

UNITED STATES SECURITIES AND EXCHANGE COMMISSION,
WASHINGTON, D.C. 20549

FORM 20-F

REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF THE SECURITIES EXCHANGE ACT OF 1934

OR

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2015

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

OR

SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Date of event requiring this shell company report _____

Commission file number 1-14660

(Exact name of Registrant as specified in its charter)

CHINA SOUTHERN AIRLINES COMPANY LIMITED

(Translation of Registrant's name into English)

THE PEOPLE'S REPUBLIC OF CHINA

(Jurisdiction of incorporation or organization)

**278 JI CHANG ROAD
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PEOPLE'S REPUBLIC OF CHINA

(Name, Telephone, E-mail and/or Facsimile number and Address of Company Contact Person)

Securities registered or to be registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
<i>Ordinary H Shares of par value RMB1.00 per share represented by American Depositary Receipts</i>	<i>New York Stock Exchange</i>

Securities registered or to be registered pursuant to Section 12(g) of the Act:

None

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act.

None

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report: 7,022,650,000 A Shares of par value RMB1.00 per share and 2,794,917,000 H Shares of par value RMB1.00 per share.

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes No

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.

Yes No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer

Accelerated filer

Non-accelerated filer

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

U.S. GAAP

International Financial Reporting Standards
as issued by the International Accounting Standards Board

Other

If "Other" has been checked in response to the previous question, indicate by check mark which financial statement Item the registrant has elected to follow.

Item 17 Item 18

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

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FORWARD-LOOKING STATEMENTS

This Annual Report contains forward-looking statements. These statements appear in a number of different places in this Annual Report. A forward-looking statement is usually identified by the use in this Annual Report of certain terminology such as "estimate", "project", "expect", "intend", "believe", "plan", "anticipate", "may", or their negatives or other comparable words. Also look for discussions of strategy that involve risks and uncertainties. Forward-looking statements include statements regarding the outlook for our future operations, forecasts of future costs and expenditures, evaluation of market conditions, the outcome of legal proceedings (if any), the adequacy of reserves, or other business plans. You are cautioned that such forward-looking statements are not guarantees and involve risks, assumptions and uncertainties. Our actual results may differ materially from those in the forward-looking statements due to risks facing the Company or due to actual facts differing from the assumptions underlying those forward-looking statements.

Some of these risks and assumptions, in addition to those identified under Item 3, "Key Information - Risk Factors," include:

- general economic and business conditions in markets where the Company operates, including changes in interest rates;
- the effects of competition on the demand for and price of our services;
- natural phenomena;
- the impact of unusual events on our business and operations;
- actions by government authorities, including changes in government regulations, and changes in the CAAC's regulatory policies;
- our relationship with China Southern Air Holding Company (the "CSAHC");
- uncertainties associated with legal proceedings;
- technological development;
- our ability to attract key personnel and attract new talent;
- future decisions by management in response to changing conditions;
- the Company's ability to execute prospective business plans;
- the availability of qualified flight personnel and airport facilities; and
- misjudgments in the course of preparing forward-looking statements.

The Company advises you that these cautionary remarks expressly qualify in their entirety all forward-looking statements attributable to the Company, the Group and persons acting on their behalf.

INTRODUCTORY NOTE

In this Annual Report, unless the context indicates otherwise, the "Company", "we", "us" and "our" means China Southern Airlines Company Limited, a joint stock company incorporated in China on March 25, 1995, the "Group" means the Company and its consolidated subsidiaries, and "CSAHC" means China Southern Air Holding Company, the Company's parent company which holds a 51.99% interest in the Company as of April 18, 2016.

References to "China" or the "PRC" are to the People's Republic of China, excluding Hong Kong, Macau and Taiwan. References to "Renminbi" or "RMB" are to the currency of China, references to "U.S. dollars", "\$" or "US\$" are to the currency of the United States of America (the "U.S." or "United States"), and reference to "HK\$" is to the currency of Hong Kong. Reference to the "Chinese government" is to the national government of China. References to "Hong Kong" or "Hong Kong SAR" are to the Hong Kong Special Administrative Region of the PRC. References to "Macau" or "Macau SAR" are to the Macau Special Administrative Region of the PRC.

The Company presents its consolidated financial statements in Renminbi. The consolidated financial statements of the Company for the year ended December 31, 2015 (the "Financial Statements") have been prepared in accordance with all applicable International Financial Reporting Standards ("IFRSs"), which collective term includes all applicable individual IFRSs, International Accounting Standards ("IASs") and Interpretations issued by the International Accounting Standards Board (the "IASB").

Solely for the convenience of the readers, this Annual Report contains translations of certain Renminbi amounts into U.S. dollars at the rate of US\$1.00 = RMB6.4936, which is the average of the buying and selling rates as quoted by the People's Bank of China at the close of business on December 31, 2015. No representation is made that the Renminbi amounts or U.S. dollar amounts included in this Annual Report could have been or could be converted into U.S. dollars or Renminbi, as the case may be, at any particular rate or at all. Any discrepancies in the tables included herein between the amounts listed and the totals are due to rounding.

GLOSSARY OF AIRLINE INDUSTRY TERMS

In this Annual Report, unless the context indicates otherwise, the following terms have the respective meanings set forth below.

Capacity

"available seat kilometers" or "ASK"	the number of seats made available for sale multiplied by the kilometers flown
"available ton kilometers" or "ATK"	the tons of capacity available for the transportation of revenue load (passengers and cargo) multiplied by the kilometers flown

Traffic

"cargo ton kilometers"	the load in tons multiplied by the kilometers flown
"revenue passenger kilometers" or "RPK"	the number of passengers carried multiplied by the kilometers flown
"revenue ton kilometers" or "RTK"	the load (passenger and cargo) in tons multiplied by the kilometers flown
"revenue ton kilometers-cargo"	revenue freight ton kilometers (RFTK), the load (cargo) in tons multiplied by the kilometers flown
"revenue ton kilometers-passenger"	the load (passenger) in tons multiplied by the kilometers flown
"ton"	a metric ton, equivalent to 2,204.6 pounds

Yield

"yield per RPK"	revenue from passenger operations divided by RPK
"yield per RFTK"	revenue from cargo operations divided by RFTK
"yield per RTK"	revenue from airline operations (passenger and cargo) divided by RTK

Cost

"operating cost per ATK"	operating expenses divided by ATK
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Load Factors

"overall load factor"	RTK expressed as a percentage of ATK
"passenger load factor"	RPK expressed as a percentage of ASK

Utilization

"utilization rates"	the actual number of flight and taxi hours per aircraft per operating day
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<i>Equipment</i>	
"expendables"	aircraft parts that are ordinarily used up and replaced with new parts
"rotables"	aircraft parts that are ordinarily repaired and reused
<i>Others</i>	
"ADR"	American Depositary Receipt
"A Shares"	Shares issued by the Company to investors in the PRC for subscription in RMB, with par value of RMB1.00 each
"CAAC"	Civil Aviation Administration of China
"CAOSC"	China Aviation Oil Supplies Company
"CSRC"	China Securities Regulatory Commission
"H Shares"	Shares issued by the Company, listed on The Stock Exchange of Hong Kong Limited and subscribed for and traded in Hong Kong dollars, with par value of RMB1.00 each
"Nan Lung"	Nan Lung Holding Limited (a wholly-owned subsidiary of CSAHC)
"NDRC"	National Development and Reform Commission of China
"SA Finance"	Southern Airlines Group Finance Company Limited
"SAFE"	State Administration of Foreign Exchange of China
"SEC"	United States Securities and Exchange Commission

PART I

ITEM 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS.

Not applicable.

ITEM 2. OFFER STATISTICS AND EXPECTED TIMETABLE.

Not applicable.

ITEM 3. KEY INFORMATION.

A. Selected Financial Data.

The following tables present selected financial data for the five-year period ended December 31, 2015. The selected consolidated income statement data for the three-year period ended December 31, 2013, 2014 and 2015 and selected consolidated statement of financial position data as of December 31, 2014 and 2015 excluding basic and diluted earnings per ADR, are derived from the audited consolidated financial statements of the Company, including the related notes, included elsewhere in this Annual Report. The selected consolidated income statement data for the years ended December 31, 2011 and 2012 and selected consolidated statement of financial position data as of December 31, 2011, 2012 and 2013 are derived from the Company's audited consolidated financial statements that are not included in this Annual Report.

Moreover, the selected financial data should be read in conjunction with our consolidated financial statements together with accompanying notes and "Item 5. Operating and Financial Review and Prospects" which are included elsewhere in this Annual Report. Our consolidated financial statements are prepared and presented in accordance with International Financial Reporting Standards, or IFRSs.

Year ended December 31,						
2015 US\$	2015 RMB	2014 RMB	2013 RMB	2012 RMB	2011 RMB	

(in million, except per share and per ADR data)

Consolidated Income Statement Data:

Operating revenue	17,194	111,652	108,584	98,547	99,514	90,395
Operating expenses	(15,630)	(101,492)	(106,026)	(98,280)	(95,877)	(87,063)
Operating profit	2,069	13,438	4,748	1,510	5,099	4,353
Profit before income tax	942	6,118	3,066	3,484	4,738	6,930
Profit for the year	742	4,818	2,398	2,750	3,784	6,090
Profit attributable to:						
Equity shareholders of the Company	575	3,736	1,777	1,986	2,619	5,110
Non-controlling interests	167	1,082	621	764	1,165	980
Basic and diluted earnings per share	0.06	0.38	0.18	0.20	0.27	0.52
Basic and diluted earnings per ADR ⁽¹⁾	2.93	19.03	9.05	10.11	13.34	26.02

(1) Basic and diluted earnings per share have been computed by dividing profit attributable to equity shareholders of the Company by the weighted average number of shares in issue. Basic and diluted earnings per ADR have been computed as if all of our issued or potential ordinary shares, including domestic shares and H shares, are represented by ADRs during each of the years presented. Each ADR represents 50 shares.

Year ended December 31,						
2015	2015	2014	2013	2012	2011	
US\$	RMB	RMB	RMB	RMB	RMB	RMB
(in million)						

Consolidated Statement of Financial Position Data:

Cash and cash equivalents	702	4,560	15,414	11,748	10,082	9,863
Other current assets	1,471	9,553	12,127	8,825	6,705	9,622
Property, plant and equipment, net	22,002	142,870	134,453	119,777	100,040	87,711
Total assets	28,642	185,989	189,688	165,207	142,454	129,412
Bank and other loans, including long-term bank and other loans due within one year	4,620	30,002	20,979	20,242	21,899	18,789
Obligations under capital leases due within one year	988	6,416	5,992	3,636	2,494	1,784
Bank and other loans, excluding balance due within one year	2,446	15,884	42,066	37,246	30,196	29,037
Obligations under capital leases, excluding balance due within one year	7,609	49,408	43,919	31,373	19,371	14,053
Total equity	7,642	49,624	44,493	42,451	39,734	37,777
Number of shares (in million)	9,818	9,818	9,818	9,818	9,818	9,818

Selected Operating Data

The operating data and the profit analysis and comparison for other years below is calculated and disclosed in accordance with the statistical standards, which have been implemented by the Group since January 1, 2001. See "Glossary of Airline Industry Terms" at the front of this Annual Report for definitions of certain terms used herein.

Year ended December, 31						
	2015	2014	2013	2012	2011	
Capacity						
ASK (million)	235,616	209,807	186,800	169,569	151,064	
ATK (million)	32,205	28,454	24,952	23,065	20,795	
Kilometers flown (thousand)	1,408,500	1,275,570	1,147,070	1,052,495	939,233	
Hours flown (thousand)	2,238	2,026	1,829	1,681	1,507	
Number of landing and take-offs	936,750	884,070	809,870	757,022	702,264	
Traffic						
RPK (million)	189,588	166,629	148,417	135,535	122,344	
RTK (million)	22,388	19,780	17,469	16,160	14,461	
Passengers carried (thousand)	109,422	100,919	91,791	86,485	80,677	
Cargo and mail carried (tons)	1,511,550	1,433,250	1,276,350	1,232,000	1,135,000	
Load Factors						
Passenger load factor (RPK/ASK) (%)	80.5	79.4	79.4	79.9	81.0	
Overall load factor (RTK/ATK) (%)	69.5	69.5	70.0	70.1	69.5	
Yield						
Yield per RPK (RMB)	0.53	0.58	0.59	0.66	0.67	
Yield per RFTK (RMB)	1.21	1.42	1.48	1.59	1.61	
Yield per RTK (RMB)	4.78	5.27	5.42	5.95	6.03	
Fleet						
- Boeing	351	311	282	243	223	
- Airbus	290	276	253	225	208	
- McDonnell Douglas	-	-	-	-	-	
- Others	26	25	26	23	13	
Total aircraft in service at period end	667	612	561	491	444	
Overall utilization rate (hours per day)	9.6	9.6	9.6	9.8	9.8	

Exchange Rate Information

The following table sets forth certain information concerning exchange rates, based on the noon buying rates in New York City for cable transfers in foreign currencies, as certified for customs purposes by the Federal Reserve Bank of New York (the "Noon Buying Rate"), between Renminbi and U.S. dollars for the five most recent financial years.

Period	Period End	Average⁽¹⁾ (RMB per US\$)	High	Low
Annual Exchange Rate				
2011	6.2939	6.4630	6.6364	6.2939
2012	6.2301	6.3088	6.3879	6.2221
2013	6.0537	6.1412	6.2213	6.0537
2014	6.2046	6.1704	6.2591	6.0402
2015	6.4778	6.2869	6.4896	6.1870

(1) Determined by averaging the rates on the last business day of each month during the relevant period.

The following table sets out the range of high and low exchange rates, based on the Noon Buying Rate, between Renminbi and U.S. dollars, for the following periods.

Period	High	Low
Monthly Exchange Rate		
October 2015	6.3591	6.3180
November 2015	6.3945	6.3180
December 2015	6.4896	6.3883
January 2016	6.5932	6.5219
February 2016	6.5795	6.5154
March 2016	6.5500	6.4480
April 2016 (up to April 18, 2016)	6.4810	6.4580

B. Capitalization and Indebtedness.

Not applicable.

C. Reasons for the Offer and Use of Proceeds.

Not applicable.

D. Risk Factors.

Risks Relating to our Business

We are indirectly majority owned by the Chinese government, which may exert influence in a manner that may conflict with the interests of holders of ADRs, H Shares and A Shares.

Major Chinese airlines are wholly- or majority-owned either by the Chinese government or by provincial or municipal governments in China. CSAHC, an entity wholly-owned by the Chinese government, holds and exercises the rights of ownership of 51.99% of the equity of the Company. The interests of the Chinese government in the Company and in other Chinese airlines may conflict with the interests of the holders of the ADRs, H Shares and A Shares. The public policy considerations of the Chinese government in regulating the Chinese commercial aviation industry may also conflict with its indirect ownership interest in the Company. In addition, the Company may accept further capital injection from CSAHC through non-public subscriptions, which may have dilutive impact for other holders of ADRs, H Shares and A Shares.

Due to high degree of operating leverage and high fixed costs, a decrease in revenues of the Group could result in a disproportionately higher decrease in its profit for the year. The results of the Group's operations are also significantly exposed to fluctuations in foreign exchange rates.

The airline industry is generally characterized by a high degree of operating leverage. In addition, due to high fixed costs, the expenses relating to the operation of any flight do not vary proportionately with the number of passengers carried, while revenues generated from a flight are directly related to the number of passengers carried and the fare structure of such flight. Accordingly, a decrease in revenues could result in a disproportionately higher decrease in its profit for the year. Moreover, as the Group has substantial obligations denominated in foreign currencies, its results of operations are significantly affected by fluctuations in foreign exchange rates, particularly by fluctuations in the Renminbi-U.S. dollar exchange rate. Net exchange losses of RMB292 million was recorded in 2014 mainly due to Renminbi depreciated slightly against U.S. dollar in 2014. Our net exchange losses of RMB5,953 million was recorded in 2015 as Renminbi depreciated significantly against U.S. dollar in 2015.

The Group has significant committed capital expenditures in the next three years, but may face challenges and difficulties as it seeks to maintain liquidity.

We have a substantial amount of debt, lease and other obligations, and will continue to have a substantial amount of debt, lease and other obligations in the future. As of December 31, 2015, the Group's current liabilities exceeded its current assets by RMB51,422 million. The Group generally maintains sound operating cash flow. However, our substantial indebtedness and other obligations may in the future negatively impact our liquidity. In addition, the Group has significant committed capital expenditures in the next three years, due to aircraft acquisitions. In 2015 and thereafter, the liquidity of the Group is primarily dependent on its ability to maintain adequate cash inflow from operations to meet its debt obligations as they fall due, and its ability to obtain adequate external financing to meet its committed future capital expenditures. If our operating cash flow is materially and adversely affected by factors such as increased competition, a significant decrease in demand for our services, or a significant increase in jet fuel prices, our liquidity would be materially and adversely affected. Moreover, the Group may not be able to meet its debt obligations as they fall due and commit future capital expenditures if certain assumptions about the availability of external financing on acceptable terms are inaccurate. If we are unable to obtain adequate financing for our capital requirements, our liquidity and operations would be materially and adversely affected.

As of December 31, 2015, the Group had banking facilities with several PRC commercial banks for providing loan finance up to approximately RMB173,739 million, of which approximately RMB131,021 million was unutilized. Our directors believe that sufficient financing will be available to the Group in 2016. However there can be no assurance that such loan financing will be available on terms acceptable to the Group or at all.

CSAHC will continue to be our controlling shareholder, and its interests may conflict with those of the Group. CSAHC and certain of its affiliates will continue to provide certain important services to the Group. Any disruption of the provision of services by CSAHC or its affiliates could affect the Group's operations and financial conditions.

CSAHC will continue to be the controlling shareholder of the Company. CSAHC and certain of its affiliates will continue to provide certain important services to the Group, including the import and export of aircraft spare parts and other flight equipment, advertising services, provision of air ticket selling services, property management services, leasing of properties and financial services, and repair, overhaul and maintenance services on jet engines. The interests of CSAHC may conflict with those of the Group. In addition, any disruption of the provision of services by CSAHC's affiliates or a default by CSAHC of its obligations owed to the Group could affect the Group's operations and financial conditions. In particular, as part of its cash management system, the Group periodically places certain amount of demand deposits after independent shareholders' approval with SA Finance, a PRC authorized financial institution controlled by CSAHC and an associate of the Company. The Group has taken certain measures to monitor the fund flows between itself and SA Finance and the placement of funds by SA Finance. Such monitoring measures may help to enhance the safety of the Group's deposits with SA Finance. In addition, we have received a letter of undertakings from CSAHC dated March 31, 2009, in which, among other things, CSAHC warranted that the Group's deposits and loans with SA Finance were definitely secure and that SA Finance would continue to operate in strict compliance with the relevant rules and regulations. However, the deposits may be exposed to risks associated with the business of SA Finance over which the Group does not have control. As of December 31, 2014 and 2015, the Group had deposits of RMB4,264 million and RMB2,934, respectively, with SA Finance.

We have experienced incidents of employee misconduct in the past, and may be unable to prevent similar incidents in the future, which could adversely impact our reputation, our business and the trading price of our securities.

On January 5, 2015, we were informed that Mr. Xu Jie Bo, then Executive Director, Executive Vice President, Chief Financial Officer and Chief Accountant of the Company and Mr. Zhou Yue Hai, then Executive Vice President of the Company were under investigation for suspicion of job-related crimes. On October 17, 2015, we were informed by PRC authorities that Mr. Liu Qian, then Executive Vice President of the Company was under investigation due to the suspicion of bribery crime. We responded immediately to this information in accordance with our internal policies, and removed each of the affected employees from office. We were informed by PRC authorities on November 5, 2015 that Mr. Si Xian Min, Chairman of the Board was under investigation for suspected severe disciplinary violations. We had no prior knowledge of the incidents that led to the investigation by the PRC authorities. On November 5, 2015, the Board passed resolutions to authorize Mr. Tan Wan Geng, Vice Chairman of the Board to assume the role and duties of the Chairman of the Board. On 15 January 2016, the Board received resignation from Mr. Si Xian Min as the Chairman of the Board. As of the date of this Annual Report, the investigation of Mr. Si Xian Min by the government authorities is on-going. Legal proceedings are subject to many uncertainties and we cannot predict the outcome of individual matters with absolute assurance. However, after due inquiry and to the best of our knowledge, neither we nor any of our current senior management or controlling shareholders is subject to any investigation by PRC authorities involved in these incidents or otherwise, and based on current information, we do not believe there will be any material impact on our financial condition or results of operations or impact on the internal control over financial reporting caused by the incident.

We may not be able to detect or prevent employee misconduct, including misconduct by senior management, and such misconduct may damage our reputation and could adversely affect the financial condition of the Company and results of our operations. We have limited knowledge of the status or scope of the on-going investigation against our former executives by PRC authorities and currently are unaware of what determinations and conclusions may be reached by the authorities against these former executives. Based on current information, we do not, however, believe there will be any material impact on the Company's financial condition or results of operations or internal control over our financial reporting. We will further enhance our training and corporate governance policies and procedures in order to strengthen our ability to detect and prevent similar and other misconduct. Despite our proactive actions, however, we cannot assure you that we will be able to detect or prevent such alleged personal misconduct in a timely fashion, or at all. If we fail to prevent employee personal misconduct, our reputation may be harmed, and financial condition and results of operations could be adversely affected.

Both international and domestic economic fluctuations and Chinese government's macroeconomic controls affect the demand for air travel, which will in turn cause volatility to the Group's business and results of our operations.

Both international and domestic economic fluctuations and Chinese macroeconomic controls affect the demand for air travel. For example, the demand for air travel significantly decreased during the few years after the U.S. subprime crisis and European debt crisis. In addition, the continuing global economic slowdown may have a negative effect on the growth rate of the Chinese economy. Chinese macroeconomic controls, taken to counteract such slowdown, such as financing adjustments, credit adjustments, price controls and exchange rate policies, would present unexpected changes to the aviation industry. As a result, the changing economic situation and Chinese macroeconomic controls may cause volatility to the Group's business and results of our operations.

The financial crisis and other global events may reduce consumer spending or cause shifts in spending. A general reduction or shift in discretionary spending can result in decreased demand for leisure and business travel and can also impact the Group's ability to raise fares to counteract increased fuel and labor costs. No assurance can be given that capacity reductions or other steps we may take will be adequate to offset the effects of reduced demand.

The Group could be adversely affected by an outbreak of a disease or large scale natural disasters that affect travel behavior.

The outbreak of the H1N1 swine flu in March 2009 has had an adverse impact on the aviation industry globally (including the Group). The spread of the swine flu adversely affected the Group's international routes operations in 2009. Recently, there have been a number of outbreaks of H7N9 bird flu in several provinces in the PRC. A further spread of H7N9 bird flu may have a negative impact on the economic and business activities in China and thereby adversely affect our results of operation. A future outbreak of an infectious disease or any other serious public health concerns in Asia and elsewhere could have a material adverse effect on our business, financial condition and results of operations.

In 2011, a number of large-scale natural disasters occurred globally, such as the nuclear meltdown in Japan caused by earthquakes and subsequent tsunami, the hurricane on the East Coast of the United States, the flooding in Thailand and the typhoon in the Philippines. Disasters such as these can affect the aviation industry and the Group by reducing revenues and impacting travel behavior.

Lack of adequate documentation for land use rights and ownership of buildings subjects us to challenges and claims by third parties with respect to the Company's use of such land and buildings.

Although systems for registration and transfer of land use rights and related real property interests in China have been implemented, such systems do not yet comprehensively account for all land and related property interests. The Group leased certain properties and buildings from CSAHC which are located in Guangzhou, Wuhan, Haikou and other PRC cities. However, CSAHC lacks adequate documentation evidencing CSAHC's rights to such land and buildings, and, as a result, the lease agreements between CSAHC and the Company for such land has not been registered with the relevant authorities. As a result, such lease agreements may not be enforceable. Lack of adequate documentation for land use rights and ownership of buildings subjects the Company to challenges and claims by third parties with respect to the Company's use of such land and buildings.

As of the date of this Annual Report, we had been occupying all of the land and buildings described above without challenge or claim by third parties. However, if any challenges to the property ownership or other claims are successful, our operation and business may be materially adversely affected. CSAHC has agreed to indemnify us against any loss or damage caused by or arising from any challenge of, or interference with, the Company's right to use certain land and buildings.

Any discontinuity or disruption in the direct flight arrangement between Taiwan and Mainland China may negatively affect the Group's results.

The policy restraint on direct flights between Taiwan and Mainland China has been further loosened in the past few years. As of April 18, 2016, there were 698 cross-Strait direct passenger flights per week. The Company was the first Chinese carrier to operate non-stop flights from Mainland China to Taiwan and as a result has benefited from the operation of such flights. However, given the cross-Strait flight arrangement is subject to the political relationship between Taiwan and Mainland China, any deterioration in such political relationship may cause the discontinuity or disruption in the flight arrangement, and therefore may have a material adverse impact on the Group's results.

Terrorist attacks or the fear of such attacks, even if not made directly on the airline industry, could adversely affect the Company and the airline industry as a whole. The travel industry continues to face on-going security concerns and cost burdens.

The aviation industry as a whole has been beset with high-profile terrorist attacks, most notably the attack on September 11, 2001 in the United States. Terrorist attacks could also affect the aviation industry in China. Airlines in China have experienced several incidents of terrorist attacks or threats recently. For example, on March 7, 2008, on a China Southern Airlines flight boarding in Urumqi, crew members discovered a terrorist suspect. On July 14, 2010, a passenger jet en route from Urumqi to Guangzhou was forced to make an emergency landing after receiving an anonymous call claiming there was a bomb on the aircraft. On June 29, 2012, there was an attempted hijacking on a passenger flight operated by Tianjin Airlines between Hotan and Urumqi in China's Xinjiang region. CAAC has enhanced security measures, but the effectiveness of such measures cannot be ascertained. Additional terrorist attacks, even if not made directly on the airline industry, or the fear of or the precautions taken in anticipation of such attacks (including elevated threat warnings or selective cancellation or redirection of flights) could materially and adversely affect the Company and the aviation industry. Potential impacts that terrorist attacks could have on the Company include substantial flight disruption costs caused by grounding of fleet, significant increase in security costs and associated passenger inconvenience, increased insurance costs, substantially higher ticket refunds and significant decrease in traffic measured in revenue passenger kilometers. Additionally, increasingly strict security measures make air travel a hassle in the eyes of some consumers. These factors can have an uncertain impact on the development of the aviation industry.

