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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)

MAJOR TRANSACTION
IN RELATION TO ACQUISITION OF AIRCRAFT

MAJOR TRANSACTION

The Board hereby announces that on 17 December 2015 (after trading hours), (i) the Company entered into (a) the Boeing Aircraft Acquisition Agreement with Boeing to purchase the Boeing Aircraft from Boeing; and (b) the Boeing Aircraft Disposal Agreements with Boeing to sell 13 B757 aircraft and 3 B733 aircraft and certain aircraft spare parts and spare engines to Boeing; and (ii) Xiamen Airlines also entered into the Xiamen Aircraft Acquisition Agreement with Boeing (a) to purchase the XA Aircraft from Boeing; and (b) to agree that the 9 B737 series aircraft to be acquired by Xiamen Airlines under the 2012 Aircraft Acquisition Agreement with Boeing be changed to 9 B737 MAX series aircraft under the same terms as the XA Transaction.

Pursuant to Rule 14.22 of the Listing Rules, the Xiamen Aircraft Acquisition Agreement was aggregated with the Boeing Aircraft Acquisition Agreement so that the two transactions thereunder were treated as if they were one transaction. The relevant percentage ratio for the CSA Transaction, aggregated with the XA Transaction, with regards to the consideration test under Rule 14.07 of the Listing Rules is above 25% and less than 100%. The Acquisition will together constitute a major transaction, therefore is also subject to the reporting, announcement and shareholders' approval requirements under the Listing Rules.

To the best of the knowledge, information and belief of the Directors, after having made all reasonable enquiries, no Shareholder or any of their respective associates have any material interest in the Aircraft Acquisition Agreements and the Acquisition, thus no Shareholder is required to abstain from voting if the Company were to convene a general meeting for the approval of the Aircraft Acquisition Agreements and the Acquisition. The Company has obtained a written shareholder approval from CSAHC, the controlling Shareholder holding approximately 51.99% of the total issued shares of the Company as at the date of this announcement, in lieu of holding a general meeting to approve the Aircraft Acquisition Agreements and the Acquisition in accordance with Rule 14.44 of the Listing Rules.

GENERAL

Pursuant to Rule 14.41(a) of the Listing Rules, a circular containing, amongst other things, further information on the Acquisition together with a notice convening the general meeting, shall be despatched within 15 business days after publication of this announcement (i.e. on or before 11 January 2016). As more time is required to prepare the indebtedness statement to be included in the circular, the Company has applied a waiver from strict compliance with Rule 14.41(a) of the

Listing Rules from the Stock Exchange so that the despatch date of the circular can be postponed to a date on or before 1 March 2016.

On 17 December 2015 (after trading hours), (i) the Company entered into (a) the Boeing Aircraft Acquisition Agreement with Boeing to purchase the Boeing Aircraft from Boeing and (b) the Boeing Aircraft Disposal Agreements with Boeing to sell 13 B757 aircraft and 3 B733 aircraft and certain aircraft spare parts and spare engines to Boeing; and (ii) Xiamen Airlines also entered into the Xiamen Aircraft Acquisition Agreement with Boeing (a) to purchase the XA Aircraft from Boeing; and (b) to agree that the 9 B737 series aircraft to be acquired by Xiamen Airlines under the 2012 Aircraft Acquisition Agreement with Boeing be changed to 9 B737 MAX series aircraft under the same terms as the XA Transaction.

(I) BOEING AIRCRAFT ACQUISITION AGREEMENT

Parties

- (i) The Company, as the purchaser. The principal business activity of the Company is that of civil aviation.
- (ii) The Boeing Company, a company incorporated in the State of Delaware of the United States of America, as the vendor. The principal business activity of Boeing is that of aircraft manufacturing. To the best of the Directors' knowledge, information and belief 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

30 B737NG series aircraft and 50 B737 MAX series aircraft

Consideration

According to the information provided by Boeing, the catalogue price of each Boeing B737NG series aircraft and B737MAX series aircraft is priced about US\$81.16 million and US\$96.07 million, respectively. Such catalogue prices 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 the substantial price concessions granted by Boeing in relation to the Boeing Aircraft. 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 CSA Transaction on the operating costs of the Group.

In respect of the CSA Transaction, the Boeing Aircraft Acquisition Agreement contains confidentiality provisions restricting, among other things, disclosure of the consideration of the CSA Transaction. 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 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 CSA Transaction 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 the Company in the CSA Transaction 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 CSA Transaction 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 CSA Transaction is payable by cash in United States dollars. The consideration will be partly payable by cash and partly by financing arrangements with banking institutions. The Boeing Aircraft will be delivered in stages to the Company during the period commencing from 2017 to 2021 and the consideration for each of the relevant Boeing Aircraft will be paid according to its respective delivery schedule.

