53.07% equity interest in the Company as at the Latest Practicable Date
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries (as defined under the Listing Rules)

---

## DEFINITIONS

---

“H Share(s)”	H Share(s) of RMB 1.00 each in the capital of the Company
“Hong Kong”	The Hong Kong Special Administrative Region of the PRC
“Latest Practicable Date”	21 September 2012, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	collectively, the A Shares and the H Shares
“Shareholder(s)”	the holders of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supervisor(s)”	supervisor(s) of the Company
“US dollars” or “US\$”	United States dollars, the lawful currency of the United States of America
“Xiamen Airlines”	Xiamen Airlines Company Limited, a limited liability company incorporated in the PRC and a subsidiary (as defined in the Listing Rules) owned as to 51% by the Company

---

LETTER FROM THE BOARD

---



**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)

**Directors:**

***Non-Executive Directors:***

Si Xian Min (*Chairman of the Board*)  
Wang Quan Hua  
Yuan Xin An

***Executive Directors***

Tan Wan Geng  
Zhang Zi Fang  
Xu Jie Bo  
Chen Zhen You

***Independent Non-Executive Directors:***

Gong Hua Zhang  
Wei Jin Cai  
Ning Xiang Dong  
Liu Chang Le

**Supervisors:**

Pan Fu (*Chairman of the Supervisory Committee*)  
Li Jia Shi  
Zhang Wei  
Yang Yi Hua  
Liang Zhong Gao

**Registered address:**

278 Ji Chang Road  
Guangzhou  
PRC 510405

26 September 2012

*To the Shareholders*

Dear Sir or Madam,

**MAJOR TRANSACTION**  
**ACQUISITION OF AIRCRAFT**

**INTRODUCTION**

Reference is made to the announcement of the Company dated 3 August 2012. The purpose of this circular is to provide you with, among other things, further details of the Acquisition.

---

## LETTER FROM THE BOARD

---

### BOEING AIRCRAFT ACQUISITION AGREEMENT

#### Date

3 August 2012

#### Parties

- (i) Xiamen Airlines, as the purchaser. The principal business activity of Xiamen Airlines is that of civil aviation. Xiamen Airlines is owned as to 51% by the Company and is a subsidiary (as defined in the Listing Rules) of the Company.
- (ii) Boeing, as the vendor. The principal business activity of Boeing is that of aircraft manufacturing. To the best of the Directors' knowledge, information and belief after having made all reasonable enquiry, each of Boeing and its ultimate beneficial owners is a third party independent of the Company and connected persons (as defined in the Listing Rules) of the Company, and is not a connected person of the Company.

#### Aircraft to be acquired

40 Boeing B737 series aircraft

#### Consideration

According to the information provided by Boeing, the aggregate catalogue price of the Boeing Aircraft is US\$3.36 billion. Such catalogue price includes price for airframe and engine.

The Boeing Aircraft Acquisition Agreement was negotiated and entered into with customary business and industry practice. The aggregate actual consideration for the Boeing Aircraft, which is payable in cash, and determined after an arm's length negotiation between the parties, is significantly lower than the catalogue price as provided by Boeing because of certain price concessions granted by Boeing in relation to the Boeing Aircraft, in the form of credit memoranda which could be used to purchase the aircraft, spare parts, or any other goods or services from Boeing. Such credit memoranda were determined after an arm's length negotiation between the parties. The Board (including the independent non-executive Directors) is of the view that there is no material impact of the price concessions obtained in the Acquisition on the operating costs of the Group.

In respect of the Acquisition, the Boeing Aircraft Acquisition Agreement contains confidentiality provisions restricting, among other things, disclosure of the consideration of the Acquisition. In addition, consistent with the customary practice of the local aviation industry, the consideration for the acquisition of the Boeing Aircraft is not customarily disclosed to the public. The Company has on separate occasions sought the consents of Boeing to the Company's disclosure of certain information as required under Chapter 14 of the Listing Rules (including the relevant actual consideration involved) in the relevant announcements and circulars. Nonetheless, Boeing rejected the Company's request in this respect, and insisted preservation of the confidentiality carried with such information to the

---

## LETTER FROM THE BOARD

---

extent possible. Disclosure of the actual consideration will result in the loss of the significant price concessions and hence a significant negative impact on the Group's cost for the Acquisition and will therefore not be in the interest of the Company and its Shareholders as a whole. The Company has made an application to the Stock Exchange for a waiver from strict compliance with the relevant provisions under the Listing Rules in respect of the disclosure of the actual consideration for the Boeing Aircraft.