We may suffer losses in the event of an accident involving our aircraft or the aircraft of any other airline.

An accident involving one of our aircraft could require repair or replacement of a damaged aircraft, and result in its consequential temporary or permanent loss from service and/or significant liability to injured passengers and others. Although we believe that we currently maintain liability insurance in amounts and of the types generally consistent with industry practice, the amounts of such coverage may not be adequate to fully cover the costs related to the accident or incident, which could result in harm to our results of operations and financial condition. In addition, any aircraft accident, even if fully insured, could cause a public perception that we are not as safe or reliable as other airlines, which would harm our competitive position and result in a decrease in our operating revenues. Moreover, a major accident involving the aircraft of any of our competitors may cause demand for air travel to decrease in general, which would adversely affect our results of operations and financial condition.

The Group could be adversely affected by a failure or disruption of our computer, communications or other technology systems.

The Group is increasingly dependent on technology to operate its business. In particular, to enhance its management of flight operations, the Group launched the computerized flight operations control system in May 1999. The system utilizes advanced computer and telecommunications technology to manage the Group's flights on a centralized, real-time basis. The Group believes that the system will enhance the efficiency of flight schedule, increase the utilization of aircraft and improve the coordination of the Group's aircraft maintenance and ground servicing functions. However, the computer and communications systems on which we rely could be disrupted due to various factors, some of which are beyond our control, including natural disasters, power failures, terrorist attacks, equipment failures, software failures and computer viruses and hackers. The Group has taken certain steps to reduce the risk of some of these potential disruptions. There can be no assurance, however, that the measures we have taken are adequate to prevent or remedy disruptions or failures of those systems. Any substantial or repeated failure of those systems could adversely affect our operations and customer services, result in the loss of important data, loss of revenues, and increased costs, and generally harm our business. Moreover, a failure of certain of our vital systems could limit our ability to operate our flights for an extended period of time, which would have a material adverse effect on our operations and our business.

We may lose investor confidence in the reliability of our financial statements if we fail to achieve and maintain effective internal control over financial reporting, which in turn could harm our business and negatively impact the trading prices of our ADRs, H Shares or A Shares.

The United States Securities and Exchange Commission, or the SEC, as required by Section 404 of the Sarbanes-Oxley Act of 2002, adopted rules requiring every public company in the United States to include a management report on such company's internal control over financial reporting in its annual report, which contains management's assessment of the effectiveness of the company's internal control over financial reporting. In addition, the Company's independent registered public accounting firm is required to report on the effectiveness of the Company's internal control over financial reporting.

Since 2011, pursuant to the Basic Standard for Enterprise Internal Control jointly issued by the Ministry of Finance, China Securities Regulatory Commission ("CSRC") and other three PRC authorities on May 22, 2008, and its application guidelines and other relevant regulations issued subsequently (collectively, "PRC internal control requirements"), the Company has carried out a self-assessment of the effectiveness of its internal control and issue a self-assessment report annually in accordance with the PRC internal control requirements, and the Company's auditor for its PRC GAAP financial statements (the "PRC Auditor") is required to report on the effectiveness of the Company's internal control over financial reporting.

However, our independent registered public accounting firm or PRC Auditor may not be satisfied with our internal controls, the level at which our controls are documented, designed, operated and reviewed. Our independent registered public accounting firm or PRC Auditor may also interpret the requirements, rules and regulations differently, and reach a different conclusion regarding the effectiveness of our internal control over financial reporting. Although our management have concluded that our internal control over financial reporting as of December 31, 2015 was effective, we may discover deficiencies in the course of our future evaluation of our internal control over financial reporting and may be unable to remediate such deficiencies in a timely manner. If we fail to maintain the adequacy of our internal control over financial reporting, we may not be able to conclude that we have effective internal control over financial reporting on an ongoing basis, as required under the above mentioned rules and regulations. Moreover, effective internal control is necessary for us to produce reliable financial reports and is important to prevent fraud. As a result, our failure to achieve and maintain effective internal control over financial reporting could result in the loss of investor confidence in the reliability of our financial statements, which in turn could harm our business and negatively impact the trading prices of our ADRs, H Shares or A Shares.

The Company could be classified as a passive foreign investment company by the United States Internal Revenue Service and may therefore be subject to adverse tax impact.

Depending upon the relative values of our passive assets and income as compared to our total assets and income each taxable year, we could be classified as a passive foreign investment company, or PFIC, by the United States Internal Revenue Service, or IRS, for U.S. federal income tax purposes. The Company believes that it was not a PFIC for the taxable year 2015. However, there can be no assurance that we will not be a PFIC for the taxable year 2016 and/or later taxable years, as PFIC status is re-tested each year and depends on the facts in such year.

The Company will be classified as a PFIC in any taxable year if either: (1) the average value during the taxable year of its assets that produce passive income, or are held for the production of passive income, is at least 50% of the average value of its total assets for such taxable year (the "Asset Test") or (2) 75% or more of its gross income for the taxable year is passive income (such as certain dividends, interest or royalties) (the "Income Test"). For purposes of the Asset Test: (1) any cash, cash equivalents, and cash invested in short-term, interest bearing, debt instruments, or bank deposits that is readily convertible into cash, will generally count as producing passive income or as being held for the production of passive income and (2) the average values of the Company's passive and total assets is calculated based on its market capitalization.

If we were a PFIC, you would generally be subject to additional taxes and interest charges on certain "excess distributions" the Company makes regardless of whether we continue to be a PFIC in the year in which you receive an "excess distribution". An "excess distribution" would be either (1) the excess amount of a distribution with respect to ADRs during a taxable year in which distributions to you exceed 125% of the average annual distributions to you over the preceding three taxable years or, if shorter, your holding period for the ADRs, or (2) 100% of the gain from the disposition of ADRs. For more information on the United States federal income tax consequences to you that would result from our classification as a PFIC, please see Item 10, "Taxation - United States Federal Income Taxation - U.S. Holders - Passive Foreign Investment Company".

We may be unable to retain key management personnel.

We are dependent on the experience and industry knowledge of our key management employees, and there can be no assurance that we will be able to retain them. Any inability to retain our key management employees, or attract and retain additional qualified management employees, could have a negative impact on us.

Risks Relating to the Chinese Commercial Aviation Industry

The Group's business is subject to extensive government regulations, and there can be no assurance as to the equal treatment of all airlines under those regulations.

The Group's ability to implement its business strategy will continue to be affected by regulations and policies issued or implemented by relevant government agencies, particularly CAAC, which encompasses substantially all aspects of the Chinese commercial aviation industry, such as the approval of route allocation, the administration of certain airport operations and air traffic control. Such regulations and policies limit the flexibility of the Group to respond to market conditions, competition or changes in the Group's cost structure. The implementation of specific government policies could from time to time adversely affect the Group's operations.

The Group's results may be negatively impacted by the fluctuation in domestic prices for jet fuel, and we would be adversely affected by disruptions in the supply of fuel.

The availability and cost of jet fuel have a significant impact on the Group's results of operations. The Group's jet fuel cost for 2015 accounted for 52.12% of its flight operations expenses. All of the domestic jet fuel requirements of Chinese airlines (other than at the Shenzhen, Zhuhai, Sanya, Haikou, Shanghai Pudong and other small airports) must be purchased from the exclusive providers, CAOSC and Bluesky Oil Supplies Company, which are supervised by the CAAC. Chinese airlines may also purchase jet fuel at the Shenzhen, Zhuhai, Sanya, Haikou, Shanghai Pudong and other small airports from joint ventures in which the CAOSC is a partner. Jet fuel obtained from the CAOSC's regional branches is purchased at uniform prices throughout China that are determined and adjusted by the CAOSC from time to time with the approval of the CAAC and the pricing department of the NDRC based on market conditions and other factors. As a result, the costs of transportation and storage of jet fuel in all regions of China are spread among all domestic airlines.

Domestic price for jet fuel has experienced fluctuations in the past few years. The Group's profit for the year may suffer from an unexpected change in the fuel surcharge collection policies and other factors beyond our control. For more information on the jet fuel prices, please see "Item 4, Information on the Company - Business Overview - Jet Fuel" section below for further discussion.

In summary, given the constant fluctuation of volatile fuel price, no assurance can be given that the Group's operation and financial results will not be negatively impacted by the fluctuation in domestic prices for jet fuel.

In addition, China has experienced jet fuel shortages. On some rare occasions prior to 1993, the Group had to delay or even cancel flights. Although such shortages have not materially affected the Group's operations since 1993, there can be no assurance that such a shortage will not occur in the future. If such a shortage occurs in the future to the extent that the Group has to delay or cancel flights due to fuel shortage, its operational reputation among passengers as well as its operations may suffer.

In 2015, a reasonable possible increase or decrease of 10% in average jet fuel price (VAT inclusive) with volume of fuel consumed and all other variables held constant, would have increased or decreased the Group's annual fuel costs by approximately RMB2,627 million. Accordingly, even if the jet fuel supply remains stable, increases in jet fuel prices will nevertheless adversely impact our financial results.

The Group's profit for the year may suffer from an unexpected volatility caused by any fluctuation in the level of fuel surcharges.

The level of fuel surcharges, which is regulated by Chinese government, affects domestic customers' air travel demand as well as the Group's ability to generate profits. On January 14, 2009, the NDRC and the CAAC jointly announced the collection of passenger fuel surcharge for domestic routes should be suspended from January 15, 2009 onwards. Subsequently, in response to the increase in international fuel prices, the NDRC and CAAC issued a notice on November 11, 2009 to introduce a new pricing mechanism of fuel surcharge that links it with airlines' jet fuel costs, which was further adjusted subsequently. We cannot guarantee that fuel surcharges would not be adjusted further in the future or adjusted in our favor. If fuel surcharges are not adjusted in correspondence to the increase in jet fuel, our profit for the year may be materially adversely affected.

The Group's results of operations are subject to seasonality.

The Group's operating revenue is substantially dependent on the passenger and cargo traffic volume carried, which is subject to seasonal and other changes in traffic patterns, the availability of appropriate time slots for the Group's flights and alternative routes, the degree of competition from other airlines and alternate means of transportation, as well as other factors that may influence passenger travel demand and cargo and mail volume. In particular, the Group's airline revenue is generally higher in the second and third quarters than in the first and fourth quarters. As a result, the Group's results may fluctuate from season to season.

The Group's operations may be adversely affected by insufficient aviation infrastructure in Chinese commercial aviation industry.

The rapid increase in air traffic volume in China in recent years has put pressure on many components of the Chinese commercial aviation industry, including China's air traffic control system, the availability of qualified flight personnel and airport facilities. Airlines, such as the Group, which have route networks that emphasize short- to medium-haul routes, are generally more affected by insufficient aviation infrastructure in terms of on-time performance and high operating costs due to fuel inefficiencies resulting from the relatively short segments flown, as well as the relatively high proportion of time on the ground during turnaround. All of these factors may adversely affect the perception of the service provided by an airline and, consequently, the airline's operating results. In recent years, the CAAC has placed increasing emphasis on the safety of Chinese airline operations and has implemented measures aimed at improving the safety record of the industry. The ability of the Group to increase utilization rates and to provide safe and efficient air transportation in the future will depend in part on factors such as the improvement of national air traffic control and navigation systems and ground control operations at Chinese airports, factors which are beyond the control of the Group.

The Group faces increasingly intense competition both in domestic aviation industry and in the international market, as well as from alternative means of transportation.

The CAAC's extensive regulation of the Chinese commercial aviation industry has had the effect of managing competition among Chinese airlines. Nevertheless, competition has become increasingly intense in recent years due to a number of factors, including relaxation of certain regulations by the CAAC and an increase in the capacity, routes and flights of Chinese airlines. Competition in the Chinese commercial aviation industry has led to widespread price-cutting practices that do not in all respects comply with applicable regulations. Until the interpretation of CAAC regulations limiting such price-cutting has been finalized and strictly enforced, discounted tickets from competitors will continue to have an adverse effect on the Group's sales.

The Group faces varying degrees of competition on its regional routes from certain Chinese airlines and Cathay Pacific Airways, Dragonair and Air Macau, and on its international routes, primarily from non-Chinese airlines, most of which have significantly longer operating histories, substantially greater financial and technological resources and greater name recognition than the Group. In addition, the public's perception of the safety and service records of Chinese airlines could adversely affect the Group's ability to compete against its regional and international competitors. Many of the Group's international competitors have larger sales networks and participate in reservation systems that are more comprehensive and convenient than those of the Group, or engage in promotional activities, which may enhance their ability to attract international passengers.

Furthermore, for short-distance transportation, airplanes, trains and buses are alternatives to each other. Given the recent development of high-speed trains (as discussed below), the construction of nationwide high-speed railway network and the improvement of inter-city expressway network, the commercial aviation sector as a whole faces increasing competition from the alternative means of transportation such as railways and highways.

We expect to face substantial competition from the rapid development of the Chinese rail network.

The PRC government is aggressively implementing the expansion of its high-speed rail network, which provides train services at a speed of up to 300 kilometers per hour connecting major cities such as Beijing, Shanghai, Wuhan, Zhengzhou, Xi'an, Qingdao, Guangzhou, Harbin and Dalian. In December 2012, the Beijing-Guangzhou and Harbin-Dalian High-Speed Railways commenced operation, the expansion of the coverage of this network and improvements in railway service quality, increased passenger capacity and stations located closer to urban centers than competing airports could enhance the relative competitiveness of the railway service and affect our market share on some of our key routes, in particular routes below 800 kilometers. The aggregate high-speed railway mileage in China reached over 19,000 kilometers as of December 31, 2015. The construction of all railways in China's "Four Longitudinal and Four Horizontal" high-speed railway network is expected to complete by the end of 2020. We expect it will bring further negative impact on the domestic aviation industry. Increased competition and pricing pressures from railway service may have a material adverse effect on our financial condition and results of operations.

Due to limitation on foreign ownership imposed by Chinese government policies, the Company may have limited access to the international equity capital markets.

Chinese government policies limit foreign ownership in Chinese airlines. Under these policies, the percentage ownership of our total outstanding ordinary shares held by investors in Hong Kong and any country outside China ("Foreign Investors") may not in the aggregate exceed 49%. Currently, we estimate that 28.47% of the total outstanding ordinary shares of the Company are held by Foreign Investors. For so long as the limitation on foreign ownership is in force, we will have limited access to the international equity capital markets.

The European Emissions Trading Scheme may increase operational cost of the Group.

Starting on January 1, 2012, aviation sector will be included in the European Emissions Trading Scheme (ETS), EU's mandatory cap-and-trade system for reduction of greenhouse gas emissions. Airline operators in the EU will receive tradable emission permits (aviation allowances) covering a certain level of their CO2 emissions per year for their flights operating to and from EU airports. If an airline fails to obtain free-of-charge emission permits from the EU, it will have to buy around EUR10 million (RMB100 million) worth of CO2 emissions allowances from other greener industries. Pursuant to this policy, the domestic airlines having flight points in Europe undertake the same carbon emission reductions obligation as the European local airlines, which will result in a significant increase in the operating cost of domestic airlines in Europe, including our Company, and further have an adverse impact on the results of operations and financial condition. In March 2011, a group representing China's largest airlines sent a formal notice to the EU expressing strong opposition to non-member-state airlines' inclusion in the EU's Emissions Trading Scheme. Also, in early February 2012, CAAC issued instructions to various airlines announcing that without approval from the relevant government authorities, the major airlines are prohibited from joining the ETS and the transport airlines are also prohibited from raising the freight price or increasing fee items by adducing this reason. On November 12, 2012, EU announced to temporarily suspend the implementation of the ETS in the aviation sector in 2013 in order to forge a positive negotiation environment for all parties. In November 2014, CAAC issued a notification on the ETS. The notification provided that CAAC would not prohibit Chinese airlines to take part in the ETS if the relevant flights take off and land between the airports within the EU during 2012 and 2016. We operated few flights between airports within the EU since 2012. We expect we would operate few flights between airports within the EU in the future. Therefore, we will submit emissions report and pay the quota between 2012 and 2016 for our flights between airports within the EU. In April 2015, the Company had completed submission of emissions reports for the years 2012 to 2014 and fulfilled our obligations under the ETS. Going forward, the Company will be in strict compliance with the requirements of relevant PRC laws and the ETS, and continue to implement our respective obligations of EU carbon emissions trading in 2015 and 2016. There can be no assurance that the new implementation proposal will not have negative impact on our financial condition and result of operation.

We may utilize fuel hedging arrangements which may result in losses.

While we have not entered into any fuel hedging transactions since the fourth quarter of 2008, we may in the future consider to hedge a portion of our future fuel requirements through various financial derivative instruments linked to certain fuel commodities to lock in fuel costs within a hedged price range. However, these hedging strategies may not always be effective and high fluctuations in aviation fuel prices exceeding the locked-in price ranges may result in losses. Significant declines in fuel prices may substantially increase the costs associated with our fuel hedging arrangements. In addition, where we seek to manage the risk of fuel price increases by using derivative contracts, we cannot assure you that, at any given point in time, our fuel hedging transactions will provide any particular level of protection against increased fuel costs.

Risks Relating to the PRC

The Group has significant exposure to foreign currency risk as majority of the Group's lease obligations and bank and other loans are denominated in foreign currencies. Due to rigid foreign exchange control by Chinese government, the Group may face difficulties in obtaining sufficient foreign exchange to pay dividends or satisfy our foreign exchange liabilities.

Under current Chinese foreign exchange regulations, the Renminbi is fully convertible for current account transactions, but is not freely convertible for capital account transactions. All foreign exchange transactions involving Renminbi must take place either through the People's Bank of China or other institutions authorized to buy and sell foreign exchange or at a swap centre.

The Group has significant exposure to foreign currency risk as substantially all of the Group's obligations under leases, bank and other loans and operating lease commitment are denominated in foreign currencies, principally U.S. dollars, Euros and Japanese Yen. Depreciation or appreciation of the Renminbi against foreign currencies affects the Group's results significantly because the Group's foreign currency liabilities generally exceed its foreign currency assets. The Group is not able to hedge its foreign currency exposure effectively other than by retaining its foreign currency denominated earnings and receipts to the extent permitted by SAFE, or subject to certain restrictive conditions, entering into foreign exchange forward option contracts with authorized banks. However, SAFE may limit or eliminate the Group's ability to purchase and retain foreign currencies in the future. In addition, foreign currency transactions under the capital account are still subject to limitations and require approvals from SAFE. This may affect our ability to obtain foreign exchange through debt or equity financing, including by means of loans or capital contributions. No assurance can be given that the Group will be able to obtain sufficient foreign exchange to pay dividends or satisfy our foreign exchange liabilities.

The Group also has exposure to foreign currency risk in respect of net cash inflow denominated in Japanese Yen from ticket sales in overseas branch office after payment of expenses. The Group entered into certain foreign exchange forward option contracts, which were fully settled in 2011, to manage this foreign currency risk. However, like other derivative products, there can be no assurance that such option contracts can provide, at any given time, particular level of protection against foreign exchange risks.

The Group's operations are subject to immature development of legal system in China. Lack of uniform interpretation and effective enforcement of laws and regulations may cause significant uncertainties to the Group's operations.

The members of the Group are organized under the laws of China. The Chinese legal system is based on written statutes and is a system, unlike common law systems, in which decided legal cases have little precedential value. Since 1979, the Chinese government has been developing a comprehensive system of commercial laws and considerable progress has been made in the promulgation of laws and regulations dealing with economic matters, such as corporate organization and governance, foreign investments, commerce, taxation and trade. These laws, regulations and legal requirements are relatively recent, and, like other laws, regulations and legal requirements applicable in China (including with respect to the commercial aviation industry), their interpretation and enforcement involve significant uncertainties.

The PRC tax law may in the future deprive us of preferential tax treatments, which we currently enjoy.

On March 16, 2007, the Fifth Plenary Session of the Tenth National People's Congress passed the Corporate Income Tax Law of the PRC which took effect on January 1, 2008. As a result of the tax law, the statutory income tax rate adopted by the Company and its subsidiaries has been changed to 25% with effect starting from January 1, 2008. Prior to January 1, 2008, certain branches and subsidiaries of the Company were taxed at rates ranging from 15% to 33%. Pursuant to the current tax law, the income tax rates of entities that previously enjoyed preferential tax rates of 15% and 18% have been revised to 18%, 20%, 22%, 24% and 25% for 2008, 2009, 2010, 2011 and 2012 onwards respectively. To the extent that there are any withdrawals of, or changes in, the preferential tax treatment that we currently enjoy, our tax liability may increase correspondingly and our financial condition and results of operations may be adversely affected.

On July 31, 2012, the Ministry of Finance ("MOF") and the State Administration of Taxation ("SAT") jointly issued a pilot program (the "Pilot Program"), pursuant to which, commencing on November 1, 2012, business tax is replaced by a value-added tax ("VAT"). According to the Pilot Program, all traffic revenues and the other revenues that fall within the scope of the Pilot Program, including ground service income and cargo handling income, are subjected to VAT levied at the applicable tax rates of 17%, 11% or 6%. Other revenues that are not within the scope of the Pilot Program continue to be subject to business tax at applicable tax rates. However, as the Pilot Program has only been implemented recently, there is uncertainty as to how its impact on our financial condition and results of operations is not certain, but it may affect the way we record our revenues and taxes in our financial statements. As a result, it may be difficult to compare our financial statements in future periods with these before the Pilot Program was implemented.

The PRC tax law may have negative tax impact on holders of H Shares or ADRs of the Company, by requiring the imposition of a withholding tax on dividends paid by a Chinese company to a non-resident enterprise.

The current tax law generally provides for a withholding tax on dividends paid by a Chinese company to a non-resident enterprise at a rate of 10%.

For individuals, the PRC tax law generally provides that an individual who receives dividends from the Company is subject to a 20% income tax. However, certain reduction of taxable income is granted by Chinese tax law for an individual receiving dividends from a listed company on Shanghai Stock Exchange or Shenzhen Stock Exchange. Under the current PRC tax law, dividends received by any foreign individual that holds overseas shares in Chinese enterprise is generally subject to individual income tax rate ranging from 5% to 20% (usually 10%), which may be entitled to tax reductions or exemptions, according to the applicable tax implementation regulations or applicable tax treaties between the home country of the individual and the PRC.

In addition, to date, relevant tax authorities have not collected capital gains tax on the gains realized upon the sale or other disposition of overseas shares in Chinese enterprise held by foreign individuals. If relevant tax authorities promulgate implementation rules on the taxation of capital gains realized by individuals upon the sale or other disposition of the shares, individual holders of the shares may be required to pay capital gains tax.

Our investors in the U.S. who rely on our auditor's audit reports currently do not have the benefit of PCAOB oversight.

Under the Sarbanes-Oxley Act of 2002, the Public Company Accounting Oversight Board, or PCAOB, has the authority and is required to conduct continuing inspections of registered public accounting firms that provide audit services to public companies subject to the reporting requirements of the SEC. Our external auditor is registered with the PCAOB and is subject to inspections by the PCAOB. However, the PCAOB is currently unable to inspect a registered public accounting firm's audit work relating to a company's operations in China where the documentation of such audit work is located in China, such as our registered public accounting firm's audit work relating to our operations in China. As a result, our investors may be deprived of the benefits of PCAOB's oversight of our independent registered public accounting firm through such inspections.

If additional remedial measures are imposed against four PRC-based accounting firms, including our independent registered public accounting firm, in administrative proceedings brought by the SEC, it could result in our financial statements being determined to not be in compliance with the requirements of the Securities Exchange Act of 1934.

In December 2012, the SEC instituted administrative proceedings against four PRC-based accounting firms, including our independent registered public accounting firm, alleging that these firms had violated U.S. securities laws and the SEC's rules and regulations thereunder by failing to provide to the SEC the firms' work papers related to their audits of certain PRC-based companies that are publicly traded in the United States. On January 22, 2014, an initial administrative law decision was issued, which determined that the four PRC-based accounting firms should be censured and barred from practicing before the SEC for a period of six months. The four PRC-based accounting firms appealed the initial administrative law decision to the SEC. The initial law decision is neither final nor legally effective unless and until it is endorsed by the full SEC. In February 2015, each of the four PRC-based accounting firms agreed to a censure and to pay a fine to the SEC to settle the dispute and avoid suspension of their ability to practice before the SEC. The settlement requires the firms to follow detailed procedures to provide the SEC with access to PRC-based firms' audit documents via the CSRC.

We were not and are not the subject of any SEC investigations nor are we involved in the proceedings brought by the SEC against the accounting firms. If the firms do not follow these procedures or if there is a failure in the process between the SEC and the CSRC, the SEC could impose penalties such as suspensions or it could restart the administrative proceedings. If the accounting firms including our independent registered public accounting firm were denied, temporarily or permanently, the ability to practice before the SEC, and we are unable to find timely another registered public accounting firm which can audit and issue a report on our financial statements, our financial statements could be determined to not be in compliance with the requirements for financial statements of public companies registered under the Securities Exchange Act of 1934, as amended, or the Exchange Act. Such a determination could ultimately lead to the delisting of our common stock from the NYSE for CSA's case or deregistration from the SEC, or both, which would substantially reduce or effectively terminate the trading of our common stock in the United States.

ITEM 4. INFORMATION ON THE COMPANY.

A. History and Development of the Company

We were incorporated under PRC laws on March 25, 1995 as a joint stock company with limited liability under the name of China Southern Airlines Company Limited. The address of our principal place of business is 278 Ji Chang Road, Guangzhou, People's Republic of China 510405. Our telephone number is +86 20 8612 4462 and our website is www.csair.com.

In July 1997, we issued 1,174,178,000 H Shares, par value RMB1.00 per share, and completed the listing of the H Shares on the Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") and the ADRs representing our H shares on the New York Stock Exchange.

On March 13, 2003, we obtained an approval certificate from the Ministry of Commerce to change to a permanent limited company with foreign investments and on October 17, 2003 obtained a business license for its new status, as a permanent limited company with foreign investments issued by the State Administration of Industry and Commerce of the People's Republic of China.