Source of funding

The CSA Transaction will be funded partly by internal resources of the Company 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 of the date hereof, the Company has not entered into any agreement with any of these commercial banks for financing the CSA Transaction. The Company will follow the necessary legal procedures and will make the necessary disclosure in accordance with the Articles of Association and comply with the applicable Listing Rules when the Company enters into any agreement with any commercial bank for financing the CSA Transaction.

Disposal

Pursuant to the Boeing Aircraft Disposal Agreements, the Company also agreed to sell 13 B757 aircraft and 3 B733 aircraft and certain aircraft spare parts and spare engines to Boeing. The Disposal does not constitute a notifiable transaction under Chapter 14 of the Listing Rules.

The Disposal will decrease the ATKs of the Group by 2.2% when compared to the ATKs of the Group as at 31 December 2014, without taking into account the adjustment to be made by the Company according to market conditions and age of the aircraft fleet

(II) XIAMEN AIRCRAFT ACQUISITION AGREEMENT

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 of the Company under the Listing Rules.
- (ii) The Boeing Company

Aircraft to be acquired

30 B737MAX series aircraft

Consideration

According to the information provided by Boeing, the catalogue price of one Boeing B737MAX series aircraft is priced about US\$96.07 million. Such catalogue prices includes price for airframe and engine.

The Xiamen Aircraft Acquisition Agreement was negotiated and entered into with customary business and industry practice. The aggregate actual consideration for the XA 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 the substantial price concessions granted by Boeing in relation to the XA Aircraft. 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 XA Transaction on the operating costs of the Group.

In respect of the XA Transaction, the Xiamen Aircraft Acquisition Agreement contains confidentiality provisions restricting, among other things, disclosure of the consideration of the XA Transaction. In addition, consistent with the customary practice of the local aviation industry, the consideration for the acquisition of the XA 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 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 XA Transaction 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 XA Aircraft.

The Board is of the view that the extent of the price concessions granted to Xiamen Airlines in the XA Transaction 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 XA Transaction 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 XA Transaction is payable by cash in United States dollars. The consideration will be partly payable by cash and partly by financing arrangements with banking institutions. The XA Aircraft will be delivered in stages to the Xiamen Airlines during the period commencing from 2018 to 2020 and the consideration for each of the relevant XA Aircraft will be paid according to its respective delivery schedule.

Source of funding

The XA Transaction will be funded partly by internal resources of the Group 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 of the date hereof, Xiamen Airlines has not entered into any agreement with any of these commercial banks for financing the XA Transaction. The Company will follow the necessary legal procedures and will make the necessary disclosure in accordance with the Articles of Association and comply with the applicable Listing Rules when Xiamen Airlines enters into any agreement with any commercial bank for financing the XA Transaction.

Other

Pursuant to the Xiamen Aircraft Acquisition Agreement, Xiamen Airlines has the flexibility to decide if it will acquire the XA Aircraft itself or assign the acquisition right to other independent third party purchaser, who will then enter into a sales and leases back arrangement with Xiamen Airlines thereafter.

Further, pursuant to the Xiamen Aircraft Acquisition Agreement, the parties also agreed that the 9 out of the 40 B737 series aircraft to be acquired by Xiamen Airlines under the 2012 Aircraft Acquisition Agreement with Boeing be changed to 9 B737 MAX series aircraft under the same terms as the XA Transaction. Details of the 2012 Aircraft Acquisition Agreement have been disclosed in the major transaction announcement and circular of the Company issued on 3 August 2012 and 24 September 2014, respectively.

CONDITIONS PRECEDENT

The Acquisition is subject to the following:

- (i) the approval of the relevant government authorities in the PRC; and
- (ii) the Shareholders' approval,

pursuant to the Listing Rules, the Articles of Association and the relevant rules and regulations of the Shanghai Stock Exchange.

None of the Shareholders is required to abstain from voting in respect of the proposed resolution to approve the Acquisition.

REASONS FOR THE ACQUISITION

The Directors (including the independent non-executive Directors) consider that the Acquisition will facilitate the optimization of the Company's fleet structures, thus maximizing the operational efficiency and enhancing the competitiveness of the Company. The Boeing Aircraft and the XA Aircraft in aggregate will increase the ATKs of the Group by 16%, when compared to the ATKs of the Group as at 31 December 2014, 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 Aircraft Acquisition Agreements are fair and reasonable, are on normal commercial terms and in the interests of the Company and its Shareholders as a whole.