The Board is of the view that the extent of the price concessions granted to Xiamen Airlines in the Acquisition is comparable with the price concessions that the Group had obtained in the past. The Company also believes that there is no material difference between the effect of the price concessions obtained in the Acquisition and each of the previous purchase on the Group's operating costs taken as a whole.

### **Payment and delivery terms**

The aggregate consideration for the Acquisition will be partly payable by cash and partly by financing arrangements with banking institutions. The Boeing Aircraft will be delivered in stages to Xiamen Airlines during the period commencing from 2016 to 2019.

### **Source of funding**

The Acquisition will be funded partly by internal resources of Xiamen Airlines and partly through commercial loans by commercial banks. Such commercial banks are not and will not be connected persons (as defined in the Listing Rules) of the Company. As at the Latest Practicable Date, Xiamen Airlines had not entered into any agreement with any of these commercial banks for financing the Acquisition. The Company will follow the necessary legal procedures and will make the necessary disclosure in accordance with the Articles of Association and in compliance with the applicable Listing Rules when Xiamen Airlines enters into any agreement with any commercial bank for financing the Acquisition.

### **Reasons for the Acquisition**

The Directors (including the independent non-executive Directors) consider that the Acquisition is consistent with the strategic target and the aircraft fleet structure plan of the Group; and the Acquisition will facilitate the strategic change and the internationalization of the Group, the optimization of the Group's fleet structures, thus maximizing the operational efficiency and enhancing the competitiveness of the Group. The Boeing Aircraft will increase the ATKs of the Group by 7.93% when compared to the ATKs of the Group as at 31 December 2011, without taking into account the adjustment to be made by the Company according to market conditions and age of the aircraft fleet.

The Directors, including the independent non-executive Directors, consider that the Acquisition is in the ordinary and usual course of business of the Group, the terms of the Boeing Aircraft Acquisition Agreement are fair and reasonable, are on normal commercial terms and in the interests of the Company and its Shareholders as a whole.

---

## LETTER FROM THE BOARD

---

### IMPLICATIONS UNDER THE LISTING RULES

Pursuant to Rule 14.08 of the Listing Rules, the consideration ratio under Rule 14.07 of the Listing Rules regarding the Acquisition is above 25% and less than 100%, so the Acquisition constitutes a major transaction of the Company, and therefore is subject to approval by the Shareholders under Rule 14.40 of the Listing Rules.

As no Shareholder has a material interest in the Acquisition, no Shareholder is required to abstain from voting on the resolution to approve the Acquisition at the general meeting.

The Acquisition is also subject to the approval of the relevant government authorities in the PRC.

### PROSPECTS

Looking into second half of 2012, the international economic situation will be more complicated with weak growth of the global economy. The recovery of the global economy was embraced by various uncertainties. Chinese economy is facing a greater recession pressure, which causes difficulty to maintain the economy growth. To respond to the difficult domestic and international economic situation, the Chinese government has given top priority to “maintain stable growth” and intends to further stabilize economic growth by continuously strengthening the magnitude of each controlling policy. It is expected that with the launch and adoption of the policies, the domestic economy growth is likely to be stabilized in the second half of 2012 which in turn stimulates the aviation market. Besides, oil price maintains a relatively stable trend, which helps the Group to improve its operating result. However, the industrial competition is still intense during the second half of 2012; and as the exchange rate between RMB and US dollars remains stable basically, material appreciation of RMB is hard to be seen again, so does the material foreign exchange gain.

Given the above reasons, the Group needs to realize such complicated and changing domestic and international economic situation and shall efficiently utilize the advantages from the stable growth trend of Chinese economy to fully capture the market opportunity coming from peak seasons while ensuring the aviation safety and to continue adjusting and optimizing structure, improve the operation quality, enhance cost control and achieve the annual operation target. The Group will focus on the following aspects:

1. To ensure aviation safety with full efforts;
2. To achieve annual operation target;
3. To stably promote the strategic transformation;
4. To improve service quality and strengthen the brand building.