In July 2003, we issued 1,000,000,000 A Shares, par value RMB1.00 per share, and completed the listing of the A shares on the Shanghai Stock Exchange.

Pursuant to a sale and purchase agreement dated November 12, 2004 between the Company, CSAHC, China Northern Airlines ("CNA") and Xinjiang Airlines ("XJA"), which was approved by our shareholders in an extraordinary general meeting held on December 31, 2004, we acquired the airline operations and certain related assets of CNA and XJA with effect from December 31, 2004 at a total consideration of RMB1,959 million.

On May 30, 2007, we, together with an independent third party, established Chongqing Airlines Company Limited ("Chongqing Airlines"). As of December 31, 2012, the Company had transferred four aircraft to Chongqing Airlines as capital contribution. We own a total of 60% equity interest in Chongqing Airlines.

On August 14, 2007, we acquired a 51% equity interest in Nan Lung International Freight Limited beneficially owned by and registered in the name of Nan Lung Travel & Express (Hong Kong) Limited, and a 100% equity interest in China Southern Airlines Group Air Catering Company Limited, both a wholly owned subsidiary of CSAHC, for a total consideration of RMB112 million.

In December 2008, we acquired a 26% equity interest in China Southern West Australian Flying College Pty Ltd. ("Flying College") from CSAHC, and Flying College became a 91% owned subsidiary of the Company.

In June 2009, we acquired a 50% equity interest in Beijing Southern Airlines Ground Services Company Limited ("Beijing Ground Service") from the other shareholder, and Beijing Ground Service became a wholly-owned subsidiary of the Company.

On September 28, 2009, we entered into an agreement with CSAHC to sell our 50% equity interest in MTU Maintenance Zhuhai Co., Ltd ("Zhuhai MTU"), a jointly controlled entity of the Company, to CSAHC at a consideration of RMB 1,607,850,000. The transfer was completed in February 2010.

On June 2, 2010, a third party company injected capital to Flying College, which diluted the Company's interest in Flying College from 91% to 48.12%. Flying College became a jointly controlled entity of the Company since then. The retained non-controlling equity interest in Flying College is re-measured to its fair value at the date when control was lost and a gain on deemed disposal of a subsidiary of RMB17 million was recorded in 2010.

In December 2010, we entered into an agreement with Xiamen Jianfa Group Co., Ltd. and Hebei Aviation Investment Group Corporation Limited ("Hebei Investment"), pursuant to which Hebei Investment agreed to inject a cash capital of RMB1,460 million into Xiamen Airlines Company Limited ("Xiamen Airlines"). In March 2011, the capital injection was received in full and the Company's equity interest in Xiamen Airlines was diluted from 60% to 51%. Xiamen Airlines remains a subsidiary of the Company.

On June 29, 2012, Xiamen Airlines, a subsidiary of the Company and Southern Airlines Culture and Media Co., Ltd. ("SACM") entered into an agreement, pursuant to which Xiamen Airlines agreed to sell and SACM agreed to purchase 51% equity interests in Xiamen Airlines Media Co., Ltd. ("XAMC"), at a consideration of approximately RMB43.12 million. Immediate prior to the transaction, XAMC was wholly owned by Xiamen Airlines and primarily engaged in providing advertising, corporate branding, publicity and exhibition services and was responsible for the overall brand building and publicity of Xiamen Airlines.

On September 24, 2012, we entered into a joint venture agreement with Henan Civil Aviation Development and Investment Co., Ltd. ("Henan Aviation Investment") for the establishment of China Southern Airlines Henan Company Limited, a joint venture company with a total registered capital of RMB6 billion, which will be owned as 60% and 40% by the Company and Henan Aviation Investment, respectively. The first installment of paid-in capital of RMB1.2 billion was received in full. On September 28, 2013, Henan Aviation Investment was established.

On October 13, 2014, Xiamen Airlines and Hebei Airlines Investment Group Company Limited (the "Hebei Airlines Investment") entered into an agreement, pursuant to which Hebei Airlines Investment agreed to sell and Xiamen Airlines agreed to purchase 95.4% equity interests in Hebei Airlines at the consideration of RMB680 million.

On July 14, 2015, we and Xiamen Jianfa entered into an agreement, pursuant to which Xiamen Jianfa agreed to sell and we agreed to purchase 4% equity interests in Xiamen Airlines at the consideration of RMB586,666,670.

Aircraft Acquisitions

Pursuant to an aircraft acquisition agreement dated April 18, 2008 between Xiamen Airlines and the Boeing Company ("Boeing"), Xiamen Airlines will acquire 20 Boeing B737 series aircraft from Boeing. According to the information provided by Boeing, the aggregate catalogue price for those aircraft including the airframe and engines is around US\$1.5 billion. The aggregate consideration for the acquisition will be partly payable in cash by Xiamen Airlines, and partly through financing arrangements with banking institutions. The Boeing aircraft will be delivered in stages to Xiamen Airlines during the period commencing from April 2014 to October 2015.

Pursuant to an A320 Series Aircraft Purchase Agreement dated January 20, 2010 between the Company and Airbus SNC, we will acquire 20 Airbus 320 series aircraft from Airbus SNC. According to the information provided by Airbus SNC, the catalogue price of an Airbus 320 aircraft, including airframe and engines, is around US\$76.9 million. The aggregate consideration for the acquisition will be partly payable in cash and partly through financing arrangements with banking institutions. The Airbus aircraft have been delivered in stages to the Company.

On September 30, 2010, Xiamen Airlines entered into a supplemental agreement with Boeing to purchase additional 10 Boeing B737 series aircraft. The aggregate catalogue price for those aircraft, including airframe and engines, is around US\$699 million. According to the information provided by Boeing, the aggregate consideration for the acquisition will be partly payable in cash by Xiamen Airlines, and partly through financing arrangements with banking institutions. The Boeing aircraft will be delivered in stages to Xiamen Airlines during the period commencing from 2015 to October 2016.

On November 4, 2010, we entered into an A320 series aircraft purchase agreement and an A330-300 aircraft purchase agreement with Airbus S.A.S. to purchase 30 Airbus A320 series aircraft and six Airbus A330 series aircraft. According to the information provided by Airbus S.A.S., the catalogue price of six Airbus A330 series aircraft and 30 Airbus A320 series aircraft, including airframe and engines, is US\$1.205 billion and US\$2.575 billion, respectively. The aggregate consideration for the acquisition will be partly payable by cash and partly by financing arrangements with banking institutions. The six Airbus A330 aircraft will be delivered in stages to the Company during the period commencing from 2013 to 2014 and the 30 Airbus A320 series aircraft will be delivered in stages to the Company during the period commencing from 2012 to 2015.

On May 31, 2011, we entered into an aircraft acquisition agreement with Boeing to purchase six Boeing B777F freighters. According to the information provided by Boeing, the catalogue price of six Boeing B777F aircraft, including airframe and engines, is US\$1,584 million. The aggregate consideration for the Acquisition will be partly payable by cash and partly by financing arrangements with banking institutions. The six Boeing B777F freighters will be delivered in stages to us during the period commencing from 2013 to 2015.

On May 9, 2011, Xiamen Airlines entered into an aircraft acquisition agreement to purchase six Boeing B787 series aircraft. According to the information provided by Boeing, the aggregate catalogue price, including airframe and engines, for the six Boeing B787 series aircraft is US\$1,098 million. The aggregate consideration for the acquisition will be partly payable in cash and partly through financing arrangements with banking institutions. The Boeing aircraft will be delivered in stages to Xiamen Airlines during the period commencing from 2014 to 2015.

On February 28, 2012, we entered into an agreement with the Boeing Company to purchase 10 Boeing 777-300ER aircraft. According to the information provided by Boeing, the catalogue price of one Boeing B777-300ER aircraft, including airframe and engines, is around US\$298 million. The aggregate consideration for the acquisition will be partly payable in cash and partly through financing arrangements with banking institutions. The Boeing aircraft will be delivered in stages to the Company during the period from 2014 to 2016.

On August 3, 2012, Xiamen Airlines entered into an agreement with Boeing to purchase 40 Boeing B737 series aircraft from Boeing. The aggregate catalogue price of the 40 Boeing B737 series aircraft is US\$3.36 billion. 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.

On December 5, 2012, we entered into the Airbus aircraft acquisition agreement with Airbus S.A.S. to purchase 10 Airbus A330-300 aircraft. The catalogue price of one Airbus A330-300 aircraft is US\$188 million. The aggregate consideration for the acquisition will be partly payable by cash and partly by financing arrangements with banking institutions. The Airbus aircraft will be delivered in stages to the Company during the period commencing from 2014 to 2016.

On May 16, 2014, we entered into the aircraft acquisition agreement with Airbus S.A.S to purchase 30 Airbus A320 series aircraft and 50 A320 NEO series aircraft. The catalogue price of one Airbus A320 series aircraft is priced differently in the range of US\$85.8 million and US\$110.1 million and one A320 NEO series aircraft is priced differently in the range of US\$94.4 million to US\$120.5 million. The aggregate consideration for the acquisition will be funded partly by internal resources of the Company and partly through commercial loans by commercial banks. The Airbus aircraft will be delivered in stages to the Company during the period commencing from 2016 to 2020.

On 17 December 2015, we entered into the aircraft acquisition agreement with Boeing to purchase 30 B737NG series aircraft and 50 B737 MAX series aircraft. The catalogue price of each B737NG series aircraft and B737 MAX series aircraft is priced about US\$81.2 million and US\$96.1 million, respectively. The aggregate consideration for the acquisition will be funded 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.

On 23 December 2015, we entered into the aircraft acquisition agreement with Airbus S.A.S to purchase 10 Airbus A330-300 series aircraft. The catalogue price of one Airbus A330-300 series aircraft is priced about US\$227.4 million. The aggregate consideration for the acquisition will be funded partly payable by cash and partly by financing arrangements with banking institutions. The Airbus aircraft will be delivered in stages to the Company during the period commencing from 2017 to 2019.

Capital Expenditure

The Group had RMB23,390 million, RMB26,481 million and RMB29,576 million capital expenditures in 2015, 2014 and 2013 respectively. Of such capital expenditures in 2015, RMB11,251 million was financed by capital leases, RMB11,258 million was financed by bank borrowings while the remaining RMB881 million was financed by internal resources. The capital expenditures were primarily incurred on the additional investments in aircraft and flight equipment under the Group's fleet expansion plans and, to a small extent, additional investments in other facilities and buildings for operations. As of December 31, 2015, we had total capital commitments for aircraft, engines and related equipment of approximately RMB83,427 million.

B. Business Overview

General

The Group provides commercial airline services throughout Mainland China, Hong Kong, Macau and Taiwan regions, Southeast Asia and other parts of the world. Based on the statistics from the CAAC, the Group is one of the largest Chinese airlines and, as of the year end of 2015, ranked first in terms of number of passengers carried, number of scheduled flights per week, number of hours flown, number of routes and size of aircraft fleet. During the three years ended December 31, 2015, the Group's RPKs increased at a compound annual growth rate of 6.31% from 148,417 million in 2013 to 166,629 million in 2014 and 189,588 million in 2015 while its capacity, measured in terms of ASKs, increased at a compound annual growth rate of 5.97%, from 186,800 million in 2013 to 209,807 million in 2014 and 235,616 million in 2015. In 2015, the Group carried 109 million passengers and had passenger revenue of RMB100,238 million (approximately US\$15,436 million).

The Group conducts a portion of its airline operations through its airline subsidiaries namely Xiamen Airlines, Shantou Airlines Company Limited ("Shantou Airlines"), Zhuhai Airlines Company Limited ("Zhuhai Airlines"), Guizhou Airlines Company Limited ("Guizhou Airlines"), Chongqing Airlines Company Limited ("Chongqing Airlines") and Henan Airlines Company Limited ("Henan Airlines"), (collectively, the "Airline Subsidiaries"). In 2015, the Airline Subsidiaries carried 39.6 million passengers and had passenger revenue of RMB29,636 million (approximately US\$4,564 million) and accounted for 36.3% and 29.6% of the Group's passengers carried and passenger revenue, respectively.

The Group also provides air cargo and mail services. The cargo and mail revenue of the Group decreased by 4.5% to RMB6,861 million (approximately US\$1,057 million) in 2015 as compared with that of 2014. The Group's airline operations are fully integrated with its airline-related businesses, including aircraft and engine maintenance, flight simulation and air catering operations.

As of December 31, 2015, the Group operated 1,032 routes, of which 775 were domestic, 214 were international and 43 were regional. The Group operates the most extensive domestic route network among all Chinese airlines. Its route network covers commercial centers and rapidly developing economic regions in Mainland China.

The Group's corporate headquarters and principal base of operations are located in Guangzhou, the capital of Guangdong Province and the largest city in southern China. Located in the rapidly developing Pearl River Delta region, Guangzhou is also the transportation hub of southern China and one of China's major gateway cities. Guangzhou's significance has increased as the transportation infrastructure of Guangdong Province has developed through the construction and development of expressways, an extensive rail network and the port cities of Guangzhou, Shenzhen, Zhanjiang, Zhuhai and Shantou.

In December 2005, we established a branch company in Beijing and have added wide-body airplanes to our operation base in Beijing, with the view to expanding our Beijing aviation business and building another main hub there in addition to our Guangzhou base. The establishment of Guangzhou and Beijing hubs will facilitate strategic refinement and enhancement of our route network operations, putting us in a better position to explore and seize the opportunities in the aviation market.

The Group's operations primarily focus on the domestic market. In addition, the Group also operates regional routes and international flights. As of December 31, 2015, the Group had 43 regional routes and 214 international routes. The Group's regional operations include flights between destinations in Mainland China, Hong Kong, Macau and Taiwan. The Group's international operations include scheduled services to cities in Australia, Azerbaijan, Bangladesh, United Kingdom, Burma, Cambodia, Canada, Dutch, France, Georgia, German, India, Indonesia, Japan, Kenya, Kazakhstan, Kyrgyzstan, Malaysia, Maldives, Nepal, New Zealand, Pakistan, Philippines, Russia, Singapore, South Korea, Tajikistan, Thailand, Turkey, Turkmenistan, United Arab Emirates (UAE), United States of American (USA), Vietnam, Mauritius, Uzbekistan, Iran, Italy .

After joining Skyteam Alliance, the Group has established a network reaching over 73 destinations globally, connecting 41 countries and regions and covering major cities around the world.

As of December 31, 2015, the Group had a fleet of 667 aircraft, consisting primarily of Boeing 737 series, 747, 757, 777, 787, Airbus 320 series, 330, 380 etc. The average age of the Group's registered aircraft was 6.3 years as of December 31, 2015.

Restructuring and Initial Public Offering

As part of China's economic reforms in the 1980's, the PRC State Council directed the CAAC to separate its governmental, administrative and regulatory role from the commercial airline operations that were being conducted by the CAAC and its regional administrators. As a result, CSAHC was established on January 26, 1991 for the purpose of assuming the airline and airline-related commercial operations of the Guangzhou Civil Aviation Administration, one of the then six regional bureaus of the CAAC. CSAHC was one of the 55 large-scale enterprises designated by the Chinese government to play a leading role in their respective industries.

CSAHC was restructured in 1994 and 1995 in anticipation of our initial public offering. The restructuring was effective through the establishment of the Company and the execution of the De-merger Agreement on March 25, 1995 by and between CSAHC and the Company. Upon the restructuring, the Company assumed substantially the entire airline and airline-related businesses, assets and liabilities of CSAHC, and CSAHC retained its non-airline-related businesses, assets and liabilities. All interests, rights, duties and obligations of CSAHC, whenever created or accrued, were divided between the Company and CSAHC based on the businesses, assets and liabilities assumed by each of them under the De-merger Agreement. Under the De-merger Agreement, CSAHC agreed not to conduct or participate or hold any interest in, either directly or indirectly, any business, activity or entity in or outside China that competes or is likely to compete with the commercial interests of the Group, although CSAHC may continue to hold and control its affiliates existing on the date of the De-merger Agreement and may continue to operate the businesses of such associates. Under the De-merger Agreement, CSAHC and the Company also agreed to indemnify each other against any losses, claims, damage, debts or expenses arising out of or in connection with the restructuring. As of the date of this Annual Report, no indemnity has been provided by either CSAHC or us.

In July 1997, we completed a private placement of 32,200,000 H Shares to certain limited partnership investment funds affiliated with Goldman Sachs & Co. and an initial public offering of 1,141,978,000 H Shares, par value RMB1.00 per share, and the listing of the H Shares on the Hong Kong Stock Exchange and ADRs on the New York Stock Exchange. Prior to the private placement and the initial public offering, all of our issued and outstanding shares of capital stock, consisting of 2,200,000,000 non-tradable domestic shares ("Domestic Shares"), par value RMB1.00 per share, were owned by CSAHC, which owned and exercised, on behalf of the Chinese government and under the supervision of the CAAC, the rights of ownership of such Domestic Shares. After giving effect to the private placement and the initial public offering, CSAHC maintained its ownership of the 2,200,000,000 Domestic Shares (representing approximately 65.2% of the total share capital of the Company), and became entitled to elect all the directors of the Company and to control the management and policies of the Group. The Domestic Shares and H Shares are both ordinary shares of the Company.

In July 2003, we issued 1,000,000,000 A Shares, par value of RMB1.00 per share, and listed these shares on the Shanghai Stock Exchange. Subsequent to the issuance of the A Shares, the shareholding of CSAHC in the Company was reduced from 65.2% to 50.30%.

Share Reform Scheme

Pursuant to relevant PRC laws, we launched the share reform scheme in May 2007, whereby all the 2,200,000,000 non-tradable Domestic Shares held by CSAHC would be converted into tradable A Shares. Upon the completion of such scheme on June 20, 2008, all the non-tradable Domestic Shares have been successfully converted into tradable A Shares, subject to the restriction that CSAHC shall not transfer or trade these shares within 36 months after the commencement date of the share reform scheme (which is June 18, 2007).

Bonus Shares Issue by Conversion of Share Premium

On June 25, 2008, our shareholders approved issuance of bonus shares by way of conversion of share premium, and on August 14, 2008, the Ministry of Commerce approved the bonus share issue. The issue has been effected by conversion of share premium on the basis of 5 new shares, credited as fully paid, for every 10 existing shares. Upon the completion of the bonus share issue, which is based on 4,374,178,000 shares in issue as of December 31, 2007, the number of paid up shares has increased by 2,187,089,000 shares to 6,561,267,000 shares.

Non-Public Subscriptions

On December 10, 2008, we entered into an A Shares subscription agreement with CSAHC, pursuant to which CSAHC conditionally agreed to subscribe and the Company conditionally agreed to allot and issue 721,150,000 new A Shares for a consideration of RMB2,278,834,000, equivalent to the subscription price of RMB3.16 per new A Share. Separately and on the same date, the Company and Nan Lung (a wholly-owned subsidiary of CSAHC) entered into an H Shares subscription agreement, pursuant to which Nan Lung conditionally agreed to subscribe and the Company conditionally agreed to allot and issue 721,150,000 new H Shares for a consideration of RMB721,150,000, equivalent to the subscription price of RMB1.00 (equivalent to approximately HK\$1.13) per new H Share. The subscription agreements were approved in the Extraordinary General Meeting and the respective Class Meetings of shareholders of A and H Shares on February 26, 2009. On June 3, 2009, we received the formal approval from CSRC for the proposed non-public issue of H Shares. On August 14, 2009, we received the formal approval from CSRC for the proposed non-public issue of A Shares. The issuance of 721,150,000 new A Shares to CSAHC and 721,150,000 new H Shares to Nan Lung were completed on August 20, 2009 and August 21, 2009, respectively.

On March 8, 2010, our board approved the placement of up to 1,766,780,000 new A shares to not more than 10 specific investors including CSAHC and the placement of not more than 312,500,000 new H shares to Nan Lung, a wholly-owned subsidiary of CSAHC. On the same date, the Company entered into the A shares subscription agreement with CSAHC, pursuant to which CSAHC conditionally agreed to subscribe and the Company conditionally agreed to allot and issue new A shares of not more than 132,510,000 at the subscription price of not less than RMB5.66 per A share. In addition, the Company and Nan Lung entered into the H shares subscription agreement, pursuant to which Nan Lung conditionally agreed to subscribe and the Company conditionally agreed to allot and issue new H shares of not more than 312,500,000 at the subscription price of not less than HK\$2.73 per H share. The above placement and subscription agreements were approved in the Extraordinary General Meeting and the respective Class Meetings of shareholders of A and H shares on April 30, 2010. On September 8, 2010, we received the formal approval from CSRC for the proposed non-public issuance of H Shares. On September 15, 2010, we received the formal approval from CSRC for the proposed non-public issue of A Shares. In November 2010, we completed the placements of 1,501,500,000 new A shares and 312,500,000 H shares, among which 123,900,000 new A shares were issued to CSAHC at the subscription price of RMB6.66 per share, and 312,500,000 H shares were issued to Nan Lung at the subscription price of HK\$2.73 per share.

On June 11, 2012, we entered into an A Shares subscription agreement with CSAHC, pursuant to which CSAHC conditionally agreed to subscribe and we conditionally agreed to allot and issue up to 487,804,878 A Shares for a consideration of not more than RMB2 billion, equivalent to the subscription price of approximately RMB4.1 per new A Share. The subscription agreement was approved in the Extraordinary General Meeting on August 10, 2012, which remained effective for a period of twelve months from the date of approval of the resolution at the general meeting. As of August 9, 2013, the relevant work regarding the 2012 Non-public A Share Issue of the Company had not been completed. The proposal for the 2012 Non-public A Share Issue of the Company and A Shares subscription agreement therefore were lapsed automatically due to the expiration of the resolution passed at the general meeting.

Issuance of Short-term Financing Bills and Medium Term Notes

On April 18, 2008, our Board approved the proposed issuance of short-term financing bills in the principal amount of up to RMB4 billion in the PRC, and the submission of this proposal to the annual general meeting for the shareholders' approval. On June 25, 2008, our shareholders approved such proposed bill issuance at the annual general meeting for the year 2007. We believed that the bill issuance would provide a further source of funding at an interest rate which was expected to be lower than that for loans from commercial banks, lower the financing cost of borrowings for us, and was in the interests of us and our shareholders as a whole. The Company received the acceptance from National Association of Financial Market Institutional Investors to register the Company's short-term financing bills in the amount of RMB3.5 billion for a period up to September 10, 2010. The bills were jointly underwritten by China CITIC Bank Cooperation Limited and Bank of China Limited. In October 2008, we issued short-term financing bills with total face value of RMB2 billion with a bearing coupon interest rate at 4.7% and a maturity period of one year for funding of the business activities of the Company.

On May 28, 2008, the Board approved the proposed issuance of medium term notes by the Company in the principal amount of up to RMB1.5 billion and the submission of such proposal to the shareholders for their consideration and approval. On June 25, 2008, shareholders of the Company approved such notes issuance at the annual general meeting for the year 2007. The Company believed that the notes issue would provide a further source of medium to long term funding at an interest rate lower than the best lending rate for loans from commercial banks, lower the finance costs of borrowings for us and improve our debt structure. As of the date of this Annual Report, we have not issued any medium term notes, even though it has been approved by the Board and shareholders.

In order to capitalize on opportunities in the market and improve the flexibility and efficiency of financing, on June 25, 2012, the Board resolved to obtain a general and unconditional mandate from shareholders to issue potential debt financing instruments, in one or multiple tranches, within the permissible size for debt issuance in accordance with the provisions of the applicable laws and regulations. On the extraordinary general meeting held on August 10, 2012, shareholders approved the authorization given to the Board, generally and unconditionally, to determine the specific debt financing instruments and issuance plan, and to issue, in one or multiple tranches, debt financing instruments within the permissible size for debt issuance in accordance with the provisions of the applicable laws and regulations. According to the resolution, on October 31, 2012, the Board approved to apply to National Association of Financial Market Institutional Investors for registration to issue, in one or multiple tranches, ultra-short-term financing bills with an aggregate principal amount of to RMB10 billion, according to its capital needs and the market conditions. The Company has completed the issuance of the first tranche of ultra-short-term financing bills on February 8, 2013. The total issuance amount of the first tranche financing bills was RMB0.5 billion, with a maturity period of 180 days, a par value per unit of RMB100 and a nominal interest rate of 3.9%.

On March 21, 2014, the Company completed the issuance of the first tranche of ultra-short-term financing bills for the year 2014 of China Southern Airlines Company Limited (the "2014 First Tranche Financing Bills"). The total issuance amount of the 2014 First Tranche Financing Bills was RMB3 billion, with a maturity period of 180 days, a par value per unit of RMB100 and a nominal interest rate of 5.1%.

On April 17, 2014, the Company completed the issuance of the second tranche of ultra-short-term financing bills for the year 2014 of China Southern Airlines Company Limited (the "2014 Second Tranche Financing Bills"). The total issuance amount of the 2014 Second Tranche Financing Bills was RMB3 billion, with a maturity period of 270 days, a par value per unit of RMB100 and a nominal interest rate of 5.1%.

On August 14, 2014, the Board approved to make an application to National Association of Financial Market Institutional Investors for the registration and issuance of medium-term notes with an aggregate maximum principal amount of RMB10 billion for the purpose of replenishing the working capital and optimizing the debt structure of the Company. The annual general meeting for the year 2014 of the Company held on June 30, 2015 approved to make an application to the National Association of Financial Market Institutional Investors for the registration of ultra-short-term financing bills with the aggregate maximum principal amount of RMB14 billion (the "Ultra-short-term Financing Bills"), and the Ultra-short-term Financing Bills within the mentioned issuance size will be issued in one tranche or multiple tranches according to the funding needs and the market conditions. As of the date of this Annual Report, we have not issued any medium term notes.

On November 19, 2015, the Company completed the issuance of the first tranche of ultra-short-term financing bills for the year 2015 (the "2015 First Tranche Financing Bills"). The total issuance amount of the 2015 First Tranche Financing Bills was RMB3 billion, with a maturity period of 270 days, a par value per unit of RMB 100 and a nominal interest rate of 3.20%.

On November 24, 2015, the Company completed the issuance of the second tranche of ultra-short-term financing bills for the year 2015 (the "2015 Second Tranche Financing Bills"). The total issuance amount of the 2015 Second Tranche Financing Bills was RMB2 billion, with a maturity period of 180 days, a par value per unit of RMB 100 and a nominal interest rate of 3.04%.