IMPLICATION UNDER THE LISTING RULES

Pursuant to Rule 14.22 of the Listing Rules, the Xiamen Aircraft Acquisition Agreement was aggregated with the Boeing Aircraft Acquisition Agreement so that the two transactions thereunder were treated as if they were one transaction. The relevant percentage ratio for the CSA Transaction, aggregated with the XA Transaction, with regards to the consideration test under Rule 14.07 of the Listing Rules is above 25% and less than 100%. The Acquisition will together constitute a major transaction, therefore is also subject to the reporting, announcement and shareholders' approval requirements under the Listing Rules.

The Acquisition is also required to be disclosed pursuant to the relevant rules and regulations of the Shanghai Stock Exchange.

To the best of the knowledge, information and belief of the Directors, after having made all reasonable enquiries, no Shareholder or any of their respective associates have any material interest in the Aircraft Acquisition Agreements and the Acquisition, thus no Shareholder is required to abstain from voting if the Company were to convene a general meeting for the approval of the Aircraft Acquisition Agreements and the Acquisition. The Company has obtained a written shareholder approval from CSAHC, the controlling Shareholder holding approximately 51.99% of the total issued shares of the Company as at the date of this announcement, in lieu of holding a general meeting to approve the Aircraft Acquisition Agreements and the Acquisition in accordance with Rule 14.44 of the Listing Rules.

GENERAL

Pursuant to Rule 14.41(a) of the Listing Rules, a circular containing, amongst other things, further information on the Acquisition together with a notice convening the general meeting, shall be despatched within 15 business days after publication of this announcement (i.e. on or before 11 January 2016). As more time is required to prepare the indebtedness statement to be included in the circular, the Company has applied a waiver from strict compliance with Rule 14.41(a) of the Listing Rules from the Stock Exchange so that the despatch date of the circular can be postponed to a date on or before 1 March 2016.

DEFINITIONS

In this announcement, the following expressions shall have the meanings set out below unless the context requires otherwise:

“2012 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 40 Boeing B737 series aircraft
“Acquisition”	collectively, the CSA Transaction and the XA Transaction
“Aircraft Acquisition Agreements”	collectively, the Boeing Aircraft Acquisition Agreement and the Xiamen Aircraft Acquisition Agreement
“Boeing Aircraft”	30 B737NG series aircraft and 50 B737 MAX series aircraft , the subject matter of the Boeing Aircraft Acquisition Agreement
“Boeing Aircraft Acquisition Agreement”	the aircraft acquisition agreement entered into between Boeing and the Company on 17 December 2015, pursuant to which the Company agreed to acquire and Boeing agreed to sell the Boeing Aircraft
“Boeing Aircraft Disposal Agreements”	three aircraft disposal agreements entered into between Boeing and the Company on 17 December 2015, pursuant to which the Company agreed to sell 13 B757 aircraft and 3 B733 aircraft and certain aircraft spare parts and spare engines to Boeing
“Articles of Association”	the articles of association of the Company
“available tonne kilometers” or “ATKs”	the tones 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 Aircraft Acquisition Agreements and the purchaser to the Boeing Aircraft Disposal Agreements
“China” or “PRC”	the People’s Republic of China and, for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region 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, Inc., respectively
“CSA Transaction”	the acquisition of the Boeing Aircraft under the Boeing Aircraft Acquisition Agreement
“CSAHC”	China Southern Air Holding Company, a state-owned enterprise established under the laws of the PRC and the controlling shareholder of the Company

“Director(s)”	the director(s) of the Company
“Disposal”	the disposal of 13 B757 aircraft and 3 B733 aircraft and certain aircraft spare parts and spare engines by the Company to Boeing under the Boeing Aircraft Disposal Agreements
“Group”	the Company and its subsidiaries (as defined under the Listing Rules)
“Hong Kong”	The Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“RMB”	Renminbi, the lawful currency of the PRC
“Share(s) ”	share of RMB1.00 each in the capital of the Company
“Shareholder(s) ”	the holders of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“US dollars” or “US\$”	United States dollars, the lawful currency of the United States of America
“XA Transaction”	the acquisition of the XA Aircraft under the Xiamen Aircraft Acquisition Agreement
“XA Aircraft”	30 B737 MAX series aircraft, the subject matter of the Xiamen Aircraft Acquisition Agreement
“Xiamen Aircraft Acquisition Agreement”	the aircraft acquisition agreement entered into between Boeing and Xiamen Airlines on 17 December 2015, pursuant to which Xiamen Airlines agreed to acquire and Boeing agreed to sell the XA Aircraft
“Xiamen Airlines” or “XA”	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 as at the date of this announcement

By order of the Board

China Southern Airlines Company Limited

Xie Bing

Company Secretary

Guangzhou, the People’s Republic of China

17 December 2015

As at the date of this announcement, the Directors include Si Xian Min, 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.