---

## LETTER FROM THE BOARD

---

### GENERAL MEETING

A general meeting will be held on the date to be notified by the Company to approve the Acquisition. As disclosed above, the Acquisition is subject to the approval by the Shareholders. Further notice and announcement will be published by the Company as to the details of the general meeting to be held and the results of the general meeting.

If you are not able to attend and/or vote at the general meeting, you are strongly urged to complete the form of proxy in accordance with the instructions printed thereon and return it to the Company's branch share registrar in Hong Kong, Hong Kong Registrars Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong as soon as possible and in any event not later than 48 hours before the time appointed for the holding of the general meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting at the meeting or any adjourned meeting should you so wish.

Pursuant to Rule 13.39(4) of the Listing Rules and the Articles of Association, any vote of the Shareholders at the general meeting must be taken by poll.

### RECOMMENDATION

The Directors consider that the Acquisition is fair and reasonable so far as the Shareholders are concerned and accordingly recommend the Shareholders to vote in favour of the resolution in relation to the Acquisition which will be proposed at the general meeting.

### ADDITIONAL INFORMATION

Your attention is drawn to the financial and general information set out in the appendices to this circular.

By Order of the Board  
**Si Xian Min**  
*Chairman*

## 1. FINANCIAL INFORMATION OF THE GROUP

Financial information of the Group for each of the three years ended 31 December 2011, 2010 and 2009 and the six months ended 30 June 2012 are disclosed in the following documents which have been published on the websites of the Stock Exchange (<http://www.hkexnews.hk>) and the Company (<http://www.csair.com>):

- annual report of the Company for the year ended 31 December 2011 published on 12 April 2012 (pages 56 – 173);
- annual report of the Company for the year ended 31 December 2010 published on 12 April 2011 (pages 45 – 137);
- annual report of the Company for the year ended 31 December 2009 published on 21 April 2010 (pages 44 – 138); and
- interim report of the Company for the six months ended 30 June 2012 published on 31 August 2012 (pages 15 – 48).

## 2. INDEBTEDNESS

At the close of business on 31 July 2012, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular, the total indebtedness of the Group was as follows:

	<i>RMB</i> <i>(Million)</i>
<b>Bank loans and other loans</b>	
Unsecured loans	28,255
Mortgaged loans	23,476
Mortgaged and guaranteed loans	<u>158</u>
Total	<u><u>51,889</u></u>
<b>Obligations under finance leases</b>	
Obligations under finance leases without guarantee	17,926
Obligations under finance leases with guarantee	<u>2,374</u>
Total	<u><u>20,300</u></u>
<b>Contingent liabilities</b>	
Personal bank loans for pilot trainees	<u><u>358</u></u>

At 31 July 2012, bank and other loans of the Group of approximately RMB23,634,000,000 were secured by certain aircraft with a carrying amount of RMB30,342,000,000 and certain building with a carrying amount of RMB17,000,000. Obligations under finance leases were secured by the relevant leased aircraft with a carrying amount of RMB28,553,000,000. In addition, bank loans of approximately RMB158,000,000 and obligations under finance leases of approximately RMB2,374,000,000 were guaranteed by CSAHC and certain banks.

Save as aforesaid or as otherwise mentioned herein and apart from intra-group liabilities, the Group did not have any outstanding loans and overdrafts, debt securities, debentures, mortgages, finance lease commitments, guarantees and acceptances, material contingent liabilities or other indebtedness in the nature of borrowings as at the close of business on 31 July 2012.

The Directors are not aware of any material changes in the indebtedness or contingent liabilities of the Group since 31 July 2012.

### **3. EFFECT**

The Group's principal business activity is that of civil aviation. Following the completion of the Acquisition, the Group's passenger volume is expected to increase and operating cost per available seat kilometres is expected to decrease. The Boeing Aircraft will increase the ATKs of the Group by 7.93% when compared to the ATKs of the Group as at 31 December 2011, without taking into account the adjustment to be made by the Group according to market conditions and age of the aircraft fleet. As a result, the Group's earnings are expected to be better off. The Group therefore considered that the Acquisition is in the best interest of the Group.