On November 30, 2015, the Company completed the issuance of the third tranche of ultra-short-term financing bills for the year 2015 (the "2015 Third Tranche Financing Bills"). The total issuance amount of the 2015 Third Tranche Financing Bills was RMB3 billion, with a maturity period of 268 days, a par value per unit of RMB 100 and a nominal interest rate of 3.16%.

Issuance of Corporate Bonds

On November 13, 2015, the Company was approved by the CSRC to publicly issue corporate bonds (the "Corporate Bonds") in the amount of not more than RMB19 billion to qualified investors. The issuance of the Corporate Bonds shall be conducted in multiple tranches. The issuance of the first tranche must be completed within 12 months from the date of the approval and the issuance of the remaining tranches must be completed within 24 months from the date of the approval. On November 20, 2015, the Company issued the first tranche of 2015 corporate bonds of RMB3,000 million with an interest rate of 3.63% per annum due 2020. On March 3, 2016, the Company issued the first tranche of 2016 corporate bonds of RMB5,000 million with an interest rate of 2.97% per annum due 2019.

The following table sets forth certain statistical information with respect to the Group's passenger, cargo and mail traffic for the years indicated.

Year	Passenger carried		Cargo and Mail arrived (tons)		Total traffic (tons kilometers)	
	Total (in millions)	Increase (decrease) over previous year (%)	Total (in thousands)	Increase (decrease) over previous year (%)	Total (in millions)	Increase (decrease) over previous year (%)
2013	91.79	6.1	1,276	3.6	17,469	8.1
2014	100.91	9.9	1,433	12.3	19,780	13.2
2015	109.42	8.4	1,511	5.4	22,388	13.2

Route Network

Overview

The Group operates the most extensive route network among all Chinese airlines. As of December 31, 2015, the Group operated 1,032 routes consisting of 775 domestic routes, 43 regional routes and 214 international routes.

The Group continually evaluates its network of domestic, regional and international routes in light of its operating profitability and efficiency. The Group seeks to coordinate flight schedules with the Airline Subsidiaries on shared routes to maximize load factors and utilization rates. The acquisition of domestic, regional and international routes is subject to approval of the CAAC, and the acquisition of regional and international routes is also subject to the existence and the terms of agreements between the Chinese government and the government of the Hong Kong SAR, the government of the Macau SAR, the government of Taiwan province and the government of the proposed foreign destination.

In order to expand the Group's international route network, the Group has entered into code-sharing agreements with several international airlines, including Aeroflot-Russian Airlines, Air France, Asiana Airlines, China Airlines, China Eastern Airlines, CSA Czech Airlines, Delta Air Lines, Japan Airlines International, Kenya Airways, KLM Royal Dutch Airline, Korean Air, Mandarin Airlines, Pakistan International Airlines, PT Garuda Indonesia (Persero) Tbk., Qantas Airways Limited, Vietnam Airlines, Virgin America, WestJet and Xiamen Airlines. Under the code-sharing agreements, the participating airlines are permitted to sell tickets on certain international routes operated by the Group to passengers using the Group's codes. Similarly, the Group is permitted to sell tickets for the other participating airlines using its "CZ" code. The code-sharing agreements help increase the number of the Group's international sales outlets. After joining Skyteam Alliance, the Group has further established a network reaching over 1057 destinations globally, connecting 179 countries and regions and covering major cities around the world.

Route Bases

In addition to its main route bases including Guangzhou as core hub, Beijing as major hub, Urumqi as regional hub and Chongqing as seasonal hub, the Group maintains regional route bases in Zhengzhou, Wuhan, Changsha, Shenzhen, Shenyang, Changchun, Dalian, Harbin, Haikou, Zhuhai, Xiamen, Shanghai, Xi'an, Fuzhou, Nanning, Guilin, Shantou, Guiyang and Sanya. Most of its regional route bases are located in provincial capitals or major commercial centers in the PRC.

The Group believes that its extensive network of route bases enable it to coordinate flights and deploy its aircraft more effectively and to provide more convenient connecting flight schedules and access service and maintenance facilities for its aircraft. The Group believes that the number and location of these route bases may enhance the Group's ability to obtain the CAAC's approval of requests by the Group to open new routes and provide additional flights between these bases and other destinations in China. Current regulations of the CAAC generally limit airlines to operations principally conducted from their respective route bases.

Domestic Routes

The Group's domestic routes network serves substantially all provinces and autonomous regions in China, including Guangdong, Fujian, Hubei, Hunan, Hainan, Guangxi, Guizhou, Henan, Heilongjiang, Jilin, Liaoning and Xinjiang, and serves all four centrally-administered municipalities in China, namely, Beijing, Shanghai, Tianjin, and Chongqing. In 2015, the Group's most profitable domestic routes were between: Shenzhen-Beijing, Beijing-Shenzhen, Guangzhou-Beijing, Beijing-Guangzhou, Beijing-Shenyang, Shenyang-Beijing, Shanghai-Guangzhou, Guangzhou-Shanghai.

Regional Routes

The Group offers scheduled service between Hong Kong and Shenyang, Wuyishan, Zhangjiajie, Changchun, Yinchuan, Xiamen, Shantou, Beijing, Guilin, Meixian, Haikou, Wuhan, Zhengzhou, Nanning, Changsha, Sanya and Hohhot; between Macau and Hangzhou, Xiamen and Tianjin; and between Taipei and Guangzhou, Shanghai, Fuzhou, Hangzhou, Xiamen, Shenyang, Changsha, Wuhan, Dalian, Guilin, Harbin, Guiyang, Zhengzhou and Shenzhen. In 2015, the most profitable scheduled regional routes were between: Taipei-Guangzhou, Guangzhou-Taipei, Shenzhen-Taipei, Taipei-Shenzhen, Taipei-Harbin, Harbin-Taipei, Shanghai-Taipei, Taipei-Shanghai, Taipei-Changchun.

In 2015, the Group conducted a total of 20,662 flights on its regional routes, accounting for approximately 25.2% of all passengers carried by Chinese airlines on routes between Hong Kong, Macau or Taiwan and destinations in Mainland China according to CAAC statistics briefing.

Previously, direct flights between Taiwan and Mainland China were only available during certain festivals. Other than that, travelers between Taiwan and Mainland China had to make use of intermediate stops in Hong Kong or elsewhere. Since July, 2008, however, the ban on direct flights was further liberalized to allow direct charter flights on weekends. We were the first Chinese carrier to fly nonstop to Taiwan. On November 4, 2008, the Mainland China and Taiwan agreed to have regular direct passenger charter flights across the Taiwan Strait. On August 31, 2009, the Mainland China and Taiwan increased the number of regular cross-Strait direct passenger flights from 108 to 270 a week. Cross-Strait direct passenger flights were further increased in the following years. As of April 18, 2016, there were 698 cross-Strait direct passenger flights a week.

In order to further strengthen its presence in Taiwan, the Company entered into a memorandum of cooperation with China Airlines on June 23, 2008, which is the largest carrier in Taiwan in terms of route network. Based on the memorandum, the scope of cooperation between the parties will cover passenger and cargo carrying, maintenance, and ground handling services.

International Routes

The Group is the principal Chinese airline serving southeast Asian destinations and Australasia, including Singapore and major cities in Australia, New Zealand, Bangladesh, Indonesia, Thailand, Malaysia, Philippines, Vietnam, Myanmar and Cambodia.

In addition, the Group also provides scheduled services to cities in Australia, Azerbaijan, Bangladesh, United Kingdom, Burma, Cambodia, Canada, Dutch, France, Georgia, German, Italy, India, Indonesia, Japan, Kazakhstan, Kenya, Kyrgyzstan, Malaysia, Maldives, Nepal, New Zealand, Pakistan, Philippines, Russia, Singapore, South Korea, Tajikistan, Thailand, Turkey, Turkmenistan, United Arab Emirates (UAE), United States of American (USA), Vietnam, Mauritius, Uzbekistan, Iran. Since joining Skyteam Alliance, the Group has established a network reaching over 1057 destinations globally, connecting 179 countries and regions and covering major cities around the world.

In 2015, the Group's most profitable international routes were: Guangzhou–Sydney, Guangzhou–Los Angeles, Guangzhou–Melbourne, Guangzhou–Auckland, Dalian–Seoul, Seoul–Shenyang, Seoul–Dalian, and Shenyang–Seoul.

Aircraft Fleet

The Group's fleet plan in recent years has emphasized expansion and modernization through the acquisition of new aircraft and the retirement of less efficient and old aircraft. As of December 31, 2015, the Group operated a fleet of 667 aircraft with an average age of 6.3 years. Most aircraft of the Group are Boeing and Airbus aircraft. The Group has the largest fleet among Chinese airline companies. Among all the aircraft, 424 aircraft operated by the Group are leased pursuant to various types of leasing arrangements. Please see the table below for an analysis of our aircraft in terms of average age and respective passenger capacity.

Model	Number of Aircraft	Passenger Capacity
Boeing 787	16	228/237
Boeing 777-300ER	7	309
Boeing 777-200	4	360
Boeing 757-200	17	174/180/192/196/197/204
Boeing 737-800	240	159/160/161/164/170
Boeing 737-700	50	120/128
Boeing 737-300	3	126
Boeing 747-400F	2	N/A
Boeing 777-200F	12	N/A
Airbus 380-800	5	506
Airbus 330-300	19	275/284
Airbus 330-200	16	218/258
Airbus 321	79	179
Airbus 320	128	152
Airbus 319	43	122/138
EMB190	26	98
Total	667	N/A

In 2015, the Group continued to expand and modernize its aircraft fleet. During 2015, the Group (i) took scheduled delivery of twenty aircraft under purchase agreements, including six A320s, four A321s, four B777Fs, two B777-300ERs, and four A330-300s; (ii) took scheduled delivery of fourteen B737-800s under operating leases; and (iii) returned one B737-800 under operating leases upon expiry.

During 2015, Xiamen Airlines (i) took scheduled delivery of 16 aircraft under operating leases, including two B787-8 and fourteen B737-800 aircraft; (ii) took scheduled delivery of five B737-800s two B787-8 under financing leases.

In December 2015, we entered into the aircraft acquisition agreement with Boeing for the acquisition of 30 B737NG series aircraft and 50 B737 MAX series aircraft to be delivered from 2017 to 2021. In December 2015, we entered into the aircraft acquisition agreement with Airbus S.A.S for the acquisition of 10 Airbus A330-300 series aircraft to be delivered from 2017 to 2019.

Aircraft Financing Arrangements

Overview

A significant portion of the Group's aircraft is acquired under long-term capital or operating leases or long-term mortgage loans with remaining terms to maturity ranging from one to eleven years. As of December 31, 2015, 198 of the Group's 667 aircraft were operated under capital leases, 226 were operated under operating leases, 243 were either owned aircraft financed by long-term mortgage loans, or acquired either with cash proceeds or acquired by exercising the purchase options upon expiry of the respective capital leases. The Group's planned acquisition of aircraft in the foreseeable future will generally be made through acquisition by bank loans and the Group's own funds, and pursuant to operating leases or capital leases. The Group's determination as to its acquisition strategy depends on the Group's evaluation at the time of its capacity requirements, anticipated deliveries of aircraft, the Group's capital structure and cash flow, prevailing interest rates and other general market conditions.

The following table sets forth, as of December 31, 2015, the number of aircraft operated by the Group pursuant to capital and operating leases and the average remaining terms, of such leases.

Model	Capital Lease	Operating Lease	Average Remaining Lease Term
	Number of Aircraft	Number of Aircraft	Year
Boeing 787	14	2	9
Boeing 737-800	63	94	6.48
Boeing 737-700	11	9	1.23
Boeing 777-200F	7	0	8.82
Boeing 777-300ER	7	0	10.37
Airbus 380-800	2	0	7.67
Airbus 330-300	10	8	7.39
Airbus 330-200	11	2	4.92
Airbus 321-200	25	22	6.29
Airbus 320-200	43	40	6.7
Airbus 319-100	1	29	3.13
EMB190	4	20	4.3
Total	198	226	6.09

Capital leases

The majority of the capital leases in respect to aircraft and related equipment have terms of ten to fifteen years expiring during the years 2016 to 2030. As of December 31, 2015, the Group's aggregate future minimum lease payments (including future finance charges) required under its capital leases were RMB62,723 million. The Group's capital leases typically cover a significant portion of the relevant aircraft's useful life and transfer the benefits and risks of ownership to the Group. Under its capital leases, the Group generally has an option to purchase the aircraft at or near the end of the lease term. As is customary in the case of capital leases, the Group's obligations are secured by the related aircraft, as well as other collateral.

Operating Leases

As of December 31, 2015, the Group's aggregate future minimum lease payments required under its operating leases were RMB36,109 million. As of the year end of 2015, the Group's operating leases had original terms generally ranging from five to fifteen years from the date of delivery of the relevant aircraft, and the remaining terms of these leases ranged from one to eleven years. Pursuant to the terms of the operating leases, the Group is obligated to make rental payments based on the lease term, with no termination payment obligations or purchase option, and the lessor bears the economic benefits and risks of ownership. Under its operating leases, the Group has no option to purchase the aircraft and is required to return the aircraft in the agreed condition at the end of the lease term. Although title to the aircraft remains with the lessor, the Group is responsible during the lease term for the maintenance, servicing, insurance, repair and overhaul of the aircraft.

For capital leases or operating leases, the Group is obligated to indemnify the lessors against any withholding or similar taxes that may be imposed on the lessors by taxing authorities in China with regard to payments made pursuant to such leases. In accordance with relevant PRC tax regulations, a PRC lessee is liable to withhold PRC withholding tax in respect of any lease payments regularly made to an overseas lessor. Depending on the circumstances, this tax is generally imposed at a fixed rate ranging from nil to 10.0% of the lease payments, or in certain cases, the interest components of such payments for capital lease. The PRC withholding tax payable in respect of the lease arrangements amounting RMB291 million, RMB257 million and RMB198 million during 2015, 2014 and 2013 respectively, has been included as part of the lease charges.

Aircraft Flight Equipment

The jet engines used in the Group's aircraft fleet are manufactured by General Electric Corporation, Rolls-Royce plc, United Technologies International, Inc., CFM International, Inc. and International Aviation Engines Corporation. The Group had 59 and 60 spare jet engines for its fleet as of the year end of 2015 and 2014, respectively. The Group determines its requirements for jet engines based on all relevant considerations, including manufacturers' recommendations, the performance history of the jet engines and the planned utilization of its aircraft. Acquisition of rotables and certain of the expendables for the Group's aircraft are generally handled by Southern Airlines (Group) Import and Export Trading Company Limited ("SAIETC"), a subsidiary of CSAHC acting as agent for the Group, in consideration of an agency fee. The Group arranges the ordering of aircraft, jet engines and other flight equipment for the Airline Subsidiaries and keeps an inventory of rotables and expendables for the Airline Subsidiaries.

Aircraft Maintenance

A major part of the maintenance for the Group's fleet other than overhauls of jet engines is performed by Guangzhou Aircraft Maintenance Engineering Company Limited ("GAMECO"), an entity jointly controlled by the Company, Hutchison Whampoa ("Hutchison") and South China International Aircraft Engineering Company Limited, consistent with the Group's strategy to achieve fully integrated airline operations and to assure continued access to a stable source of high quality maintenance services. The remaining part of the maintenance for the Group's fleet other than overhauls of jet engines is performed by service providers in China and overseas. GAMECO performs all types of maintenance services, ranging from maintenance inspections performed on aircraft ("line maintenance services") to major overhaul performed at specified intervals. GAMECO was the first of three aircraft maintenance facilities in China having been certified as a repair station by both the CAAC and the Federal Aviation Administration. In March 1998, GAMECO received the Joint Civil Aviation Authorities certificate, which was transferred to European Aviation Safety Agency certification in November 2004, for the repair and maintenance of aircraft and aircraft engines.

The Group believes that GAMECO performs major maintenance checks on the Group's aircraft within time periods generally consistent with those of large international airline maintenance centers. GAMECO's repair and maintenance capacity include overhaul of more than 47.4% of the Group's aircraft. Although rotables for the Group's aircraft are generally imported through SAIETC, a portion of expendables and other maintenance materials are directly imported by GAMECO. Our agreement with GAMECO usually has a term of one year.

Overhauls of jet engines are performed by Zhuhai MTU, a former jointly controlled entity of the Company and MTU Aero Engines GmbH, and also by domestic qualified service providers in Beijing (AMECO), Xiamen (TEXL) and Hong Kong (HAESL), and by overseas qualified service providers in USA, Scotland, Malaysia, Korea, Singapore, France. On September 28, 2009, the Company entered into an agreement with CSAHC to sell its 50% equity interest in Zhuhai MTU to CSAHC at a consideration of RMB1,607,850,000. The transfer was completed in February 2010.

The amounts incurred by the Group for comprehensive maintenance services provided by GAMECO and Zhuhai MTU were RMB3,028 million, RMB2,095 million and RMB2,579 million for the years ended December 31, 2015, 2014 and 2013, respectively.

Safety

The Group endeavors to maintain strict compliance with all laws and regulations applicable to flight safety. In addition, the Group has adopted measures to eliminate or minimize factors that may impair flight safety, including specialized training programs and safety manuals. The Air Safety Management Department of the Company implements safety-related training programs on an ongoing basis in all of the Group's operations to raise the safety awareness of all employees. As a result, overall flight safety has gradually improved. For "incidents" which include various events and conditions prescribed by the CAAC which do not involve serious personal injury or material damage to flight equipment, the Group has kept the number consistently below what is prescribed by the CAAC. For example, the Company's "Air Transportation Incidents Per Ten Thousands Hours Ratio" was 0.034, 0.012 and 0.02 in 2015, 2014 and 2013, respectively. In comparison, CAAC's published maximum acceptable Air Transportation Incidents Per Ten Thousands Hours Ratio was 0.5, 0.5 and 0.5 in 2015, 2014 and 2013, respectively. This ratio is defined as the number of occurrences of air transportation incident for every 10,000 hours of flight time. In 2013, the Group strengthened its flight safety management on the internal and external safety requirements. In 2008, the Group received the "Five-Star Flight Safety Award" from CAAC, being the first in domestic aviation industry to receive such a great honor. Subsequently in 2012, we were awarded the "Safe Flight Diamond Award" by CAAC for our 10,000,000 safety flight hours record, also being the first in domestic aviation industry to receive such a great honor. By December 31, 2015, the Company's continuous safe flight span totaled to 15.29 million hours.

Jet Fuel

Jet fuel costs typically represent a major component of an airline's operating expenses. The Group's jet fuel costs accounted for 25.9%, 35.6% and 36.2% of the Group's operating expenses for the years ended December 31, 2015, 2014 and 2013, respectively. Like all Chinese airlines, the Group is generally required by the Chinese government to purchase its jet fuel requirements from regional branches of CAOSC and Bluesky Oil Supplies Company, except at the Shenzhen, Sanya, Haikou, Shanghai Pudong where jet fuel is supplied by Sino-foreign joint venture in which CAOSC is a joint venture partner. CAOSC is a State-owned organization controlled and supervised by the CAAC that controls the importation and distribution of jet fuel throughout China.

Jet fuel obtained from CAOSC's regional branches is purchased at uniform prices throughout China that are determined and adjusted by CAOSC from time to time with the approval of the CAAC and the pricing department of the NDRC based on market conditions and other factors. As a result, the costs of transportation and storage of jet fuel in all regions of China are spread among all domestic airlines. Jet fuel costs in China are influenced by costs at state-owned oil refineries and limitations in the transportation infrastructure, as well as by insufficient storage facilities for jet fuel in certain regions of China.

Prior to 1994, domestic jet fuel prices were generally below international jet fuel prices. The Chinese government had gradually increased domestic jet fuel prices in order to reflect more accurately the costs of supplying jet fuel in China. As a result, domestic jet fuel prices have become higher than those in the international market since the beginning of 1994. In 2007 through the first half of 2008, the crude oil prices in the international market reached historic highs. In response to the pressure imposed by such soaring prices, on November 1, 2007 and June 20, 2008, respectively, NDRC increased the domestic price for jet fuel. Thereafter, in order to reduce fuel cost pressure faced by Chinese airlines, NDRC approved reductions in domestic prices for jet fuel in 2008 and 2009. However, starting from February 2009, the crude oil price in the international market continued to increase and maintained at a high level in 2013. However, influenced by excessive oil supply, global economic weakness and the strong USD, the international oil prices have been trending downward since 2014. Our jet fuel costs decreased from RMB37,728 million in 2014 to RMB26,274 million in 2015 as a result of a decrease in average jet fuel prices from 2014 to 2015.

In addition to purchases of jet fuel from CAOSC, the Group is also permitted by the Chinese government to purchase a portion of its jet fuel requirements for its international flights from foreign fuel suppliers located outside China at prevailing international market prices. Jet fuel purchased from such sources outside China accounted for approximately 16.44% and 14.48% of the Group's total jet fuel consumption in 2015 and 2014, respectively.

Fuel Surcharge

The NDRC has lowered the rate of fuel surcharge from RMB 0.00002541 per kilometer to RMB 0.00002656 per kilometer, starting from April 1, 2013 and ending on March 31, 2014. Based on that rate, for every RMB100 by which the cost of jet fuel exceeds RMB4,140 per ton, the airlines are allowed to charge RMB0.00002656 per kilometer for the flight distance. From April 1, 2015, The NDRC has adjusted the benchmark oil price to RMB5000 per ton, for every RMB100 by which the cost of jet fuel exceeds that price, the airlines are allowed to charge RMB0.00002543 per kilometer for the flight distance. The Group's profit for the year may suffer from an unexpected change in the fuel surcharge collection policies and other factors beyond our control.

Flight Operations

Flight operations for the Group's flights originating in Guangzhou are managed by our flight operations and marketing divisions, which are responsible for formulating flight plans and schedules consistent with route and flight approvals received from the CAAC. The Company's flight operations center in Guangzhou is responsible for the on-site administration of flights, including the dispatch and coordination of flights, deployment of aircraft, ground services and crew staffing. In addition, each of the Airline Subsidiaries maintains flight operations centers at all servicing airports for on-site administration of their flights. Our general dispatch offices are responsible for monitoring conditions of the Group's route network, administering the Group's flight plans, collecting and monitoring navigation data and analyzing and monitoring airport conditions.

To enhance its management of flight operations, the Group's computerized flight operations control system (SOC) began operation in May 1999. The system utilizes advanced computer and telecommunications technology to manage the Group's flights on a centralized, real-time basis. The Group believes that the system will assist it to (i) compile flight schedules more efficiently; (ii) increase the utilization of aircraft; (iii) allow real-time tracking of all of the Group's flights; and (iv) improve coordination of the Group's aircraft maintenance and ground servicing functions.

Training of Pilots and Flight Attendants

The Group believes that its pilot training program, which was established in cooperation with the CAAC affiliated Beijing University of Aeronautics and Astronautics (the "BUAA"), has significantly improved the quality of the training received by the Group's pilots and has helped maintain the quality of the Group's staff of pilots at a level consistent with the expansion of operations called for by the Group's business strategy.

In the Group's pilot training program, trainees have two years of theoretical training at the BUAA. After successful completion of academic and physical examinations, the trainees receive flight training for a period of approximately 20 months at the Flying College, a company that is 48.12% owned by the Company, 4.76% owned by CSAHC and 47.12% owned by a third party shareholder. Each trainee at the Flying College is required to fly at least 250 hours before being awarded a flight certificate. Graduates of the BUAA and the Flying College are hired by the Group as trainee pilots after passing a CAAC-administered examination to obtain a pilot license. The total training period for the Group's trainee pilots is approximately four years. The Group had about 2,853 trainees as of April 18, 2016. Approximately 450 trainees are expected to graduate by the end of 2016.

As part of the pilot training program, trainee pilots receive their initial training in the operation of a specific aircraft with Zhuhai Xiang Yi Aviation Technology Company Limited ("Zhuhai Xiang Yi"), a jointly controlled entity between the Company and CAE International Holdings Limited, which also provides training to pilots from other Chinese airlines. Zhuhai Xiang Yi is equipped with simulators for majority models of aircraft currently operated by the Group and provides flight simulation training services to the Group.

The Group's pilots are required to be licensed by the CAAC, which requires an annual proficiency check. The Group's pilots attend courses in simulator training twice annually and in emergency survival training once annually. The Group also conducts regular advanced training courses for captains and captain candidates. Pilots advance in rank based on number of hours flown, types of aircraft flown and their performance history.

The Group funded the training of its recruited pilots in previous years and, as a result, incurred significant costs over the years. Recently, there has been a trend in the financing of pilot training worldwide from employer-sponsored to self-sponsored scheme. Such a change will not only cut down the Group's training expenses significantly, but also ensures the long-term dedicated service of the pilots. Starting from 2007, the Group began to recruit pilots under the self-sponsored training arrangement. On December 5, 2007, August 27, 2008, August 27, 2009, August 26, 2010 and September 9, 2011, the Board approved the Company to provide a guarantee with joint liability for the loans incurred under the self-sponsored pilot training program in an aggregate amount of RMB90,858,000, not more than RMB213,600,000, not more than RMB184,750,000, not more than RMB179,269,600 and not more than RMB83,850,000, respectively. On December 29, 2009, Xiamen Airlines, 51% owned subsidiary of the Company agreed to provide a guarantee with joint liability for the loans incurred under the partial self-sponsored pilot training program in an aggregate amount of not more than RMB100 million up to December 31, 2013. As of December 31, 2015, the Group has provided guarantees with joint liability for the loans of such self-sponsored pilots in an aggregate amount of RMB627 million under which an aggregate of personal bank loans of RMB454 million were drawn down from the banks. For the year ended December 31, 2015, the Group made repayments of RMB4 million due to the default of payments of certain pilot trainees.

Under the program, the self-sponsored pilots are bound to enter into service contracts with the Group when they finish their training courses. They have the choice to repay their loans in advance or in installments.

The Group conducts theoretical and practical training programs for its flight attendants at its Flight Attendants Training Center in Guangzhou (the "Guangzhou Training Center"). The Guangzhou Training Center is equipped with computerized training equipment, as well as simulator cabins for all models of aircraft currently operated by the Group. At the Guangzhou Training Center, flight attendants of the Group receive comprehensive training in areas such as in-flight service, emergency evacuation and water rescue.

Ground Services

The Group makes arrangements with airport authorities, other airlines or ground services companies for substantially all ground facilities, including runway, ramp, terminal and support services buildings, at each airport that it serves. The Group pays landing, parking and other fees to such airports, including Guangzhou Baiyun International Airport (the "Guangzhou Baiyun Airport"). At domestic airports, such fees are generally determined by the CAAC.

At Guangzhou Baiyun Airport, the Group operates its own passenger check-in, cargo, mail and baggage handling, aircraft maintenance and cleaning services. The Group also provides such services to its customer airlines that operate in Guangzhou Baiyun Airport.

Ground services at the airports, such as those in Shenzhen, Changsha, Wuhan, Zhengzhou, Haikou, Zhuhai, Xiamen, Guilin, Jieyang, Guiyang, Shenyang, Harbin, Dalian, Changchun, Sanya, Nanning, Chongqing, Shanghai Hongqiao, Shanghai Pudong and Urumqi, are operated directly by the Group. Ground services at the airport in Beijing have been primarily provided by Beijing China Southern Airlines Ground Services Co., Ltd, which became a wholly-owned subsidiary of the Company in June 2009. Ground services at other airports in China are provided to the Group by local airport authorities or local airlines pursuant to various service agreements. Ground services and other services at airports outside China are provided to the Group by foreign services providers pursuant to various service agreements with such parties. All such agreements of the Group are short-term and otherwise on terms that are customary in the industry.

Air Catering

We own a 55% equity interest in Guangzhou Nanland Air Catering Company Limited ("Nanland"). Nanland provides in-flight meals, snacks, drinks and related services for all of the Group's flights originating in Guangzhou and substantially all other flights departing from Guangzhou Baiyun Airport. The Group contracts with various air catering suppliers with respect to in-flight catering services for flights originating from other airports, generally on an annual basis and otherwise on terms that are customary in the industry.

In order to optimize assets structure, tighten cost control, reduce the number of connected transactions and enhance the independence of operations in the long-run, the Company acquired a 100% equity interest in China Southern Airlines Group Air Catering Company Limited ("SAG Air Catering") on August 31, 2007 from CSAHC. SAG Air Catering provides in-flight meals for flights of the Group originating or stopping at domestic airports, mainly in northern China and Xinjiang regions.

Cargo and Mail

The Group also provides air cargo and mail services. A significant portion of these services are combined with passenger flights services. In 2015, the Group had two Boeing 747 freighters and twelve Boeing 777 freighters, mainly servicing 16 international cargo routes, including Guangzhou-Chongqing-Amsterdam-Guangzhou, Guangzhou-Amsterdam-Guangzhou, Guangzhou-London-Frankfurt-Guangzhou, Guangzhou-Frankfurt-Guangzhou, Guangzhou-Paris-Vienna-Guangzhou, Guangzhou-Anchorage-LosAngeles-Guangzhou, Guangzhou-Anchorage-Chicago-Tianjin-Guangzhou, Guangzhou-HoChiMinh-Hanoi-Guangzhou, ShanghaiPudong-Amsterdam-Vienna-ShanghaiPudong, ShanghaiPudong-Amsterdam-Chongqing-ShanghaiPudong, ShanghaiPudong-Amsterdam-ShanghaiPudong, ShanghaiPudong-Frankfurt-ShanghaiPudong, ShanghaiPudong-Anchorage-Chicago-ShanghaiPudong, ShanghaiPudong-LosAngeles-Vancouver-ShanghaiPudong, ShanghaiPudong-LosAngeles-Tianjin-ShanghaiPudong and ShanghaiPudong-LosAngeles-ShanghaiPudong. The Group conducts its cargo business primarily through its cargo hubs in Guangzhou and Shanghai.

Sales, Reservations and Marketing

Passenger Ticket Sales and Reservations

The Group's ticket sales and reservations are conducted by or through independent sales agents and the Group's own network of exclusive sales offices as well as the CAAC's sales offices and CSAHC's affiliates. The Group has sales offices in Guangzhou and its other route bases. In addition, the Group maintains regional sales offices in other cities in China, including Beijing and Shanghai. The Group maintains international sales offices in Almaty, Amsterdam, Ashkhabad, Auckland, Baku, Bangkok, Bishkek, Brisbane, Busan, Chicago, Christchurch, Daegu, Daejeon, Delhi, Dhaka, Dubai (Sharjah), Dushanbe, Frankfurt, Fukuoka, Hanoi, Hiroshima, Ho Chi Minh City, Irkutsk, Islamabad, Istanbul, Jakarta, Jeddah, Kathmandu, Khabarovsk, Khudzhand, Kitakyushu, Kuala Lumpur, London, Los Angeles, Manila, Melbourne, Moscow, Nagoya, New York, Niigata, Novosibirsk, Nairobi, Oakland, Osaka, Osh, Paris, Penang, Perth, Phnom Penh, Phuket, San Francisco, Sapporo, Sendai, Seoul, Siem Reap, Singapore, Sydney, Tashkent, Tehran, Tokyo, Toyama, Tbilisi, Vancouver, Vladivostok, Vienna and Yangon.

The Group has agency agreements with airlines in the Asia-Pacific region, Europe, the United States and Africa for the processing of ticket sales and reservations on a reciprocal basis. In 2015, approximately 32.3% of all ticket sales for the Group's scheduled flights were made by the Group's network of sales offices and CSAHC's affiliates. The Group also sells tickets and accepts reservations through an extensive network of non-exclusive independent sales agents. Under the agency agreements with these sales agents, the Group pays commissions based on the value of tickets sold. The Group pays independent sales agents a commission of 3.32% of the ticket price. Sales agents are typically permitted to withhold their commission from the proceeds of ticket sales that are remitted to the Group. In 2015, sales by independent sales agents accounted for approximately 67.7% of the Group's ticket sales of its scheduled flights.

Substantially all of the Group's sales offices and agents in China are linked electronically to the TravelSky Technology Limited's computerized ticketing and reservations system, which is in turn linked to all domestic airlines for flights throughout China. The Group has also entered into membership agreements with several international reservation systems, including ABACUS in Southeast Asia, SABRE and GALILEO in the United States, AMADEUS in Europe and INFINI in Japan. These systems facilitate reservations and sales of tickets for the Group's international flights. In 2008, the Group further improved and optimized its online sales network, and launched Tencent sales counters in cooperation with Tencent Technology Limited, thus expanded the consumer sales network of the Group. Meanwhile, the Group upgraded and reconstructed the SMS platform, which provided SMS information services on mileage, flight schedule, flight status and air ticket price, and launched the "95539" services hotlines.

Cargo

The Group's cargo and mail services are promoted through its own cargo divisions and independent cargo agents both within and outside China that track available space among all airlines. In particular, the Group employs a number of cargo agents in the Pearl River Delta region. In 2015, the Group generally pays the cargo agents an average commission of 0.75% of the relevant cargo freight rate for domestic and international services, of which the commission of cargo agents in the Pearl River Delta region is 0.69%.

Promotional and Marketing Activities

The Group engages in regular promotional and marketing activities in an effort to increase its market share. The Group's promotional and marketing activities for domestic routes emphasize safety, passenger comfort and the frequency of the Group's flights. The Group's promotional and marketing activities for international and regional passengers emphasize the Group's quality of service, extensive route network in China and greater frequency of flights relative to other Chinese airlines. The Group was among the first to launch premium economy class of seating. In addition, the Group also promotes and markets its regional and international routes on the basis of price competitiveness.

The Group seeks to increase its name recognition by offering new services to passengers. For example, the Group was the first Chinese airline to provide off-airport check-in services. The Group also offered transfer and baggage "through-handling" services to passengers connecting to other airlines, including passengers connecting in Hong Kong for flights to Taiwan. The Group widened its use of information technology and introduced new services such as cell phone check-in, SMS platforms and online meal booking. In 2015, the Group strengthened the cooperation with Air France-KLM by co-promotion, agent and corporate joint visits and workshops, further integrating resources to benefit to both parties. Along with new route launches of Guangzhou - Nairobi, Guangzhou - Christchurch and Guangzhou - San Francisco, the Group held workshops in the origin and destination cities, announcing our new flights to local agents and clients. Besides, the Group cooperated with government agencies, Tourism Australasia and Tourism New Zealand, to promote and attract people to Australia and New Zealand. In addition, the Group broadcast the first micro film "Dream from the Heart", successfully expressed its brand, social responsibility and customer-oriented services.

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On the wake of permitted direct flights on weekends between Taiwan and Mainland China starting from July 4, 2008, the Company became the first Chinese carrier to fly nonstop to Taiwan. By taking advantage of such further liberalized air travel policy between Taiwan and Mainland China, the Company has taken measures to explore opportunities presented by and increase its name recognition in Taiwan market. On June 23, 2008, the Company entered into a memorandum of cooperation with China Airlines, which is the largest carrier in Taiwan by route network. Based on the memorandum, the scope of cooperation between the parties will cover passenger, cargo, maintenance and ground handling services. The Company believes that its strategic collaboration with China Airlines will be beneficial to both parties, expand their route network worldwide, increase their freight load factors, reduce labor and operating costs, and enhance the competitiveness of both airlines in the global air travel market.

To enhance relationships with its passengers, the Group has launched two frequent flyer programs, namely the "China Southern Airlines Sky Pearl Club" and the "Xiamen Airlines' Egret Card Frequent Flyer Program". By the end of 2015, the Group had approximately 31 million members (including those of Xiamen Airlines) under these programs.

Regulation

The Chinese commercial aviation industry is subject to a high degree of regulation and oversight by the CAAC. Regulations and policies issued or implemented by the CAAC encompass substantially all aspects of airline operations, including route allocation, pricing of domestic airfare, the administration of air traffic control systems and certain airports, air carrier certifications and air operator certification and aircraft, registration and aircraft airworthiness certification. The Civil Aviation Law, which became effective in March 1996, provides a framework for regulation of many of these aspects of commercial aviation activities. Although China's airlines operate under the supervision and regulation of the CAAC, they are accorded an increasingly significant degree of operational autonomy, including with respect to the application for domestic, regional and international routes, the allocation of aircraft among routes, the purchase of flight equipment, the pricing of air fares within a certain range, the training and supervision of personnel and their day-to-day operations.

As an airline providing services on international routes, the Group is also subject to a variety of bilateral civil air transport agreements that provide for the exchange of air traffic rights between China and various other countries. In addition, China is a contracting state, as well as a permanent member, of the International Civil Aviation Organization (the "ICAO"), an agency of the United Nations established in 1947 to assist in the planning and development of international air transport, and is a party to many other international aviation conventions. The ICAO establishes technical standards for the international aviation industry. The Group believes that it, in all material respects, complies with all such technical standards.

Route Rights

Domestic Routes. The right of any Chinese airline to carry passengers or cargo on any domestic route must be obtained from the CAAC. Non-Chinese airlines are not permitted to provide domestic air service between destinations in China. The CAAC's policy is to assign a domestic route to the Chinese airline that is best suited to serve the route based, in part, on the location of the airline's main or regional base at the point of origin. Under current regulations, airlines are generally expected to operate mainly from their route bases, and flights within a particular region are expected to be served by airlines based in that region. The Group believes that these regulatory parameters benefit airlines, such as the Group, that have a large number of regional route bases. The CAAC also considers other factors that may make a particular airline suitable to operate a domestic route, including the applicant's general operating authority, compliance with pricing regulations and regulations applicable to safety and service quality, market demand, the ability of the applicant in terms of its existing routes, airport facilities and related support services.

The CAAC considers market conditions for a domestic route in determining whether the route should be allocated to one or more airlines. Generally, the CAAC requires the passenger load factor on certain route should be above the average rate of the whole market in the last flight season before additional flights and participants may be put on that route.

Regional Routes. Hong Kong and Macau routes and landing rights are derived from agreements between the Chinese government and the government of the Hong Kong SAR, and between the Chinese government and the government of Macau SAR. The rights to fly between Beijing and Hong Kong, Beijing and Macau, Shanghai and Hong Kong and Shanghai and Macau are allocated by the CAAC among the four Chinese airlines. The Group understands that the criteria for determining whether a Hong Kong and Macau route will be allocated to a particular airline include market demand, the ability of the airline to service the route and the appropriateness of the airline's aircraft for such route.

A number of Hong Kong routes are operated by Chinese airlines on a "charter" flight basis. Permission to operate these flights is in theory subject to monthly review by the CAAC and the Hong Kong Civil Aviation Department. The CAAC has informally indicated that it primarily considers market demand and airline capability in granting permission for such flights.

Previously, direct flights between Taiwan and Mainland China were only available during certain festivals. Since July 4, 2008, however, the ban on direct flights has been further liberalized to allow direct charter flights on weekends. On November 4, 2008, the Mainland China and Taiwan agreed to regular direct passenger charter flights across the Taiwan Strait. On August 31, 2009, the Mainland China and Taiwan extended the number of regular cross-Strait direct passenger flights from 108 to 270 a week. Cross-Strait direct passenger flights were further increased in the following years. As of April 18, 2016, there were 698 cross-Strait direct passenger flights a week.

International Routes. International route rights, as well as the corresponding landing rights, are derived from air services agreements negotiated between the Chinese government, through the CAAC, and the government of the relevant foreign country. Each government grants to the other the right to designate one or more domestic airlines to operate scheduled service between certain destinations within each of such countries. Upon entering into an air services agreement, the CAAC determines the airline to be awarded such routes based on various criteria, including the availability of appropriate aircraft, flight and management personnel, safety record, the overall size of the airline, financial condition and sufficiency of assets to bear civil liabilities in international air services. These route rights may be terminated by the CAAC under special circumstances.

The criteria for determining whether an international route will be allocated to a second airline generally include (i) the terms of the relevant bilateral civil aviation agreement; (ii) consistency with overall national plans and the national interest and the enhancement of reasonable competition; and (iii) whether the international airports to be used are sufficient for the aircraft flown and employ security measures consistent with international standards.

In addition, if the relevant bilateral civil aviation agreement permits more than one Chinese airline to operate a particular international route, the CAAC will only permit a second airline to operate on such route if during a specific season, the average load factor is more than 75%, or for a particular international route, if the flight capacity provided by Chinese airlines is 50% less than that provided by foreign airlines.

Air Fare Pricing Policy

Pursuant to "Pricing Reform of Domestic Civil Aviation" as approved by the State Council of the PRC effective on April 20, 2004, prices on domestic routes now fluctuate freely within a predetermined range. Instead of direct supervision by setting prices of air tickets through a local price bureau, the government now provides guidance on domestic flights and domestic civil aviation is controlled by the government indirectly. Market-oriented pricing policy was introduced and pricing system has been adjusted as a result of the above pricing reform. The CAAC and NDRC issued a notice on April 13, 2010, pursuant to which, effective on June 1, 2010, airlines may set first-class and business-class airfares freely in accordance with market prices, subject to relevant PRC laws. The economy-class airfares remain to be subject to the predetermined range. The CAAC and NDRC further issued a notice, pursuant to which, effective on October 20, 2013, airlines are free to set domestic flights airfares not exceeding up to 25% above the bench mark prices where governmental pricing guidance is applicable. In recent years, there were a series of air fare reform to deregulate the control on the air fare pricing policy step by step.

Published air fares of Chinese airlines for the Hong Kong and Taiwan routes are determined by the CAAC and the relevant civil aviation authorities in Hong Kong or Taiwan. Airlines may offer discounts on flights on their Hong Kong and Taiwan regional routes.

Published air fares of Chinese airlines for international routes (except for Japan) are determined by Chinese airlines at their own discretion, taking into account the international air fare standards established through the International Air Transport Association. For Japan routes, air fares must be approved by the relevant civil aviation authorities in Japan, and discounting of published international air fares is permitted.

Acquisition of Aircraft and Flight Equipment

If a Chinese airline plans to acquire an aircraft, the airline must first seek approval from the CAAC and NDRC. The airline must, as a condition of approval, provide specific acquisition plans, which are subject to modification by the CAAC and NDRC. If the CAAC and NDRC approve an aircraft acquisition, the airline negotiates the terms of the acquisition with the manufacturer together with China Aviation Suppliers Import and Export Corporation ("CASC"), an entity controlled by CAAC, because CASC possesses the license required to import or export aircraft, and CASC receives a commission in respect thereof. Most Chinese airlines are also required to acquire their aircraft engines, spare parts and other flight equipment through CASC. The Company and a few other Chinese airlines are permitted to import jet engines and other flight equipment for their own use without the participation of CASC. In the case of the Company, SAIETC acts as its import agent and receives an agency fee for its services.

Jet Fuel Supply and Pricing

CAOSC and Bluesky Oil Supplies Company, companies supervised by the CAAC, are the only jet fuel supply companies in China, with the exception of the joint venture jet fuel supply companies that supply Shenzhen, Zhuhai, Sanya, Haikou, Shanghai Pudong and other small airports. Airlines are generally not permitted to buy jet fuel from other suppliers in their domestic operations, since the direct import of jet fuel for domestic purposes is prohibited. As a result, all Chinese airlines purchase their domestic jet fuel supply requirements (other than the above mentioned exceptions) from the seven regional branches of CAOSC. Jet fuel obtained from such regional branches is purchased at uniform prices throughout China that are determined and adjusted by CAOSC from time to time with the approval of the CAAC and the pricing department of the NDRC based on market conditions and other factors.

Safety

The CAAC has made the improvement of air traffic safety in China a high priority and is responsible for the establishment of operational safety, maintenance and training standards for all Chinese airlines. The Chinese airlines are required to provide monthly flight safety reports to the CAAC, including reports of flight or other incidents or accidents and other safety related problems involving such airline's aircraft occurring during the relevant reporting period. The CAAC periodically conducts safety inspections on individual airlines.

Every pilot is required to pass CAAC-administered examinations before obtaining a pilot license and is subject to an annual recertification examination.

All aircraft operated by Chinese airlines, other than a limited number of leased aircraft registered in foreign countries, are required to be registered with the CAAC. All aircraft operated by Chinese airlines must have a valid certificate of airworthiness, which is issued annually by the CAAC. In addition, maintenance permits are issued to a Chinese airline only after its maintenance capabilities have been examined and assessed by the CAAC. Such maintenance permits are renewed annually. All aircraft operated by Chinese airlines may be maintained and repaired only by CAAC-certified maintenance facilities, whether located within or outside China. Aircraft maintenance personnel must be certified by the CAAC before assuming aircraft maintenance posts.

Security

The CAAC establishes and supervises the implementation of security standards and regulations for the Chinese commercial aviation industry. Such standards and regulations are based on Chinese laws, as well as standards developed by international commercial aviation organizations. Each airline and airport in China is required to submit to the CAAC an aviation security handbook describing specific security procedures established by such airline or airport for the day-to-day operations of commercial aviation and procedures for staff training on security. Such security procedures must be based on relevant CAAC regulations and international commercial aviation treaties. Chinese airports and airlines that operate international routes must also adopt security measures in accordance with the requirements of the relevant international agreements.

Noise and Environmental Regulation

All airlines in China must comply with the noise and environmental regulations of the PRC State Environmental Protection Agency. Applicable regulations of the CAAC permit Chinese airports to refuse to grant take-off and landing rights to any aircraft that does not comply with noise regulations.

Chinese Airport Policy

The CAAC supervises and regulates all civilian airports in China. The local government of the PRC manages the administration of most civilian airports in China. Airports in China are also subject to regulation and ongoing review by the CAAC, which determines take-off and landing charges, as well as charges for the use of airports and airport services.

Competition

The CAAC's extensive regulation of the Chinese commercial aviation industry has had the effect of managing competition among Chinese airlines. Nevertheless, competition has become increasingly intense in recent years due to a number of factors, including relaxation of certain regulations by the CAAC, an increase in the number of Chinese airlines and an increase in the capacity, routes and flights of Chinese airlines.

In the Chinese aviation industry, the three dominant airlines are the Group, Air China Limited (the "Air China") and China Eastern Airlines Corporation Limited (the "China Eastern Airlines"). In 2015, these three airlines together controlled approximately 66% of the commercial aviation market in China as measured by passengers carried.

Most major Chinese airlines have in recent years significantly expanded their fleets, while at the same time passenger traffic may not increase proportionately. In some years, this has resulted in a reduction in our passenger load factors. As a result, we are required to be more competitive with respect to, for example, quality of service, including ticketing and reservations, in-flight services, flight scheduling and timeliness.

The Group expects that competition in China's commercial aviation industry will continue to be intense. The Group will also face increasing competition from alternative means of transport, such as highway and rail, as China's transportation infrastructure improves. In particular, the so-called "Four Longitudinal and One Horizontal" high-speed railways have brought negative impact to the domestic commercial aviation sector.

In June 2011, the Beijing-Shanghai High-Speed Railway commenced operation. We currently have only one daily flight on the Beijing-Shanghai aviation route. The opening of the Beijing-Shanghai High-Speed Railway has had a little direct impact on us. The aviation routes along the way, in particular, short-haul routes have experienced a greater loss of customers, but such losses are within our expectations and have had minimal impact on the entire industry. In December 2012, the Beijing-Guangzhou and Harbin-Dalian High-Speed Railways commenced operation. Currently, the Four Longitudinal High-Speed Railways, including Beijing-Shanghai, Beijing-Guangzhou-Shenzhen, Harbin-Dalian, Shanghai-Hangzhou-Shenzhen High-Speed Railways, have commenced operation. The Four Horizontal High-Speed Railways, including Shijiazhuang-Taiyuan, Jinan-Qingdao, Zhenzhou-Xi'an-Baoji, Nanjing-Wuhan-Chongqing, Hangzhou-Nanchang-Changsha High-Speed Railways, have partly commenced operation, and the rest will be finished at the end of 2015. The expansion of the coverage of this network, improvements in the railway service quality, increased passenger capacity and stations located closer to urban centers than competing airports could enhance the relative competitiveness of the railway service and affect our market share on some of our key routes, in particular routes below 800 kilometers. The aggregate high-speed railway mileage in China reached over 19,000 kilometers as of December 31, 2015. The construction of all railways in China's "Four Longitudinal and Four Horizontal" high-speed railway network is expected to complete by the end of 2020. We expect it will bring further negative impact on the domestic aviation industry.

From the perspective of long term development, with the continuous improvement in the high-speed railway lines and services, the domestic flights of the airlines will face competition from all sides, which spurs the airlines to constantly improve its network of aviation routes while stepping up efforts to upgrade service quality and brand influence for the enhancement of its competitiveness as a whole.

The Group believes that it possesses certain competitive advantages as compared to other Chinese airlines. The Group has the most extensive route network and the largest number of regional route bases among Chinese airlines, which the Group believes places it in a favorable position in the route allocation process. The Group also has the largest aircraft fleet among all Chinese airlines, which, together with the Group's planned aircraft acquisitions, will permit the Group to expand its operations and to improve the deployment of the aircraft in its fleet. The Group also believes that its dominant presence in the populous and economically developed southern and central regions of China provides it with a competitive advantage in attracting new customers and that its fully integrated flight training, aircraft and engine maintenance and air catering operations enable it to achieve and maintain high quality service to its customers. In light of increasing competition from high speed trains, the Group intends to place more flight fleet to the international routes, where the Group will make an effort for a stronger market position. The Group also believes that its optimized route network, increased operational efficiency and improved service quality will attract more customers. The proposed cooperation between the Company and the high speed trains operators will also enable the Group to render a seamless air-ground service to customers which will bring a win-win situation for both the Group and the high speed trains operators.

According to CAAC statistics briefing, the following table sets forth the Group's market share of passengers carried, cargo and mail carried and total traffic of Chinese airlines for the years indicated.

Year	Passenger Carried		Cargo and Mail Carried (tons)		Total Traffic (tons kilometers)	
	Industry Total (in millions)	Group's Share (% of total)	Industry Total (in thousands)	Group's Share (% of total)	Industry Total (in billions)	Group's Share (% of total)
2011	292.2	27.6	5,528	20.5	57.3	25.2
2012	319.4	27.1	5,450	22.6	61.0	26.6
2013	354.0	25.9	5,613	22.7	67.2	26.0
2014	391.7	25.8	5,933	24.2	74.9	26.4
2015	435.6	25.1	6,253	24.2	85.0	26.3

Domestic Routes

The Group competes against its domestic competitors primarily on the basis of flight schedule, route network, quality of service, safety, type and age of aircraft and, to a lesser extent and until recently, price. The Group competes against other major Chinese airlines in its various domestic route markets. Of these competitors, the largest are two airlines owned or controlled by the Chinese government, and the remaining airlines are operated by or under the control of various Chinese provincial or municipal governments.

The following table sets forth the Group's market share in terms of passengers carried, cargo and mail carried on departing flights and total departing flights at the ten busiest airports in China in 2015 according to passenger volume data from CAAC statistics briefing.

Airport	Passenger Carried (% of total)	Cargo and Mail Carried (% of total)	Departing Flight (% of total)
Beijing	17.18	10.88	17.5
Shanghai Pudong	8.77	6.62	9.91
Guangzhou	48.82	33.54	50.46
Chengdu	12.82	13.55	11.8
Shenzhen	27.27	15.51	25.83
Shanghai Hongqiao	13.45	21.91	13.66
Kunming	12.7	19.86	11.92
Xi'an	15.24	14.42	16.07
Chongqing	23.1	20.54	24.81
Hangzhou	26.88	17.96	27.9

The following table sets forth the Group's market share in terms of passengers carried, cargo and mail carried on departing flights and total departing flights at eight busiest airports in southern and central China (excluding Guangzhou and Shenzhen, which are included in the table above) in 2015 according to passenger volume data from CAAC statistics briefing.