As the Acquisition will be partly financed through commercial loans from commercial banks and partly financed by internal fund, the Acquisition may therefore result in an increase in the Group's debt-to-equity ratio, but as the consideration for the Acquisition is payable by instalments, it is not expected to have any substantial impact on the Group's cash-flow position or its business operations and the Acquisition will not add immediate financial burden to the Group. The Acquisition is not expected to result in any material impact on the earnings, assets and liabilities of the Group.

### **4. MATERIAL CHANGE**

The Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2011 (being the date to which the latest published audited financial statements of the Group were made up).

### **5. WORKING CAPITAL**

Taking into account the present internal resources and the available banking facilities of the Group, the Directors, after due and careful enquiry, are of the opinion that the working capital of the Group is sufficient for at least 12 months from the date of this circular.

**1. RESPONSIBILITY STATEMENT**

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

**2. DISCLOSURE OF INTERESTS OF DIRECTORS AND SUPERVISORS**

As at the Latest Practicable Date, none of the Directors, chief executive or Supervisors and their respective associates had interests or short positions in the shares, underlying shares and/or debentures (as the case may be) of the Company or 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 Divisions 7 and 8 of Part XV of SFO (including interests or short positions which were taken or deemed to have under such provisions of the SFO), or 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 for Securities Transactions by Directors of the Listed Issuers in Appendix 10 of the Listing Rules. None of the Directors, chief executive or Supervisors of the Company and their respective associates (as defined in the Listing Rules) has any competing interests which would be required to be disclosed under Rule 8.10 of the Listing Rules if each of them were a controlling shareholder of the Company.

**3. SUBSTANTIAL SHAREHOLDERS**

As at the Latest Practicable Date, so far as was known to the Directors, chief executive and Supervisors of the Company, the interests and short positions of the following persons (other than the Directors, chief executive or Supervisors of the Company) in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or who were, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all

circumstances at general meeting of any other members of the Group, or had any option in respect of such capital are set out below:

Name of shareholders	Capacity	Types of Shares	Number of Shares held	% of the total issued A Shares of the Company	% of the total issued H Shares of the Company	% of the total issued share capital of the Company
CSAHC ( <i>Note 1</i> )	Beneficial owner Interest of controlled corporations	A Shares	4,145,050,000 (L)	59.02%	–	42.22%
		H Shares	1,064,770,000 (L)	–	38.10%	10.85%
		<i>Sub-total</i>	<i>5,209,820,000 (L)</i>	–	–	<i>53.07%</i>
Nan Lung Holding Limited (“Nan Lung”) ( <i>Note 1</i> )	Beneficial owner	H Shares	1,064,770,000 (L)	–	38.10%	10.85%
JPMorgan Chase & Co ( <i>Note 2</i> )	Beneficial owner Investment Manager Custodian	H Shares	3,304,000 (L)	–	0.12%	0.03%
		H Shares	153,087,000 (L)	–	5.48%	1.56%
		H Shares	37,919,467 (L)	–	1.35%	0.39%
		<i>Sub-total</i>	<i>194,310,467 (L)</i>	–	<i>6.95%</i>	<i>1.98%</i>
	Beneficial owner	H Shares	957,213 (S)	–	0.03%	0.01%

*Note:*

1. CSAHC was deemed to be interested in an aggregate of 1,064,770,000 H Shares through its direct and indirect wholly-owned subsidiaries in Hong Kong, of which 31,120,000 H Shares were directly held by Yazhou Travel Investment Company Limited (representing approximately 1.11% of its then total issued H Shares) and 1,033,650,000 H Shares were directly held by Nan Lung (representing approximately 36.98% of its then total issued H Shares). As Yazhou Travel Investment Company Limited is also an indirect wholly-owned subsidiary of Nan Lung, Nan Lung was also deemed to be interested in the 31,120,000 H Shares held by Yazhou Travel Investment Company Limited.
2. JPMorgan Chase & Co. held interest in a total of 194,310,467 H Shares (Long position) in the Company by virtue of its control over the following corporations:
  - (i) China International Fund Management Co Ltd held 18,506,000 H Shares (Long position) in the Company and was owned as to 49% by JPMorgan Asset Management (UK) Limited, a wholly-owned subsidiary of JPMorgan Asset Management Holdings (UK) Limited. JPMorgan Asset Management Holdings (UK) Limited was a wholly-owned subsidiary of JPMorgan Asset Management International Limited which was in turn wholly owned by JPMorgan Asset Management Holdings Inc., a wholly-owned subsidiary of JPMorgan Chase & Co.
  - (ii) JF Asset Management Limited held 103,040,000 H Shares (Long position) in the Company and was a wholly-owned subsidiary of JPMorgan Asset Management (Asia) Inc. which in turn was wholly owned by JPMorgan Asset Management Holdings Inc. referred to in (i) above.