Airport	Passenger Carried (% of total)	Cargo and Mail Carried (% of total)	Departing Flight (% of total)
Haikou	25.1%	32.8%	24.1%
Sanya	25.4%	31.7%	26.8%
Wuhan	38.5%	36.6%	39.3%
Changsha	34.7%	39.5%	36.1%
Zhengzhou	37.0%	15.0%	37.3%
Nanning	28.6%	33.9%	28.6%
Zhuhai	42.3%	48.0%	33.6%
Guilin	25.5%	28.4%	27.4%

Regional Routes

In 2015, the Group conducted a total of 20.66 thousands flights on its regional routes, accounting for approximately 25.2% of all passengers carried by Chinese airlines on routes between Hong Kong, Macau or Taiwan and destinations in China. The Group faces less competition on regional routes than that on domestic and international, and earns higher operating margin. Air China, China Eastern Airlines, Air Macau, Dragon Air and Cathay Pacific Airways compete with the Group in the regional traffic markets.

International Routes

The Group competes with Air China, China Eastern Airlines and many well-established foreign airlines on its international routes. Most of these international competitors have significantly longer operating histories, substantially greater financial and technological resources and greater name recognition than the Group. In addition, the public's perception of the safety and service records of Chinese airlines may adversely affect the Group's ability to compete against its regional and international competitors. Many of the Group's international competitors have larger sales networks and participate in reservation systems that are more comprehensive and convenient than those of the Group, or engage in promotional activities that may enhance their ability to attract international passengers.

In Southeast Asian routes, our competitors mainly include Thai Airways International, Singapore Airlines, Malaysian Airlines System, Air China and China Eastern Airlines. In European routes, our competitors mainly include Air China, China Eastern Airlines, Cathay Pacific Airways and Lufthansa German Airlines. In the United States routes, our competitors mainly include Air China, China Eastern Airlines, Cathay Pacific Airways and United Airlines. In Australian routes, our competitors include Air China, China Eastern Airlines, Cathay Pacific Airways and Qantas Airways. The Group competes in the international market primarily on the basis of safety, price, timeliness and convenience of scheduling.

Airline Subsidiaries

The Airline Subsidiaries are joint ventures established by the Company and local companies in the provinces or special economic zones where the Airline Subsidiaries are based and are engaged in providing airline and related services. As of December 31, 2015, the Company owns a 51%, 55% or 60% equity interest in each of the Airline Subsidiaries.

As of December 31, 2015, Xiamen Airlines operated under its own "MF" code with a fleet of 146 aircraft. In 2015, Xiamen Airlines carried a total of about 24.87 million passengers, or approximately 22.7% of the passengers carried by the Group in that year, and had RMB18,931 million in traffic revenue.

As of December 31, 2015, Shantou Airlines operated under the Group's "CZ" code with a fleet of 14 aircraft. In 2015, under the centralized allocation of flight routes of the Group, Shantou Airlines carried a total of about 2.92 million passengers, or 2.7% of the passengers carried by the Group in that year. Total traffic revenue of Shantou Airlines for the year ended December 31, 2015 was RMB2,193 million.

As of December 31, 2015, Chongqing Airlines operated under the "OQ" code with a fleet of 13 aircraft. In 2015, under the centralized allocation of flight routes of the Group, Chongqing Airlines carried a total of about 2.64 million passengers, or 4.9% of the total number of passengers carried by the Group in that year. Total traffic revenue of Chongqing Airlines for the year ended December 31, 2015 was RMB1,756 million.

As of December 31, 2015, Zhuhai Airlines operated under the "CZ" code with a fleet of 10 aircraft. In 2015, under the centralized allocation of flight routes of the Group, Zhuhai Airlines carried a total of about 1.67 million passengers, or approximately 1.5% of the total number of passengers carried by the Group in that year. Total traffic revenue of Zhuhai Airlines for the year ended December 31, 2015 was RMB1,428 million.

As of December 31, 2015, Guizhou Airlines operated under the "CZ" code with a fleet of 18 aircraft. In 2015, under the centralized allocation of flight routes of the Group, Guizhou Airlines carried a total of about 2.87 million passengers, or approximately 2.6% of the total number of passengers carried by the Group in that year. Total traffic revenue of Guizhou Airlines was approximately RMB2,340 million for the year ended December 31, 2015.

As of December 31, 2015, Henan Airlines operated under the "CZ" code with a fleet of 26 aircraft. In 2015, under the centralized allocation of flight routes of the Group, Henan Airlines carried a total of about 4.62 million passengers, or approximately 4.2% of the total number of passengers carried by the Group in that year. Total traffic revenue of Henan Airlines was approximately RMB3,722 million for the year ended December 31, 2015.

Insurance

The CAAC maintains fleet and legal liability insurance on behalf of the Group and all other Chinese airlines with PICC Property and Casualty Company Limited, or PICCP&C, and China Pacific Property Insurance Company Ltd., under the PICCP&C master policy. The Group maintains aviation hull all risks, spares and airline liability insurance, aircraft hull all risks and spare engines deductible insurance, aviation hull war and allied perils policy of the type and in the amount customary in the Chinese aviation industry.

Under the relevant PRC laws, civil liability of Chinese airlines for death or injuries suffered by passengers on domestic flights is limited to RMB400,000 (approximately US\$61,599) per passenger. As of July 31, 2006, the Convention for the Unification of Certain Rules for International Carriage by Air of 1999, or Montreal Convention, became effective in China. Under the Montreal Convention, carriers of international flights are strictly liable for proven damages up to 100,000 Special Drawing Rights and beyond that, carriers are only able to exclude liability if they can prove that the damage was not due to negligence or other wrongful act of the carrier (and its agents), or the damage arose solely from the negligence or other wrongful act of a third party. The Group believes that it maintains adequate insurance coverage for the civil liability that can be imposed in respect of death or injuries to passengers under Chinese law, the Montreal Convention and any agreement which the Group is subject to.

The CAAC allocates insurance premiums payable in respect of the PICCP&C master policy to each participating airline based on the value of the airline's insured aircraft or, in the case of leased aircraft, based on the amount required by the terms of the lease. Insurance claims made by any participating airline may cause the premiums paid by the Group under the PICCP&C master policy to increase. PICCP&C's practice has been to reinsure a substantial portion of its aircraft insurance business through reinsurance brokers on the London reinsurance market.

Intellectual Property

The Group's businesses and operations, other than the businesses and operations of Xiamen Airlines and Chongqing Airlines, are conducted under the names "China Southern" and "China Southern Airlines" in both English and Chinese. The Group uses as its logo a stylized rendition of a kapok plant. Xiamen Airlines conducts its businesses and operations under the name of "Xiamen Airlines" in English and Chinese and uses its own logo depicting a stylized rendition of an egret. Chongqing Airlines conducts its business and operations under the name of "Chongqing Airlines" in English and Chinese and uses its own logo depicting a cross of two rivers.

We own various trademarks and trade names related to our business. The names "China Southern" and "China Southern Airlines" contain Chinese words of common usage and are therefore not eligible for registration as trade names under current Chinese law. The kapok logo is a trademark registered in China and recorded with the International Air Transport Association ("IATA"), the rights to which are owned by CSAHC. The Company and CSAHC have entered into a trademark license agreement (the "Trademark License Agreement"), pursuant to which CSAHC has licensed to the Group the right to use the names "China Southern" and "China Southern Airlines" in both English and Chinese and granted the Company a ten-year renewable license from 1997 to use the kapok logo on a world-wide basis. CSAHC has retained the right to use the kapok logo in connection with its non-airline related businesses conducted as of the date of the Trademark License Agreement and to permit its affiliates that do not compete, directly or indirectly, with the Group to use the kapok logo. Unless CSAHC gives a written notice of termination three months before the expiration of the agreement, the agreement will be automatically renewed for another ten-year term. In May of 2007, the Trademark License Agreement has been automatically renewed by the two parties for another ten-year term ending 2017. Xiamen Airlines owns all rights to its egret logo, which is a trademark registered in China, and recorded with the IATA. Chongqing Airlines also owns all rights to its logo, which is a trademark registered in China, and recorded with the IATA.

Iran Sanctions Disclosure

Pursuant to Section 13(r) of the Securities Exchange Act of 1934, or the Exchange Act, if during 2015, the Company or any of its affiliates have engaged in certain transactions with Iran or with persons or entities designated under certain executive orders, the Company would be required to disclose information regarding such transactions in our Annual Report as required under Section 219 of the Iran Threat Reduction and Syria Human Rights Act of 2012, or ITRA. During 2015, the Company operated air services to and from Iran through the specifically designated route of "Beijing - Urumqi - Tehran - Urumqi - Beijing" (the "Iran Route") and engages in international traffic in passengers, cargo and mail.

In order to provide its aviation service in Iran, the Company has entered into certain grounding service agreement with Iran Air whereby Iran Air provides the Company with grounding service, maintenance and other support services in return for certain service fees to be paid by the Company in accordance with the agreement. The Company does not provide, nor has it ever provided any equipment, component, or technology to Iran. The service rendered by the Company to Iran is limited to the provision of international traffic in passengers, cargo and mail and those services provided by its local offices and agents to customers. The Company does not operate flights within Iran.

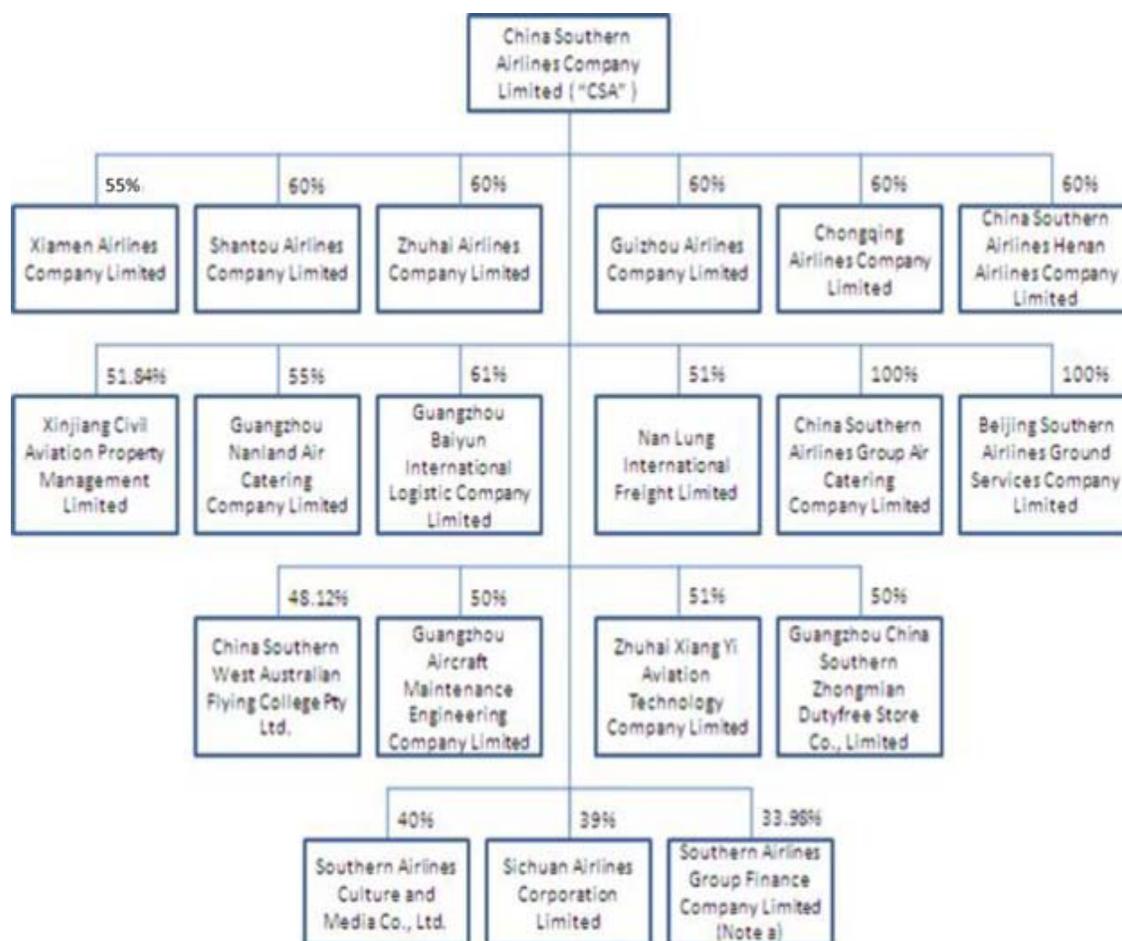
The Company's international route rights, as well as the corresponding landing rights, are derived from air services agreements negotiated between the Chinese government, through the Civil Aviation Administration of China, and the governments of the relevant foreign countries. With respect to the Iran Route, the Company's international route rights associated thereto are derived from and based on the bilateral air transport agreement (the "Bilateral Agreement") entered into by and between the Chinese government and the Iranian government. Both parties are contracting parties to the Convention on International Civil Aviation, opened for signature at Chicago on December 7, 1944, and entered into the Bilateral Agreement with an aim to establish and operate scheduled air services between and beyond the two countries' respective territories. The Bilateral Agreement, which has been registered with the International Civil Aviation Organization, sets forth general principles and specific rules governing the Company's aviation services in Iran.

The Company understands that Iran Air is Iran's national airline carrier and is designated by the U.S. Department of the Treasury pursuant to Executive Order No. 13382. However, Executive Order No. 13382 only "prohibits all transactions between the designees and any U.S. person." The Company is incorporated in the People's Republic of China and is a foreign issuer in the United States. As the Company is not a U.S. person, its transactions with Iran Air are not prohibited by Executive Order No. 13382. The Company further understands that it has an obligation to disclose its transactions with Iran Air as described above under Exchange Act Section 13(r)(1)(D)(iii). Iran Air is Iran's national airline carrier and is controlled or owned by the Government of Iran. The Company believes that Iran Air can be identified as the Government of Iran under Section 560.304 of title 31, Code of Federal Registration (relating to the definition of the Government of Iran). The Company has not obtained any specific authorization of a Federal department or agency of the United States concerning its transactions with Iran Air.

The Company does not anticipate any significant change in its service to Iran, either by way of increasing significantly the size of or altering the nature of its operations in the territory. For the year ended December 31, 2015, the asset of Iran office and revenue generated from the air services to Iran amounted to USD0.74 million and USD3.68 million, representing only 0.0025% and 0.0212% of the total asset and total revenue generated by the Group for the year ended December 31, 2015, respectively. Therefore, the Company believes that its operations in Iran for the year ended December 31, 2015 are inconsequential and quantitatively immaterial to its business, financial condition and results of operations.

C. Organizational Structure

The following chart illustrates the corporate structure of the Group as of December 31, 2015 and the aggregate effective equity interest of the Company in each of its principal subsidiaries, associates and jointly controlled entities.



Note a: Including 12.89% ownership interest held by CSA's subsidiaries.

The particulars of the Group's principal subsidiaries as of December 31, 2015 are as follows:

Name of Company	Place and Date of Establishment/Operation	Proportion of Ownership Interest Held by the Company
Shantou Airlines Company Limited	PRC July 20, 1993	60%
Zhuhai Airlines Company Limited	PRC May 8, 1995	60%
Xiamen Airlines Company Limited	PRC August 11, 1984	55%
Guizhou Airlines Company Limited	PRC November 12, 1991	60%
Chongqing Airlines Company Limited	PRC May 30, 2007	60%
Guangzhou Nanland Air Catering Company Limited	PRC November 21, 1989	55%
Guangzhou Baiyun International Logistic Company Limited	PRC July 23, 2002	61%
Xinjiang Civil Aviation Property Management Limited	PRC December 12, 2002	51.84%
China Southern Airlines Group Air Catering Company Limited	PRC December 25, 2003	100%
Nan Lung International Freight Limited	Hong Kong October 1, 1996	51%
Beijing Southern Airlines Ground Services Company Limited	PRC April 1, 2004	100%
China Southern Airlines Henan Airlines Company Limited	PRC September 28, 2013	60%

The particulars of the Group's principal associates and jointly controlled entities as of December 31, 2015 are as follows:

Name of Company	Place and Date of Establishment/Operation	Proportion of Ownership Interest Held by		
		Group Effective Interest	The Company	Subsidiaries
Guangzhou Aircraft Maintenance Engineering Company Limited	PRC October 28, 1989	50%	50%	—
Southern Airlines Group Finance Company Limited	PRC June 28, 1995	33.98%	21.09%	12.89%
Sichuan Airlines Corporation Limited	PRC August 28, 2002	39%	39%	—
Zhuhai Xiang Yi Aviation Technology Company Limited	PRC July 10, 2002	51%	51%	—
Southern Airlines Culture and Media Co., Ltd.	PRC May 13, 2004	40%	40%	—
China Southern West Australian Flying College Pty Ltd.	Australia October 1, 1993	48.12%	48.12%	—
Guangzhou China Southern Zhongmian Dutyfree Store Co., Limited	PRC March 1, 2001	50%	50%	—

D. Property, Plant and Equipment

For a discussion of the Group's aircraft, see Item 4 "Information on the Company — History and development of the Company — Aircraft Acquisitions."

The Company's headquarters in Guangzhou occupy an area of approximately 1,172,531 square meters of land and a total gross floor area of approximately 761,409 square meters. The Company leases from CSAHC the land in Guangzhou on which the Company's headquarters and other facilities are located. The Company also leases from CSAHC certain buildings mainly at the Haikou, Wuhan, Nanyang, Shenyang, Dalian, Jilin, Harbin, Xinjiang and other PRC cities.

The Company's principal properties are located at its headquarters site and at its route bases. The following table sets forth certain information with respect to the Company's properties at its headquarters in Guangzhou and certain route bases as of the date hereof.

	Land (in square meters)		Building (in square meters)	
	Owned	Leased	Owned	Leased
Guangzhou	1,172,531	88,929	761,409	47,540
Shenzhen	256,280	—	101,502	—
Zhuhai	179,415	30,000	61,973	3,047
Changsha	302,794	11,386	97,100	8,860
Zhengzhou	449,290	—	73,391	9,270
Haikou	332,961	12,497	65,231	1,288
Wuhan	16,784	47,882	33,527	37,491
Nanyang	—	—	12,156	60,035
Sanya	106,680	—	38,513	5,421
Shenyang	142,199	39,582	130,303	64,804
Dalian	—	158,240	36,188	32,862
Jilin	134,488	65,076	78,536	7,767
Harbin	11,896	278,973	40,599	43,722
Xinjiang	2,143	631,094	137,932	3,396
Guangxi	108,133	—	61,093	2,892
Beijing	85,453	—	49,314	19,790
Shanghai	42,292	—	35,512	7,253
Xi an	—	—	4,276	—
Chengdu	—	—	1,964	209
Sydney	—	—	1,151	2,449

The following table sets forth certain information with respect to the properties of the Airline Subsidiaries as of the date hereof.

	Land (in square meters)		Building (in square meters)	
	Owned	Leased	Owned	Leased
Xiamen Airlines	1,534,087	—	723,851	51,290
Shantou Airlines	260,639	53,000	73,499	2,407
Zhuhai Airlines	99,306	—	52,793	2,954
Guizhou Airlines	259,879	—	20,783	4,884
Chongqing Airlines	82,449	—	8,943	3,660

As systems for registration and transfer of land use rights and related real property interests in China have been implemented relatively recently, such systems do not yet comprehensively account for all land and related property interests. The land in Guangzhou on which the Company's headquarters and other facilities are located and the buildings that the Company uses at its route bases in Wuhan and Haikou are leased by the Company from CSAHC. However, CSAHC lacks adequate documentation evidencing CSAHC's rights to such land and buildings, and, as a consequence, the lease agreements between CSAHC and the Company for such land may not be registered with the relevant authorities. Lack of registration may affect the validity of such lease agreements. There are certain other parcels of land and buildings owned or used by the Group that lack adequate documentation. Lack of adequate documentation for land use rights and ownership of buildings may impair the ability of the Group to dispose of or mortgage such land use rights and buildings. As of April 18, 2016, the Group was in the process of applying for the land use right certificates and property title certificates in respect of the properties located in Guangzhou (including Guangzhou Baiyun International Airport), Xiamen, Heilongjiang, Jilin, Dalian, Nanning, Hunan, Beijing, Shanghai, Sanya, Zhuhai, Shenzhen, Shenyang, Xinjiang, Henan, Chengdu and Shantou in which the Group has interests and for which such certificates have not been granted. The directors of the Company are of the opinion that the use of and the conduct of operating activities at the properties referred to above are not affected by the fact that the Group has not yet obtained the relevant land use right certificates and property title certificates.

ITEM 4A. UNRESOLVED STAFF COMMENTS

Not applicable.

ITEM 5. OPERATING AND FINANCIAL REVIEW AND PROSPECTS

The following discussion and analysis should be read in conjunction with the Financial Statements of the Group contained elsewhere in this Annual Report. The Group maintains its books and accounts in accordance with the Accounting Standards for Business Enterprises-Basic Standard and 38 Specific Standards, application guidance, bulletins and other relevant accounting regulations (collectively "PRC GAAP") and prepares its financial statements in accordance with both PRC GAAP and IFRSs. The Financial Statements contained elsewhere in this Annual Report have been prepared in accordance with IFRSs.

The discussion and analysis of the Group's financial position and results of operations are based on the consolidated financial statements, which have been prepared in accordance with IFRSs.

Critical Accounting Policies

The preparation of the consolidated financial statements requires the Group to make estimates and judgments that affect the reported amount of assets and liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities at the date of the consolidated financial statements. Actual results may differ from these estimates under different assumptions or conditions.

Critical accounting policies are defined as those that are reflective of significant judgments and uncertainties, and potentially result in materially different results under different assumptions and conditions. Our principal accounting policies are set forth in Note 2 to the consolidated financial statements. The Group believes that the following critical accounting policies involve the most significant judgments and estimates used in the preparation of our financial statements.

Impairment of account receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the assets is reduced through the use of an allowance account, and the amount of the loss is recognized in the income statement. When a trade receivable is uncollectible, it is written off against the provision account for trade receivables. Subsequent recoveries of amounts previously written off are credited in the income statement.

Impairment for Long-lived Assets

If circumstances indicate that the carrying amount of a long-lived asset may not be recoverable, the asset may be considered “impaired”, and an impairment loss may be recognised in accordance with IAS36, Impairment of Assets. The carrying amounts of long-lived assets are reviewed periodically in order to assess whether the recoverable amounts have declined below the carrying amounts. These assets are tested for impairment whenever events or changes in circumstances indicate that their recorded carrying amounts may not be recoverable. When such a decline has occurred, the carrying amount is reduced to the recoverable amount. The recoverable amount is the greater of the fair value less costs to sell and value in use. In determining the value in use, expected cash flows generated by the asset are discounted to their present value, which requires significant judgement relating to the level of traffic revenue and the amount of operating costs. The Group uses all readily available information in determining an amount that is a reasonable approximation of recoverable amount, including estimates based on reasonable and supportable assumptions for projections of traffic revenue and amount of operating costs.

Depreciation

Property, plant and equipment are depreciated on a straight-line basis over the estimated useful lives, after taking into account the estimated residual value. The Group reviews the estimated useful lives of assets annually in order to determine the amount of depreciation expense to be recorded during any financial year. The useful lives are based on the Group’s historical experience with similar assets and take into account anticipated technological changes. The depreciation expense for future periods is adjusted if there are significant changes from previous estimates.

Provision for Major Overhauls

Provision for the cost of major overhauls to fulfil certain return condition for airframes and engines under operating leases is accrued and charged to the income statement over the estimated overhaul period. This requires estimation of the expected overhaul cycle and overhaul cost, which are based on the historical experience of actual cost incurred for overhauls of airframes and engines of the same or similar types. Different estimates could significantly affect the estimated provision and the results of operations.

Frequent Flyer Revenue

The amount of revenue attributable to the mileages earned by the members of the Group’s frequent flyer award programmes is estimated based on the fair value of the mileages awarded and the expected redemption rate. The fair value of the mileages awarded is estimated by reference to external sales. The expected redemption rate was estimated based on historical experience, anticipated redemption pattern and the frequent flyer programme design.

Provision for consumable spare parts and maintenance materials

Provision for consumable spare parts and maintenance materials is made based on the difference between the carrying amount and the net realisable value. The net realisable value is estimated based on current market condition, historical experience and Company’s future operation plan for the consumable spare parts and maintenance materials. The net realisable value may be adjusted significantly due to the change of market condition and the future plan for the consumable spare parts and maintenance materials.

Income tax

Significant judgment is required in determining the provision for income tax. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional tax will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the year in which such determination is made.

Retirement benefits

According to IAS 19, an entity shall account not only for its legal obligation under the formal terms of a defined benefit plan, but also for any constructive obligation that arises from the entity's informal practices where the entity has no realistic alternative but to pay the employee benefits. The Company believes the payments to those retirees who retired before the establishment of Pension scheme (as defined in Note 49 (a)) are discretionary and have not created a legal or constructive obligation. Such payments are made according to the Group's business performance, and can be suspended at any time (Note 14).

Recently Pronounced International Financial Reporting Standards

Information relating to the recently pronounced IFRSs is presented in Note 2 to the consolidated financial statements.

Overview

In 2015, with slowdown in world economic growth, and the ruggedness and hardship on the road of global recovery, China faced constant downward economic pressure. Meanwhile, in addition to the grim situation of global aviation safety, domestic and international civil aviation market confronted with continuous market competition with drastic fluctuations of the RMB exchange rate and continuously decreasing aviation fuel price. Facing the intricate external environment, the Group adhered to the line of steady development. On one hand, the Group withstood the pressure and made the best efforts to ensure the aviation safety. On the other hand, the Group seized the opportunity of decreasing fuel price and increasing outbound tourism, which significantly improved the profit level. In addition, the Group actively responded to the depreciation of RMB and other challenges so as to reduce exchange loss. Under the common efforts of the management and all employees, the Group's business achievement hit new high and comprehensive competitive force was constantly improved. The following achievements were made:

Safety and Efficiency

We continuously laid solid foundation for safety, strengthened safety trainings and further perfected the development of safety dynamic management and optimized information system, especially the capability to deal with special situations. During the reporting period, the Group realized 2,200,000 safe flight hours, accumulatively 15,720,000 safe flight hours and 10,166 hours of general aviation service, which maintained over 16 years of aviation safety and 21 years of aviation security. The Group continued to keep the best safety records among Chinese airlines. We exerted ourselves to improve operating efficiency and strengthened flights, capacity and crew resources management, by which we improved our capability to respond to complex situation. Throughout the whole year, we launched extensive delay warning for 216 times and optimized over 10,000 flights in total. We focused on improving comprehensive operating efficiency of intercontinental routes, continued shortening deviation of flight plan and saved over 5,000 hours of flying time. Taking advantage of Hub Control Center, we kept improving the transit process, by which the hub operation efficiency has been promoted effectively.

Fleet and Network

In order to actively respond to market demands, we further enlarged the fleet size and optimized fleet structure. During the reporting period, the Group introduced 58 aircraft including B777-300ER and B787 and retired 3 aircraft including B757. We entered into an agreement with Boeing Company, by which we proposed to purchase 110 aircraft of B737NG and B737MAX series from Boeing Company and sell 13 B757 aircraft and 3 B733 aircraft to Boeing Company. We entered into an agreement with Airbus S.A.S, by which we purchased 10 aircraft of A330-300 series from Airbus Company. By the end of the reporting period, the Group owned 667 aircraft, ranking top in Asia and fifth in the world in terms of fleet size.

We constantly deepen the strategic transformation by giving full play to existing advantages and continuing developing the network layout. During the reporting period, we focused on key market competitive strengths and leading position in the domestic market. At the same time, we firmly seized the strategic opportunity of “One Belt One Road” to perfect international layout. We focused on strengthening involvement in Europe and North America and appropriately opened new flights to Australia and New Zealand. During the reporting period, we launched flights to Nairobi, Christchurch and Rome besides opening more flights from Guangzhou to Sydney, Melbourne, Perth, Los Angeles, New York, etc. In addition, we strengthened the Urumqi hub and opened flights from Urumqi to Tehran, Islamabad, etc.

Market and Service

During the reporting period, the Group closely followed the hot spots of market and adhered to precision, internationalization and E-commercialization on passenger service marketing. Based on the market characteristics and competitive environments of different times and regions, we optimized the transport capacity input and price strategy in an efficient and precision way. We leveraged the outbound tourism boom and strengthened international marketing. Throughout the year, the passenger load factor of international flights exceeded 80%, and the revenue from the first class and business class of international flights increased by nearly 20% compared with the same period of the previous year, and the intercontinental flights realized annual profit-making for the first time. We continued optimizing the official website and mobile application of the Company and attached high importance to flow acquisition, which constantly improved conversion rate of electronic marketing. In the whole year, our official website had 90,930,000 views, the total number of social media followers reached as much as 8,050,000, and the APP had 2,170,000 new downloads, which was leading among domestic airlines. During the reporting period, the sales volume of mobile application and WeChat nearly doubled, and the ability of applying “Internet +” was improved efficiently.

During the reporting period, we constantly improved the operation level of freighter, optimized the capacity input and network layout of Shanghai and Guangzhou hubs. We explored the market potential of bellyhold, and the international transit cargo volume of Guangzhou increased by 11% compared with the same period of the previous year; the transport volume of “China Southern Airlines Express” increased by 27% compared with the same period of the previous year. We seized the opportunity of cross-border online retailers which developed rapidly with a sound trend. During the reporting period, based on consolidating the marine oil business of the Company, we actively developed onshore business, and the general aviation business was diversified gradually, realizing profit-making for 11 consecutive years.

During the reporting period, the Group improved services with full series of service products and whole-process service care and tried to bring passengers a relaxed and pleasant experience. We spared no effort to push service electronization, becoming the number one Chinese airlines in the number of electronic check-ins. We launched Nan Hang Xing and Guan Ai Qing series products and provided special passengers with warm services. We launched kid’s gift packs, kid’s meal and in-flight kid’s exclusive channel, creating surprises for child passengers. We pushed “Fast Pass” service, transit hotel booking on our official website and a through bill of international transit flight, and perfected onlineordering products. We also realized quarterly Premiree mechanism of blockbuster on board to make passengers more relaxed. We specially set up the customer care center, preliminarily realized wholeprocess customer care and the complaint ratio of passengers was substantially lower than the industry average.

Alliance and Cooperation

During the reporting period, we continued deepening the cooperation relationship with SKYTEAM partners, which enlarged the market coverage and overseas recognition of the Company in Europe and other regions. We established interaction mechanism with alliance partners in the pilot cities in China and Europe, the sales revenue of relevant flights increased remarkably. During the reporting period, we entered into a strategic cooperation framework agreement with Capital Airports Holding Company – an indication of the Group’s status as the leading operation airline of Beijing new airport. We continued acting as the leading partner and exclusive official airline sponsor of Sydney Festival and Melbourne Festival and the major partner of Melbourne Football Club which was the most time-honored sport club in Australia, so as to deepen into the mainstream market of Australia through sports and culture. Furthermore, we closely cooperated with key international regional tourism agencies and airports to push the all-round publicity of the international image brand of the Group.

Member and Employee

During the reporting period, Sky Pearl Club had another 4,200,000 new members, breaking through 25,000,000 in total number. The customer-oriented Group continued optimizing the exclusive products for members and launched high-end member exclusive interests, especially improving the experience of high value members. We actively tried the cooperation projects in the fields of automobile and real estate, so as to create more values for members. In addition, we initiated the member’s day activity on the 28th day of every month for the first time, constantly launched more exclusive preferential products and services for members and set off the member theme marketing of domestic airline companies. During the reporting period, we focused on key issues, optimized the compensation and welfare policies and motivated the vitality of employees. We perfected post development channel and realized longterm employee incentive; we officially launched the “Young Employee Cultivation Program” which comprehensively promoted the growth of young employees. We innovated the services for employees, and enhanced employees’ sense of belonging by providing value-added and creative services. During the reporting period, the Group was named “National Top 30 Employers of China” and “the Employer with the Most Woman Concerns of China” of the year.

Environment and Society

As a responsible corporate citizen, we have been adhering to the ideas of “Green Flight, Green Consumption and Green Innovation”, actively responding to and practising the national policies. The Company’s environmental protection policies cover various areas, including energy conservation and emission reduction, improvement of energy efficiency, optimization of waste disposal, transformation of the airframe for energy conservation, optimization of flight route, and paperless office. In addition, we have been sharing the idea of environmental protection with our clients to make them enjoy our quality services, and at the same time understand our efforts in environmental protection and become a part of it.

We highly value the opinions and suggestions from all stakeholders such as investors, governments, clients, employees, industrial associations, partners, communities, experts, media and peers. We hold the firm belief that only by establishing a stable, open and transparent mechanism for communication among the stakeholders can we achieve a win-win situation by promoting sustainable development of the Company and the construction of a harmonious society. During the reporting period, we have communicated with approximately 8,000 stakeholders on matters in relation to our social responsibilities by ways of questionnaires, group discussions and interviews, the the results of such communication will be used as important references to the review and promotion of our plans for sustainable development.

Because the Group finances its aircraft acquisitions mainly through capital leases or bank loans in U.S. dollars, and there are a substantial amount of transactions and obligations denominated in U.S. dollars in relation to its global purchases of jet fuel, lease and purchase of aviation equipment as well as major repairs, in addition to the landing fees of its international flights in the airports of other countries, the Group benefited from the Renminbi appreciation. Renminbi appreciation has brought exchange gain to the Group and reduced its operating costs which are denominated in foreign currencies. However, Renminbi appreciation also presents the Group with a challenge in price competition in international route operations.

The Group’s operating revenue is substantially dependent on the passenger and cargo traffic volume carried, which is subject to seasonal and other changes in traffic patterns, the availability of appropriate time slots for the Group’s flights and alternative routes, the degree of competition from other airlines and alternate means of transportation, as well as other factors that may influence passenger travel demand and cargo and mail volume. In particular, the Group’s airline revenue is generally higher in the second and third quarters than in the first and fourth quarters.

Like most airlines, the Group is subject to a high degree of financial and operating leverage. A significant percentage of the Group’s operating expenses are fixed costs that do not vary proportionally based on the Group’s yields or the load factors. These fixed costs include depreciation expense, jet fuel costs, landing and navigation fees, financing costs, operating lease payments, aircraft maintenance costs and labor for flight crew, cabin crew and ground personnel. Thus, a minor change in the Group’s yields or load factors would have a material effect on the Group’s results of operations. In addition, certain of these expenses, primarily financing costs and operating lease payments, labor costs and depreciation do not vary based on the number of flights flown. Thus, the Group’s operating results can also be substantially affected by minor changes in aircraft utilization rates. The Group is and will continue to be highly leveraged with substantial obligations denominated in foreign currencies and, accordingly, the results of its operations are significantly affected by fluctuations in foreign exchange rates, particularly for the U.S. dollar. Net exchange losses of RMB292 million was recorded in 2014 as Reminbi depreciated slightly against U.S. dollar in 2014. Our net exchange losses of RMB5,953 million was recorded in 2015 mainly due to Renminbi depreciated significantly against U.S. dollar in 2015.

A number of other external variables, including political and economic conditions in China, tend to have a major impact on the Group’s performance. The Group’s financial performance is also significantly affected by factors arising from operating in a regulated industry. As substantially all aspects of the Group’s airline operations are regulated by the PRC government, the Group’s operating revenues and expenses are directly affected by the PRC government’s policies with respect to domestic air fares, jet fuel prices and landing and navigation fees, among others. The nature and extent of airline competition and the ability of Chinese airlines to expand are also affected by CAAC’s control over route allocations. Any changes in the PRC government’s regulatory policies or any implementation of such policies could have a significant impact on the Group’s future operations and its ability to implement its operating strategy.

In 2015, we learned that certain former executives were and remain the subject of investigation by PRC authorities. See "Risk Factors - We have experienced incidents of employee personal misconduct in the past, and may be unable to prevent similar incidents in the future, which could adversely impact our reputation and our business". Upon learning of this information, we took a number of steps to determine the appropriate response, and learn whether the alleged personal misconduct of these former executives had impacted the Company’s financial condition or results of operations or internal control over financial reporting. These steps included efforts to seek clarification from the investigating authorities regarding the alleged personal misconduct of the former executives and performance of a detailed review of those areas which may be impacted. Additionally, our Audit Committee retained outside counsel, a major international law firm, and independent forensic accountants from an accounting firm unrelated to our external auditors, to gain an understanding of whether the alleged personal misconduct of the former executives had any impact on the Company’s financial condition, results of operations or internal control over financial reporting.

As of the date of this Annual Report, our management has completed its review and the Audit Committee has completed its investigation and analysis of the information provided by the external experts it retained and has reported to the Board of Directors regarding its findings. Based on our careful evaluation of the results of such work performed and the investigative findings, we do not believe that the alleged personal misconduct of the former executives had a material impact on our financial condition, results of operations or our internal control over financial reporting.

In response to learning of the alleged personal misconduct of the former executives, the Group has decided to enhance further its corporate governance and processes control environment in an effort to reduce, to the maximum extent possible, the chance that personal misconduct of this type of event might recur in future periods with other of our employees or management. We are currently working to determine the procedures and policies that we will implement to accomplish this goal. We expect that our enhanced measures to include additional training programs tailored to our employees' area of responsibilities. While we know that we can never completely eliminate the possibility that an employee or manager will engage in inappropriate or illegal personal misconduct, we believe our policies and procedures will minimize the chance of that happening.

Certain Financial Information and Operating Data by Geographic Region

The following table sets forth certain financial information and operating data by geographic region for the years ended December 31, 2015, 2014 and 2013:

Traffic	Year ended December 31,			2015 vs. 2014 % increase (decrease)	2014 vs. 2013 % increase (decrease)
	2015	2014	2013		
RPK (million)					
Domestic	138,769.05	127,681.88	116,105.71	8.68	9.97
Regional	3,526.99	3,214.52	2,574.27	9.72	24.87
International	47,291.67	35,732.78	29,736.57	32.35	20.16
Total	189,587.71	166,629.18	148,416.55	13.78	12.27
RTK (million)					
Domestic	13,916.26	12,916.60	11,765.27	7.74	9.79
Regional	331.50	300.65	241.05	10.26	24.73
International	8,140.24	6,562.71	5,462.27	24.04	20.15
Total	22,388.00	19,779.96	17,468.59	13.19	13.23
Passengers carried (thousand)					
Domestic	95,121.91	89,363.18	82,172.28	6.44	8.75
Regional	2,571.15	2,385.37	2,019.28	7.79	18.13
International	11,728.96	9,170.47	7,599.41	27.90	20.67
Total	109,422.02	100,919.02	91,790.97	8.43	9.94
Cargo and mail carried (thousand tons)					
Domestic	1,030.10	1,014.90	923.73	1.50	9.87
Regional	19.18	16.40	13.70	16.95	19.71
International	462.27	401.95	338.92	15.01	18.60
Total	1,511.55	1,433.25	1,276.35	5.46	12.29

Capacity	Year ended December 31,			2015 vs. 2014 %increase (decrease)	2014 vs. 2013 %increase (decrease)
	2015	2014	2013		
ASK (million)					
Domestic	172,104.99	160,482.40	144,732.62	7.24	10.88
Regional	4,762.25	4,379.07	3,594.29	8.75	21.83
International	58,749.02	44,945.99	38,472.93	30.71	16.82
Total	235,616.26	209,807.46	186,799.84	12.30	12.32
ATK (million)					
Domestic	20,055.09	18,640.00	16,486.17	7.59	13.06
Regional	562.65	497.79	407.59	13.03	22.13
International	11,586.92	9,315.94	8,058.23	24.38	15.61
Total	32,204.66	28,453.73	24,951.99	13.18	14.03
Load Factors					
Passenger load factor (RPK/ASK) (%)					
Domestic	80.6	79.6	80.2	1.26	(0.8)
Regional	74.1	73.4	71.6	0.95	2.5
International	80.5	79.5	77.3	1.26	2.9
Overall	80.5	79.4	79.4	1.39	(0.1)
Overall load factor (RTK/ATK) (%)					
Domestic	69.4	69.3	71.4	0.14	(2.9)
Regional	58.9	60.4	59.1	(2.48)	2.1
International	70.3	70.4	67.8	(0.14)	3.9
Overall	69.5	69.5	70.0	-	(0.7)
Yield					
Yield per RPK (RMB)					
Domestic	0.55	0.60	0.61	(8.33)	(1.6)
Regional	0.71	0.78	0.84	(8.97)	(7.1)
International	0.45	0.50	0.50	(10.00)	-
Overall	0.53	0.58	0.59	(8.62)	(1.7)
Yield per RTK (RMB)					
Domestic	5.65	6.10	6.24	(7.38)	(2.2)
Regional	7.89	8.64	9.33	(8.68)	(7.4)
International	3.18	3.50	3.49	(9.14)	0.3
Overall	4.78	5.27	5.42	(9.30)	(2.8)
Financial					
Passenger revenue (RMB million)					
Domestic	76,570	76,647	71,277	(0.10)	7.5
Regional	2,517	2,497	2,162	0.80	15.5
International	21,151	18,001	14,832	17.50	21.4
Total	100,238	97,145	88,271	3.18	10.1
Cargo and mail revenue (RMB million)	6,861	7,183	6,413	(4.48)	12.0

A. Operating Results

The historical results of operations discussed below may not be indicative of the Group's future operating performance. In addition to the factors discussed under "Overview" above, the Group's future operations will be affected by, among other things, changes in the aviation market, the cost of jet fuel, aircraft acquisition and leasing costs, aircraft maintenance expenses, take-off and landing charges, wages, salaries and benefits and other operating expenses, foreign exchange rates and the rates of income taxes paid.

2015 compared with 2014

The profit attributable to equity shareholders of the Company of RMB3,736 million was recorded in 2015 as compared to the profit attributable to equity shareholders of the Company of RMB1,777 million in 2014. The Group's operating revenue increased by RMB3,068 million or 2.83% from RMB108,584 million in 2014 to RMB111,652 million in 2015. Passenger load factor was 80.5% in 2015 compared to 79.4% in 2014. Passenger yield (in passenger revenue per RPK) decreased by 8.62% from RMB0.58 in 2014 to RMB0.53 in 2015. Average yield (in traffic revenue per RTK) decreased by 9.30% from RMB5.27 in 2014 to RMB4.78 in 2015. Operating expenses decreased by RMB4,534 million or 4.28% from RMB106,026 million in 2014 to RMB101,492 million in 2015. Operating profit of RMB13,438 million was recorded in 2015 as compared to operating profit of RMB4,748 million in 2014, increased by RMB8,690 million.

Operating Revenue

	2015		2014		Change in revenue %
	Operating revenue RMB million	Percentage %	Operating revenue RMB million	Percentage %	
Traffic revenues	107,099	95.9	104,328	96.1	2.7
Including: Passenger revenues	100,238		97,145		3.2
– Domestic	76,570		76,647		(0.1)
– Hong Kong, Macau and Taiwan	2,517		2,497		0.8
– International	21,151		18,001		17.5
Cargo and mail revenues	6,861		7,183		(4.5)
Other operating revenues	4,553	4.1	4,256	3.9	7.0
Mainly including: Commission income	1,545		1,335		15.7
Ground services income	345		293		17.7
Expired sales in advance of carriage	459		459		-
General aviation income	490		576		(14.9)
Hotel and tour operation income	621		508		22.2
Total operating revenues	111,652	100.0	108,584	100.0	2.8
Less: fuel surcharge income	(6,300)		(13,746)		(54.2)
Total operating revenue excluding fuel surcharge	105,352		94,838		11.1

Traffic revenue composition

	2015		2014		Change in traffic revenue %
	Traffic revenue RMB million	Percentage %	Traffic revenue RMB million	Percentage %	
Passenger Revenues	100,238	93.6	97,145	93.1	3.2
Cargo and Mail Revenues	6,861	6.4	7,183	6.9	(4.5)
Traffic revenues	107,099	100.0	104,328	100.0	2.7

Passenger revenue composition

	2015		2014		Change in passenger revenue %
	Passenger revenue RMB million	Percentage %	Passenger revenue RMB million	Percentage %	
Domestic	76,570	76.4	76,647	78.9	(0.1)
Hong Kong, Macao and Taiwan	2,517	2.5	2,497	2.6	0.8
International	21,151	21.1	18,001	18.5	17.5
Passenger revenue	100,238	100.0	97,145	100.0	3.2

Substantially all of the Group's operating revenue is attributable to airline and airline-related operations. Traffic revenue accounted for 95.9% and 96.1% of total operating revenue in 2015 and 2014 respectively. Passenger revenue and cargo and mail revenue accounted for 93.6% and 6.4% respectively of the total traffic revenue in 2015. During the reporting period, the Group's total traffic revenues was RMB107,099 million, representing an increase of RMB2,771 million or 2.7% from prior year, mainly due to the increase of RPK by 13.78% which leads to the increase of passenger revenues. The other operating revenue is mainly derived from commission income, expired sales in advance of carriage hotel and tour operation income, general aviation income and ground services income.

The increase in operating revenue was primarily due to a 3.2% increase in passenger revenue from RMB97,145 million in 2014 to RMB100,238 million in 2015. The total number of passengers carried increased by 8.43% to 109.42 million passengers in 2015. RPKs increased by 13.78% from 166,629 million in 2014 to 189,588 million in 2015, primarily as a result of the increase in number of passengers carried. Passenger yield per RPK decreased from RMB0.58 in 2014 to RMB0.53 in 2015, which is mainly due to a slightly fell of domestic passenger ticket prices.

Domestic passenger revenue, which accounted for 76.4% of the total passenger revenue in 2015, decreased by 0.1% from RMB76,647 million in 2014 to RMB76,570 million in 2015. Domestic passenger traffic in RPKs increased by 8.68%, while passenger capacity in ASKs increased by 7.24%, resulting in an increase in passenger load factor by 1 percentage points from 79.6% in 2014 to 80.6% in 2015. Domestic passenger yield per RPK decreased from RMB0.60 in 2014 to RMB0.55 in 2015.

Hong Kong, Macau and Taiwan passenger revenue, which accounted for 2.5% of total passenger revenue, increased by 0.8% from RMB2,497 million in 2014 to RMB2,517 million in 2015. For Hong Kong, Macau and Taiwan flights, passenger traffic in RPKs increased by 9.72%, while passenger capacity in ASKs increased by 8.75%, resulting in an increase in passenger load factor by 0.7 percentage points from 73.4% in 2014 to 74.1% in 2015. Passenger yield per RPK decreased from RMB0.78 in 2014 to RMB0.71 in 2015.

International passenger revenue, which accounted for 21.1% of total passenger revenue, increased by 17.5% from RMB18,001 million in 2014 to RMB21,151 million in 2015. For international flights, passenger traffic in RPKs increased by 32.25%, while passenger capacity in ASKs increased by 30.71%, resulting in a 1 percentage points increase in passenger load factor from 79.5% in 2014 to 80.5% in 2015. Passenger yield per RPK decreased from RMB0.50 in 2014 to RMB0.45 in 2015.

Cargo and mail revenue, which accounted for 6.41% of the Group's total traffic revenue and 6.14% of total operating revenue, decreased by 4.5% from RMB7,183 million in 2014 to RMB6,861 million in 2015. The decrease was attributable to the depression of freight market and drop of freight rates.

Other operating revenue increased by 7.0% from RMB4,256 million in 2014 to RMB4,553 million in 2015. The increase was primarily due to the rise of commission income, hotel and tour operation income.

Operating Expenses

Total operating expenses in 2015 amounted to RMB101,492 million, representing a decrease of RMB4,534 million or 4.28% over 2014, primarily due to the decrease of jet fuel cost. Total operating expenses as a percentage of total operating revenue was 90.9% in 2015 and 97.6% in 2014.

	2015		2014		Change in operating expenses %
	Operating expense RMB million	Percentage %	Operating expense RMB million	Percentage %	
Flight operations	50,412	49.7	58,901	55.6	(14.4)
Mainly including:					
Jet fuel costs	26,274		37,728		(30.4)
Aircraft operating lease charges	6,153		5,383		14.3
Flight personnel payroll and welfare	8,070		6,803		18.6
Maintenance	10,407	10.3	8,304	7.8	25.3
Aircraft and transportation service expenses	17,908	17.6	16,402	15.5	9.2
Promotion and selling expenses	6,976	6.9	7,841	7.4	(11.0)
General and administrative expenses	2,464	2.4	2,337	2.2	5.4
Depreciation and amortization	11,845	11.7	10,828	10.2	9.4
Impairment on property, plant and equipment	90	0.1	215	0.2	(58.1)
Others	1,390	1.4	1,198	1.1	16.0
Total operating expenses	101,492	100.0	106,026	100.0	4.3

Flight operations expenses, which accounted for 49.7% of total operating expenses, decreased by 14.4% from RMB58,901 million in 2014 to RMB50,412 million in 2015, primarily as a result of decrease in jet fuel costs because of decrease in average fuel prices. Jet fuel costs, which accounted for 52.12% of flight operations expenses in 2015, decreased by 30.4% from RMB37,728 million in 2014 to RMB26,274 million in 2015.

Maintenance expenses, which accounted for 10.2% of total operating expenses, increased by 25.3% from RMB8,304 million in 2014 to RMB10,407 million in 2015. The increase was mainly due to fleet expansion.

Aircraft and transportation service expenses, which accounted for 17.6% of total operating expenses, increase by 9.2% from RMB16,402 million in 2014 to RMB17,908 million in 2015. The increase was primarily due to a 9.7% rise in landing and navigation fees from RMB10,496 million in 2014 to RMB11,510 million in 2015, resulted from the increase in number of flights due to the increase of capacity.

Promotion and selling expenses, which accounted for 6.9% of total operating expenses, decreased by 11.0% from RMB7,841 million in 2014 to RMB6,976 million in 2015.

General and administrative expenses, which accounted for 2.4% of the total operating expenses, increased by 5.4% from RMB2,337 million in 2014 to RMB2,464 million in 2015.

Depreciation and amortization, which accounted for 11.7% of total operating expenses, increased by 9.4% from RMB10,828 million in 2014 to RMB11,845 million in 2015, mainly due to the increase of fixed assets.

Operating Profit

Operating profit of RMB13,438 million and RMB4,748 was recorded in 2015 and 2014 respectively. The increase in profit was mainly due to the net effect of increase in operating revenue by RMB3,068 million or 2.8% in 2015 and decrease in operating expenses by RMB4,534 million or 4.3%.

Other Income or Expenses

Other net income increased by RMB1,088 million from RMB2,190 million in 2014 to RMB3,278 million in 2015, mainly due to the increase of government grants and gain on disposal of aircrafts.

Interest expense decreased by RMB5 million from RMB2,193 million in 2014 to RMB2,188 million in 2015 was mainly due to the increase in number of aircraft held through a finance lease and the increase of interest payment of borrowings.

Net exchange losses of RMB5,953 million was recorded in 2015 as RMB depreciated against US dollar in 2015. Net exchange losses of RMB292 million was recorded in 2014 as RMB depreciated slightly against US dollar in 2014.

Income Tax

Income tax expense of RMB1,300 million was recorded in 2015, increased by RMB632 million from RMB668 million in 2014, mainly due to the decrease of profit before income tax.

2014 Compared With 2013

The profit attributable to equity shareholders of the Company of RMB1,777 million was recorded in 2014 as compared to the profit attributable to equity shareholders of the Company of RMB1,986 million in 2013. The Group's operating revenue increased by RMB10,037 million or 10.2% from RMB98,547 million in 2013 to RMB108,584 million in 2014. Passenger load factor was 79.4% in 2014 which was stable compared to 79.4% in 2013. Passenger yield (in passenger revenue per RPK) decreased by 1.7% from RMB0.59 in 2013 to RMB0.58 in 2014. Average yield (in traffic revenue per RTK) decreased by 2.8% from RMB5.42 in 2013 to RMB5.27 in 2014. Operating expenses increased by RMB7,746 million or 7.9% from RMB98,280 million in 2013 to RMB 106,026 million in 2014. Operating profit of RMB4,748 million was recorded in 2014 as compared to operating profit of RMB1,510 million in 2013, increased by RMB3,238 million.