- (iii) JF International Management Inc. held 1,998,000 H Shares (Long position) in the Company and was wholly owned by JPMorgan Asset Management (Asia) Inc. referred to in (ii) above.
- (iv) JPMorgan Asset Management (Japan) Limited held 8,166,000 H Shares (Long position) in the Company and was wholly owned by JPMorgan Asset Management (Asia) Inc. referred to in (ii) above.
- (v) JPMorgan Asset Management (Singapore) Limited held 11,078,000 H Shares (Long position) in the Company and was wholly owned by JPMorgan Asset Management (Asia) Inc. referred to in (ii) above.
- (vi) JPMorgan Asset Management (Taiwan) Limited held 10,290,000 H Shares (Long position) in the Company and was wholly owned by JPMorgan Asset Management (Asia) Inc. referred to in (ii) above.
- (vii) J.P. Morgan Whitefriars Inc. held 3,304,000 H Shares (Long position) in the Company. J.P. Morgan Whitefriars Inc. was a wholly-owned subsidiary of J.P. Morgan Overseas Capital Corporation, which in turn was a wholly-owned subsidiary of J.P. Morgan International Finance Limited. J.P. Morgan International Finance Limited was wholly owned by Bank One International Holdings Corporation, being a corporation wholly owned by J.P. Morgan International Inc. and J.P. Morgan International Inc. was wholly owned by JPMorgan Chase Bank, N.A. which was in turn held by JPMorgan Chase & Co. as to 100%.
- (viii) J.P. Morgan International Inc. held 9,000 H Shares (Long position) in the Company and was wholly owned by JPMorgan Chase Bank, N.A. as referred to in (vii) above.
- (ix) JP Morgan Chase Bank, N.A, which is a wholly-owned subsidiary of JPMorgan Chase & Co., held 37,919,467 H Shares (Long position) in the Company.
- (x) J.P. Morgan Whitefriars (UK) held 957,213 H Shares (Short position) in the Company and was owned as to 99% by J.P. Morgan Whitefriars Inc., a wholly-owned subsidiary of J.P. Morgan Overseas Capital Corporation referred to in (vii) above.

The entire interest of JPMorgan Chase & Co. in the Company included a lending pool of 37,919,467 H Shares (Long position).

Save as disclosed above, as at the Latest Practicable Date, 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 an interest or short position in the Shares or underlying Shares under the provisions of Divisions 2 and 3 of Part XV of the SFO or who were, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of any other members of the Group.

#### 4. MATERIAL CONTRACTS

The following contracts have been entered into by the Group (not being contract entered into in the ordinary course of business) within the two years immediately preceding the date of this circular:

- (a) An aircraft acquisition agreement (the “**Aircraft Acquisition Agreement 1**”) dated 30 September 2010, between Xiamen Airlines and Boeing, pursuant to which Xiamen Airlines agreed to acquire and Boeing agreed to sell ten Boeing B737 series aircraft. The aggregate catalogue price of the ten Boeing B737 series aircraft was approximately US\$699 million.

- (b) An aircraft acquisition agreement (the “**Aircraft Acquisition Agreement 2**”) dated 4 November 2010, between the Company and Airbus SNC, pursuant to which the Company agreed to acquire and Airbus SNC agreed to sell six Airbus A330 aircraft and 30 Airbus A320 series aircraft. The catalogue price of six Airbus A330 aircraft and 30 Airbus A320 series aircraft is US\$1.205 billion and US\$2.575 billion, respectively.
- (c) A financial services agreement (the “**Financial Services Agreement**”) dated 8 November 2010 between the Company and Southern Airlines Group Finance Company Limited (the “**Finance Company**”), a non-wholly owned subsidiary of CSAHC which is owned as to approximately 66% by CSAHC and its wholly-owned subsidiary and 34% by the Company together with its four subsidiaries, pursuant to which the Finance Company agreed to provide various financial services to the Group for a period of three years. The maximum daily balance of deposits (including the corresponding interests thereon) placed by the Group at any time during the life of the Financial Services Agreement shall not exceed the Cap which is set at RMB4 billion on any given day. In respect of the other financial services to be provided by the Finance Company to the Group, the total fees payable by the Group to the Finance Company shall not exceed RMB5 million for each of the three years ending 31 December 2013.
- (d) A sales agency framework agreement (the “**Sales Agency Services Framework Agreement**”) dated 28 January 2011 between the Company and China Southern Airlines Group Passenger and Cargo Agent Company Limited (“**PCACL**”), a wholly owned subsidiary of CSAHC, pursuant to which PCACL agrees to provide the (1) air ticket sales agency services, (2) airfreight forwarding sales agency services, (3) chartered flight and pallets agency services, (4) internal operation services for the inside storage area; and (5) delivery services for the outside storage area to the Group. The maximum annual aggregate amount of the services fee payable by the Company to PCACL under the Sales Agency Services Framework Agreement for each of the three years ending 31 December 2013 shall not exceed RMB250 million.
- (e) An import and export agency framework agreement (the “**Import and Export Agency Framework Agreement**”) dated 28 January 2011 between the Company and Southern Airlines (Group) Import and Export Trading Company (“**SAIETC**”), a wholly owned subsidiary of CSAHC, pursuant to which SAIETC agrees to provide the (1) import and export services, (2) custom clearing service, (3) customs declaration and inspection services; and (4) tendering and agency services to the Group. The maximum annual aggregate amount of the services fee payable by the Company to SAIETC under the Import and Export Agency Framework Agreement for each of the three years ending 31 December 2013 shall not exceed RMB97.2 million.
- (f) A building lease agreement (the “**Building Lease Agreement**”) dated 14 February 2011 between the Company and CSAHC, pursuant to which CSAHC leases to the Company certain buildings, facilities and other infrastructure related to the civil aviation businesses of the Company situated at various locations in Shenyang,

Dalian, Jilin, Harbin, Xinjiang. The maximum annual aggregate amount of rent payable by the Company to CSAHC under the Building Lease Agreement for each of the three years ending 31 December 2013 shall not exceed RMB 42,975,542.

- (g) A land lease agreement (the “**Land Lease Agreement**”) dated 14 February 2011 between the Company and CSAHC, pursuant to which CSAHC leases to the Company certain lands by leasing the land use rights of such lands to the Company for the purposes of its civil aviation and related businesses situated at various locations. The maximum annual aggregate amount of rent payable by the Company to CSAHC under the Land Lease Agreement for each of the three years ending 31 December 2013 shall not exceed RMB56,329,131.
- (h) An aircraft acquisition agreement (the “**Aircraft Acquisition Agreement 3**”) dated 9 May 2011, between Xiamen Airlines and Boeing, pursuant to which Xiamen Airlines agreed to acquire and Boeing agreed to sell six Boeing B787 series aircraft. The catalogue price of six Boeing B787 series aircraft is US\$1,089 million.
- (i) An aircraft acquisition agreement (the “**Aircraft Acquisition Agreement 4**”) dated 31 May 2011, between the Company and Boeing, pursuant to which the Company agreed to acquire and Boeing agreed to sell six Boeing B777F freighters. The catalogue price one Boeing B777F freighters is US\$264 million.
- (j) An aircraft acquisition agreement (the “**Aircraft Acquisition Agreement 5**”) dated 28 February 2012, between the Company and Boeing, pursuant to which the Company agreed to acquire and Boeing agreed to sell ten Boeing B777-300ER aircraft. The catalogue price one Boeing B777-300ER aircraft is US\$298 million.
- (k) A supplemental agreement to the Financial Services Agreement dated 16 March 2012 entered into between the Company and the Finance Company to revise the maximum daily balance of deposits (including the corresponding interests thereon) to be placed by the Group at any time during the life of the Financial Services Agreement from RMB4 billion to RMB6 billion on any given day.
- (l) A subscription agreement dated 11 June 2012 was entered into between the Company and CSAHC, pursuant to which CSAHC conditionally agreed to subscribe and the Company conditionally agreed to allot and issue up to 487,804,878 new A Shares for an aggregate of not more than RMB2 billion, equivalent to the subscription price of RMB4.10 per new A Share after the adjustment.
- (m) The Boeing Aircraft Acquisition Agreement.



**5. MATERIAL LITIGATION**

No member of the Group was engaged in any litigation or claims of material importance, and no such litigation or claim of material importance was known to the Directors to be pending or threatened by or against any members of the Group, as at the Latest Practicable Date.

**6. DIRECTORS' AND SUPERVISORS' INTERESTS**

- (a) None of the Directors or Supervisors has any direct or indirect interest in any assets which have been, since 31 December 2011, the date to which the latest published audited financial statements of the Company were made up, acquired or disposed of by or leased to, or which are proposed to be acquired or disposed of by, or leased to, any member of the Group.
- (b) None of the Directors or Supervisors was materially interested in any contract or arrangement subsisting as at the Latest Practicable Date and which was significant in relation to the business of the Group.

**7. SERVICE CONTRACTS**

None of the Directors has any existing or proposed service contract with any member of the Group which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

**8. MISCELLANEOUS**

- (a) The joint company secretaries of the Company are Mr. Xie Bing and Dr. Liu Wei.

Mr. Xie Bing, aged 39, graduated from Nanjing University of Aeronautics and Astronautics, majoring in civil aviation management. He subsequently received a master degree of business administration, a master degree of international finance and a master degree in Business Administration (EMBA) from Jinan University, the University of Birmingham, Britain and School of Economics and Management of Tsinghua University, respectively. Mr. Xie used to work in the Planning and Development Department, the Company Secretary Office of the Company and the General Office of CSAHC. He has been the Company Secretary since November 2007.

Dr. Liu Wei, aged 55, graduated from the Northwest University of China, the Chinese University of Political Science and Law, the University of Cambridge and the University of Hong Kong, with a bachelor in Chinese literature, a master degree in law and a PhD in Law respectively. He also completed his Common Professional Examination (CPE) with the Manchester University in England, as well as a Postgraduate Certificate in Laws (PCLL) with the University of Hong Kong. Dr. Liu is qualified to practice law in PRC, Hong Kong and England. He has extensive exposure in corporate finance and is a partner of DLA Piper Hong Kong.

- (b) The registered address of the Company is at 278 Ji Chang Road, Guangzhou, PRC and the principal place of business of the Company in Hong Kong is at Unit B1, 9th Floor, United Centre, 95 Queensway, Hong Kong.
- (c) The Hong Kong branch share registrar and transfer office of the Company is Hong Kong Registrars Limited, 17M Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong.

## **9. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents are available for inspection during normal business hours at the principal place of business of the Company in Hong Kong at Unit B1, 9th Floor, United Centre, 95 Queensway, Hong Kong up to and including 12 October 2012:

- (a) Articles of Association;
- (b) the material contracts referred to in the paragraph headed "Material Contracts" in this Appendix;
- (c) the 2010 and 2011 Annual Reports;
- (d) the 2012 Interim Report; and
- (e) circulars dated 13 April 2012, 23 April 2012 and 26 June 2012.

In respect of the Acquisition, the Company has applied to the Stock Exchange for a waiver for the Acquisition from strict compliance with Rule 14.58(4), Rule 14.66(10) and Appendix 1B paragraph 43(2)(b) to the Listing Rules, so that only the redacted version of the Aircraft Acquisition Agreement 1, the Aircraft Acquisition Agreement 2, the Aircraft Acquisition Agreement 3, the Aircraft Acquisition Agreement 4, the Aircraft Acquisition Agreement 5 and the Boeing Aircraft Acquisition Agreement will be available for inspection by the public. Information in relation to the actual consideration will not be disclosed in the aforesaid aircraft acquisition agreements.