Operating Revenue

	2014		2013		Change in revenue %
	Operating revenue RMB million	Percentage %	Operating revenue RMB million	Percentage %	
Traffic revenues	104,328	96.1	94,684	96.1	10.2
Including: Passenger revenues	97,145		88,271		10.1
– Domestic	76,647		71,277		7.5
– Hong Kong, Macau and Taiwan	2,497		2,162		15.5
– International	18,001		14,832		21.4
Cargo and mail revenues	7,183		6,413		12.0
Other operating revenues	4,256	3.9	3,863	3.9	10.2
Mainly including: Commission income	1,335		1,040		28.4
Ground services income	293		349		(16.1)
Expired sales in advance of carriage	459		684		(32.9)
General aviation income	576		484		19.0
Hotel and tour operation income	508		565		(10.1)
Total operating revenues	108,584	100.0	98,547	100.0	10.2
Less: fuel surcharge income	(13,746)		(13,062)		
Total operating revenue excluding fuel surcharge	94,838		85,485		

Traffic revenue composition

	2014		2013		Change in traffic revenue %
	Traffic revenue RMB million	Percentage %	Traffic revenue RMB million	Percentage %	
Passenger Revenues	97,145	93.1	88,271	93.2	10.1
Cargo and Mail Revenues	7,183	6.9	6,413	6.8	12.0
Traffic revenues	104,328	100.0	94,684	100.0	10.2

Passenger revenue composition

	2014		2013		Change in passenger revenue %
	Passenger revenue RMB million	Percentage %	Passenger revenue RMB million	Percentage %	
Domestic	76,647	78.9	71,277	80.8	7.5
Hong Kong, Macao and Taiwan	2,497	2.6	2,162	2.4	15.5
International	18,001	18.5	14,832	16.8	21.4
Passenger revenue	97,145	100.0	88,271	100.0	10.1

Substantially all of the Group's operating revenue is attributable to airline and airline-related operations. Traffic revenue accounted for 96.1% and 96.1% of total operating revenue in 2014 and 2013 respectively. Passenger revenue and cargo and mail revenue accounted for 93.1% and 6.9% respectively of the total traffic revenue in 2014. During the reporting period, the Group's total traffic revenues was RMB104,328 million, representing an increase of RMB 9,644 million or 10.2% from prior year, mainly due to the increase of RPK by 12.27% which leads to the increase of passenger revenues. The other operating revenue is mainly derived from commission income, expired sales in advance of carriage hotel and tour operation income, general aviation income and ground services income.

The increase in operating revenue was primarily due to a 10.1% increase in passenger revenue from RMB88,271 million in 2013 to RMB97,145million in 2014. The total number of passengers carried increased by 9.9% to 101 million passengers in 2014. RPKs increased by 12.3% from 148,417 million in 2013 to 166,629 million in 2014, primarily as a result of the increase in number of passengers carried. Passenger yield per RPK decreased from RMB0.59 in 2013 to RMB 0.58 in 2014, which is mainly due to a slightly fell of domestic passenger ticket prices.

Domestic passenger revenue, which accounted for 78.9% of the total passenger revenue in 2014, increased by 7.5% from RMB 71,277 million in 2013 to RMB 76,647 million in 2014. Domestic passenger traffic in RPKs increased by 10.0%, while passenger capacity in ASKs increased by 10.9%, resulting in a decrease in passenger load factor by 0.6 percentage points from 80.2% in 2013 to 79.6% in 2014. Domestic passenger yield per RPK decreased from RMB0.61 in 2013 to RMB0.60 in 2014.

Hong Kong, Macau and Taiwan passenger revenue, which accounted for 2.6% of total passenger revenue, increased by 15.5% from RMB2,162 million in 2013 to RMB 2,497 million in 2014. For Hong Kong, Macau and Taiwan flights, passenger traffic in RPKs increased by 24.9%, while passenger capacity in ASKs increased by 21.8 %, resulting in an increase in passenger load factor by 1.8 percentage points from 71.6% in 2013 to 73.4% in 2014. Passenger yield per RPK decreased from RMB0.84 in 2013 to RMB0.78 in 2014.

International passenger revenue, which accounted for 18.5% of total passenger revenue, increased by 21.4% from RMB14,832 million in 2013 to RMB18,001 million in 2014. For international flights, passenger traffic in RPKs increased by 20.2 %, while passenger capacity in ASKs increased by 16.8%, resulting in a 2.2 percentage points increase in passenger load factor from 77.3% in 2013 to 79.5% in 2014. Passenger yield per RPK remained at RMB0.50 in 2013 and 2014.

Cargo and mail revenue, which accounted for 6.9% of the Group's total traffic revenue and 6.6% of total operating revenue, increased by 12.0% from RMB6,413 million in 2013 to RMB7,183 million in 2014. The increase was attributable to the increase of cargo and mail in RTKs by 16.8% as the demand in the cargo market was warming up.

Other operating revenue increased by 10.2% from RMB3,863 million in 2013 to RMB4,256 million in 2014. The increase was primarily due to the general growth in income from commission and general aviation.

Operating Expenses

Total operating expenses in 2014 amounted to RMB106,026 million, representing an increase of RMB7,746 million or 7.9% over 2013, primarily due to the total effect of increases in jet fuel cost, payroll, landing and navigation fees, and depreciation and amortisation. Total operating expenses as a percentage of total operating revenue was 97.6 % in 2014 and 99.7% in 2013.

	2014		2013		Change in operating expenses %
	Operating expense RMB million	Percentage %	Operating expense RMB million	Percentage %	
Flight operations	58,901	55.6	54,010	55.0	9.1
Mainly including:					
Jet fuel costs	37,728		35,538		6.2
Aircraft operating lease charges	5,383		4,767		12.9
Flight personnel payroll and welfare	6,803		5,799		17.3
Maintenance	8,304	7.8	7,805	7.9	6.4
Aircraft and transportation service expenses	16,402	15.5	15,091	15.4	8.7
Promotion and selling expenses	7,841	7.4	7,754	7.9	1.1
General and administrative expenses	2,337	2.2	2,470	2.5	(5.4)
Depreciation and amortization	10,828	10.2	9,347	9.5	15.8
Impairment on property, plant and equipment	215	0.2	536	0.5	(59.9)
Others	1,198	1.1	1,267	1.3	(5.4)
Total operating expenses	106,026	100.0	98,280	100.0	7.9

Flight operations expenses, which accounted for 55.6% of total operating expenses, increased by 9.1% from RMB54,010 million in 2013 to RMB58,901 million in 2014, primarily as a result of increase in RTK due to the increase of capacity. Jet fuel costs, which accounted for 64.1% of flight operations expenses in 2014, increased by 6.2% from RMB35,538 million in 2013 to RMB37,728 million in 2014.

Maintenance expenses, which accounted for 7.8% of total operating expenses, increased by 6.4% from RMB7,805 million in 2013 to RMB8,304 million in 2014. The increase was mainly due to the expansion of the fleet by increasing 53 aircraft.

Aircraft and transportation service expenses, which accounted for 15.5% of total operating expenses, increase by 8.7% from RMB15,091 million in 2013 to RMB16,402 million in 2014. The increase was primarily due to a 10.4% rise in landing and navigation fees from RMB9,510 million in 2013 to RMB10,496 million in 2014, resulted from the increase in number of flights due to the increase of capacity.

Promotion and selling expenses, which accounted for 7.4% of total operating expenses, increased by 1.1% from RMB7,754 million in 2013 to RMB7,841 million in 2014.

General and administrative expenses, which accounted for 2.2% of the total operating expenses, decreased by 5.4% from RMB2,470 million in 2013 to RMB2,337 million in 2014.

Depreciation and amortization, which accounted for 10.2% of total operating expenses, increased by 15.8% from RMB9,347 million in 2013 to RMB10,828 million in 2014, mainly due to the increase of 53 aircraft and flight equipment.

Operating Profit

Operating profit of RMB4,748 million and RMB1,510 was recorded in 2014 and 2013 respectively. The increase in profit was mainly due to the net effect of increase in operating revenue by RMB10,037 million or 10.2% in 2014 and increase in operating expenses by RMB7,746 million or 7.9%.

Other Income or Expenses

Other net income increased by RMB947 million from RMB1,243 million in 2013 to RMB2,190 million in 2014, mainly due to the increase of government grants and gain on disposal of aircrafts.

Interest expense increased by RMB542 million from RMB1,651 million in 2013 to RMB2,193 million in 2014 was mainly due to the increase in number of aircraft held through a finance lease and the increase of interest payment of borrowings.

Net exchange losses of RMB292 million was recorded in 2014 as RMB depreciated slightly against US dollar in 2014. Net exchange gains of RMB2,903 million was recorded in 2013 mainly due to RMB appreciated significantly against US dollar in 2013.

Income Tax

Income tax expense of RMB668 million was recorded in 2014, decreased by RMB66 million from RMB734 million in 2013, mainly due to the decrease of profit before income tax.

B. Liquidity and Capital Resources

Generally, the Group meets its working capital and capital expenditure requirements through cash from its operations, the proceeds of certain long-term and short-term bank loans, capital lease financing and rebates available under certain of the Group's aircraft leases.

As of December 31, 2015, the Group had banking facilities with several PRC commercial banks for providing loan finance up to an approximate amount of RMB173.7 billion to the Group. As of December 31, 2015, an approximate amount of RMB131.0 billion was unutilized. As of December 31, 2015 and 2014, the Group's cash and cash equivalents totaled RMB4,560 million and RMB15,414 million, respectively.

Net cash inflows from operating activities in 2015, 2014 and 2013 were RMB23,734 million, RMB13,570 million and RMB9,703 million, respectively. Operating cash inflows of the Group are primarily derived from the provision of air transportation and related service for customers. The increase of operating cash inflows of the Group was mainly due to the increase of passenger revenue. The vast majority of tickets are purchased prior to the day on which transportation is provided. Operating cash outflows primarily are related to the recurring operating expenses, including flight operation, maintenance, aircraft and transportation service, etc.

Net cash used in investing activities in 2015, 2014 and 2013 was RMB6,931 million, RMB9,760 million and RMB12,205 million, respectively. Cash capital expenditures in 2015, 2014 and 2013 were RMB12,139 million, RMB8,649 million and RMB12,308 million, respectively, reflecting predominantly additional investments in aircraft and flight equipment under the Group's fleet expansion plans and Guangzhou new airport, and, to a small extent, additional investments in other facilities and buildings used in operations.

Financing activities resulted in net cash (outflows)/inflows of RMB(27,695) million, RMB(131) million and RMB4,168 million in 2015, 2014 and 2013, respectively. Net cash (outflows)/inflow from new bank and other loans and repayments of bank and other loans amounted to RMB(28,042) million, RMB1,362 million and RMB7,081 million in 2015, 2014 and 2013, respectively. The additions of bank loan were used for capital expenditures and general working capital. Repayment of capital leases in 2015, 2014 and 2013 was RMB8,209 million, RMB4,072 million and RMB2,895 million, respectively, resulting from the increase of aircraft acquisitions under capital leases.

As of December 31, 2015, the Group's aggregate long-term bank and other loans and obligations under capital leases (including loans and capital leases obligations due within one year) totaled RMB74,227 million. In 2016, 2017, 2018, 2019 and thereafter, amounts payable under such loans and obligations will be RMB8,935 million, RMB14,143 million, RMB11,073 million, RMB7,245 million and RMB32,831 million respectively. Such borrowings were denominated in U.S. dollars, Singapore dollars and Japanese Yen with a significant portion being floating interest rate borrowings. In the normal course of business, the Group is exposed to fluctuations in foreign currencies. The Group's exposure to foreign currencies primarily results from its foreign currency liabilities. Depreciation or appreciation of the Renminbi against foreign currencies affects the Group's results significantly because the Group's foreign currency liabilities generally exceed its foreign currency assets. The Group is not able to hedge its foreign currency exposure effectively other than by retaining its foreign currency denominated earnings and receipts to the extent permitted by the SAFE, or subject to certain restrictive conditions, entering into forward foreign exchange contracts with authorized banks.

As of December 31, 2015, the Group's short-term bank loans were RMB27,483 million. The Group's weighted average interest rate on short-term bank loans was 3.66% per annum as of December 31, 2015. The primary use of the proceeds of the Group's short-term bank loans is to finance working capital and capital expenditure needs. The Group has generally been able to arrange short-term bank loans with domestic banks in China as necessary and believes it can continue to obtain them based on its well-established relationships with various lenders.

As of December 31, 2015, the Group had obligations under operating leases totaling RMB36,109 million, predominately for aircraft. Of such amount, RMB6,560 million, RMB5,654 million, RMB4,965 million, RMB4,391 million, RMB3,572 million and RMB10,967 million, respectively, is due in 2016, 2017, 2018, 2019, 2020 and thereafter.

As of December 31, 2015, the Group had a working capital deficit of RMB51,422 million, as compared to a working capital deficit of RMB26,545 million as of December 31, 2014. Historically, the Group operated in a negative working capital position, relying on cash inflow from operating activities and renewal of short-term bank loans to meet its short-term liquidity and working capital needs. In 2016 and thereafter, the liquidity of the Group is primarily dependent on its ability to maintain adequate cash inflows from operations to meet its debt obligations as they fall due, and its ability to obtain adequate external financing to meet its committed future capital expenditure. As of December 31, 2015, the Group had banking facilities with several PRC commercial banks for providing loan finance up to approximately RMB173,739 million (2014: RMB187,133 million), of which approximately RMB131,021 million (2014: RMB126,703 million) was unutilized.

The directors of the Company have carried out a detailed review of the cash flow forecast of the Group for the twelve months ending December 31, 2016. Based on such forecast, the directors have determined that adequate liquidity exists to finance the working capital, capital expenditure requirements and dividend payments of the Group during that period. In preparing the cash flow forecast, the directors have considered historical cash requirements of the Group as well as other key factors, including the availability of the above-mentioned bank financing which may impact the operations of the Group during the next twelve-month period. The directors of the Company are of the opinion that the assumptions and sensitivities which are included in the cash flow forecast are reasonable. However, as with all assumptions in regard to future events, these are subject to inherent limitations and uncertainties and some or all of these assumptions may not be realized.

As the Group is subject to a high degree of operating leverage, a minor decrease in the Group's yield and/or load factor could result in a significant decrease in its operating revenue and hence its operating cash flows. This could arise in such circumstances as where competition between Chinese airlines increases or where PRC aviation demand decreases. Similarly, a minor increase in the jet fuel prices, particularly in the domestic market, could result in a significant increase in the Group's operating expenses and hence a significant decrease in its operating cash flows. This could be caused by fluctuations in supply and demand in international oil market. Currently, the Group's existing loans and lease facilities do not contain any financial covenants. Nevertheless, as the Group is subject to a high degree of financial leverage, an adverse change in the Group's operating cash flows could adversely affect its financial health and hence weaken its ability to obtain additional loans and lease facilities and to renew its short-term bank loans facilities as they fall due.

As of December 31, 2015, the Group had capital commitments as follows:

	2016	2017	2018	2019	2020 and afterwards	Total
	(RMB million)					
Acquisition of aircraft and related equipment	19,074	22,359	18,898	14,309	8,787	83,427
Others	4,204	628	1,485	299	117	6,733
Total capital commitments	23,278	22,987	20,383	14,608	8,904	90,160

Others mainly represent airport and office facilities and equipment, overhaul and maintenance bases and training facilities.

As of December 31, 2015, the cash and cash equivalents of the Group totaled RMB4,560 million. Of such balance, 17.6% was denominated in U.S. Dollars, Hong Kong Dollars, Australian Dollars, Japanese Yen and other foreign currencies.

In view of the unutilized bank facilities of RMB131,021 million, the Group expects that it will have sufficient funding sources to meet its cash requirements in the foreseeable future.

C. Research and Development, Patents and Licenses, etc.

None.

D. Trend Information

Other than as disclosed in the foregoing disclosures and elsewhere in this Annual Report, we are not aware of any trends, uncertainties, demands, commitments or events for the period from January 1, 2016 to December 31, 2016 that are reasonably likely to have a material adverse effect on our net revenues, income, profitability, liquidity or capital resources, or that would cause our disclosed financial information to be not necessarily indicative of future operating results or financial conditions.

E. Off-Balance Sheet Arrangements

We have not entered into any off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition that is material to investors. In particular, we (i) have not entered into any financial guarantees or other commitments to guarantee the payment obligations of any unconsolidated entity; (ii) have not entered into any derivative contracts that are both indexed to our own stock and classified in stockholders' equity, or not reflected in our statement of financial position; and (iii) do not have any retained or contingent interest in assets transferred to an unconsolidated entity that serves as credit, liquidity or market risk support to such entity.

F. Tabular Disclosure of Contractual Obligations

The following table sets forth the Group's obligations and commitments to make future payments under contracts and under commitments (excluding share of commitments of a joint venture) as of December 31, 2015.

	As of December 31, 2015 Payment due by period					As of December 31, 2014
	Total	Less than 1 year	1-3 years	3-5 years	After 5 years	Total
Short-term bank loans and ultra-short-term bills(Note 1)	27,783	27,783	-	-	-	10,343
Long-term bank and other loans (Note 1)	19,560	3,006	12,642	3,168	744	55,846
Obligations under capital leases	62,723	7,864	15,417	12,711	26,731	56,577
Operating lease commitments	36,109	6,560	10,619	7,963	10,967	28,798
Aircraft purchase commitments (Note 2)	83,427	19,074	41,257	14,309	8,787	59,467
Other capital commitments	6,733	4,204	2,113	299	117	5,122
Investment commitments	34	34	-	-	-	70
Total	236,369	68,525	82,048	38,450	47,346	216,223

Note 1 Interest on variable rate loans was estimated based on the current rate in effect at December 31, 2015.

Note 2 Amounts shown are net of previously paid purchase deposits.

ITEM 6. DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

A. Directors, Senior Management and Employees

The following table sets forth certain information concerning directors, senior management and supervisors of the Company. There were certain changes in the Company's directors, senior management and supervisors as of April 18, 2016, details of which are set forth below.

Name	Position	Gender	Age
Tan Wan Geng	Executive Director, Vice Chairman of the Board and President	Male	51
Yuan Xin An	Non-executive Director	Male	59
Yang Li Hua	Non-executive Director	Female	60
Zhang Zi Fang	Executive Director and Executive Vice President	Male	57
Li Shao Bin	Executive Director	Male	51
Ning Xiang Dong	Independent Non-executive Director	Male	50
Liu Chang Le	Independent Non-executive Director	Male	64
Tan Jin Song	Independent Non-executive Director	Male	51
Guo Wei	Independent Non-executive Director	Male	53
Jiao Shu Ge	Independent Non-executive Director	Male	50
Pan Fu	Chairman of the Supervisory Committee	Male	53
Li Jia Shi	Supervisor	Male	54
Zhang Wei	Supervisor	Female	49
Yang Yi Hua	Supervisor	Female	55
Wu De Ming	Supervisor	Male	57
Ren Ji Dong	Executive Vice President	Male	51
Wang Zhi Xue	Executive Vice President	Male	54
Li Tong Bin	Executive Vice President and Chief Engineer	Male	54
Su Liang	Chief Economist	Male	53
Chen Wei Hua	Chief Legal Adviser	Male	49
Guo Zhi Qiang	COO Marketing & Sales	Male	52
Xie Bing	Company Secretary	Male	42
Feng Hua Nan	COO Flight Safety	Male	53
Xiao Li Xin	Chief Accountant and Chief Financial Officer	Male	49

Note 1. According to the information disclosed on the website of CPC Central Commission for Discipline Inspection (中共中央紀律檢查委員會) and Ministry of Supervision of the People's Republic of China (中華人民共和國監察部), Si Xian Min, former Chairman of the Board, is currently under investigation by the relevant authorities for suspected severe disciplinary violations. Please refer to "Item 3. Key Information – D. Risk Factors – Risks Relating to our Business" for further details. On November 5, 2015, the Board passed resolutions to authorize the Vice Chairman of the Board to assume the role and duties of the Chairman, to perform his duties in accordance with the provisions of the Company Law, the Articles of Association of the Company and other relevant management rules of the Company. The Board authorized the Vice Chairman and the President of the Company to further sub-delegate his powers to perform the duties in accordance with the actual business needs of the Company.

Note 2. On October 16, 2015, the Board approved the removal of Mr. Liu Qian from his post as the Executive Vice President of the Company as he had been placed due to the suspicion of accepting bribes.

Note 3. On January 15, 2016, the Board received resignation from Mr. Si Xian Min as the Chairman of the Board.

Board of Directors

Mr. Tan Wan Geng, male, born in August 1964, 51, graduated from Zhongshan University, majoring in regional geography, with qualification of Master postgraduate degree. He is an economist and a member of Communist Party of China (CPC). Mr. Tan began his career in August 1990 and served as the head of the Infrastructure Department and Director of Human Resources and Administration Department of the Beijing Aircraft Maintenance and Engineering Corporation from 1992 to 1996. He served as the Deputy Director General of Human Resources Division of the Civil Aviation Administration of China (CAAC) from May 1996 to September 1998. Subsequently, Mr. Tan served as the Deputy Director General of Personnel and Education Division of the CAAC from September 1998 to December 2000. He had been the Director General and Party Secretary of the CAAC Northeastern Region from December 2000 to January 2006, and became the Party Secretary and Executive Vice President of the Company from January 2006 to February 2007. He has been the Director of the Company since June 2006. He had been the Party Member of CSAHC and the Party Secretary and Executive Vice President and Director of the Company from February 2007 to January 2009. He had been the Party Member of CSAHC and the President, the Party Secretary and the Director of the Company from January 2009 to February 2009. He had been the Party Member of CSAHC and the President, the Deputy Party Secretary and the Director of the Company from February 2009 to May 2011. He was the Party Member of CSAHC and the President, the Deputy Party Secretary and the Director of the Company from May 2011 to January 2013. Since January 2013, Mr. Tan has been the Party Member of CSAHC and the President, the Deputy Party Secretary and the Vice Chairman of the Board of the Company. (Mr. Tan has been a member of the 11th CPC Guangdong Provincial Committee since January 2016.)

Mr. Yuan Xin An, male, born in February 1957, 59, received university education in Aeronautical Machinery from Air Force Engineer University in Xi'an and is a senior engineer. Mr. Yuan is a CPC member and began his career in December 1976. He served as the Chief Inspection of Quality Supervision Division of Maintenance Factory of Guangzhou Bureau of the Civil Aviation Administration, the Manager of Inspection and Vice Director of Guangzhou Aircraft Maintenance Engineering Co., Ltd. from 1987 to 1997. He was the Vice President of Engineering Department of the Company from April 1997 to October 1998. Mr. Yuan then served as the Vice President of the Guangzhou Aircraft Maintenance Engineering Co., Ltd. from October 1998 to November 2000. He became the Chief Engineer and the General Manager of Engineering Department of the Company from November 2000 to April 2002. He was then the Standing Member of Party Committee and the Executive Vice President of the Company from April 2002 to February 2007. He served as the Assistant of President of CSAHC and was also the Standing member of Party Committee and the Executive Vice President of the Company from February 2007 to December 2007. He has been the Party Member and the Executive Vice President of CSAHC since September 2007, and has held a concurrent post of Chief Legal Adviser of CSAHC since July 2008. Since November 2011, Mr. Yuan has been the Director of the Company. For now, he is also appointed as the Chairman of MTU Maintenance Zhuhai Co., Ltd., Guangzhou Southern Airlines Construction Company Limited and Shenzhen Air Catering Co., Ltd., Non-executive Director of TravelSky Technology Limited and Director of China Aircraft Services Limited.

Ms. Yang Li Hua, female, born in November 1955, 60, graduated with a Master degree from the Party School of the Central Committee of CPC majoring in economics. Ms. Yang is a CPC member who began her career in February 1973. She served as the Deputy Head of In-flight Service Team of the Chief Flight Corps Team of the Beijing Bureau of Civil Aviation Administration and the Head of the In-flight Service Team, Manager of In-flight Service Division of Air China International Corporation from 1984 to 1995. She served as the Deputy Head of the Chief Flight Team of Air China International Corporation from July 1995 to September 2000. Subsequently, she was appointed as the General Manager of the Passenger Cabin Service Division and Party Secretary of Air China International Corporation from September 2000 to October 2002. She was the Vice President of Air China International Corporation from October 2002 to September 2004. After that, she served as Standing Member of Party Committee and the Executive Vice President of Air China Limited from September 2004 to May 2009. Since May 2009, Ms. Yang has been the Party Member and Executive Vice President of CSAHC. From July 2010 to August 2012, Ms. Yang also acted as the Chairman of the Labour Union of CSAHC. Since January 2013, Ms. Yang has been the Director of the Company. For now, she also acts as President of China Southern Airlines Group Import and Export Trading Co., Ltd., China Southern Airlines Group Property Management Company Limited, Southern Airlines Culture and Media Co., Ltd. and China Southern Airlines Group Ground Services Co., Ltd.

Mr. Zhang Zi Fang, male, born in October 1958, 57, graduated with a college degree from foundation science profession for Party administrative cadres of Liaoning University. While Mr. Zhang was at work, he obtained an Executive Master of Business Administration (EMBA) degree from Tsinghua University and is a senior expert of political science. Mr. Zhang is a CPC member and began his career in February 1976. He served as the Deputy Commissar of the Office, Deputy Commissar of Shenyang Flight Team, as well as Director and Commissar of Political Department of the China Northern Airlines Company from 1993 to 2000. He served as the Party Secretary of the Jilin Branch of China Northern Airlines Company and the General Manager of Dalian Branch from 2000 to 2003. He had been the Director of Political Works Department of CSAHC from October 2003 to February 2005. Subsequently, Mr. Zhang was appointed as the Deputy Party Secretary and Secretary of the Commission for Discipline of the Company from February 2005 to December 2007. He had been the Executive Vice President and the Deputy Party Secretary of the Company from December 2007 to February 2009. He was the Deputy Party Secretary and the Executive Vice President of the Company from February 2009 to August 2011. Mr. Zhang has been the Director of the Company since June 2009. He has been the Party member of CSAHC and the Party Secretary, the Executive Vice President and the Director of the Company since August 2011. (For now, he also serves as Vice Director General of China Air Transport Association and Guangdong Lingnan Culture Development Foundation.)

Mr. Li Shao Bin, male, born in April 1964, 51, graduated with a college degree from Chinese Language and Literature of Xiangtan Teachers' College. While Mr. Li was at work, he obtained a university degree from the Party School of the Central Committee of CPC majoring in economics and management and is an expert of political science. Mr. Li is a CPC member and began his career in July 1984. He served as the Deputy Director of Promotion Division of Political Department of the Guangzhou Bureau of Civil Aviation Administration, the Director of Promotion Department of the Company and the Deputy Director of Promotion Department of the China Southern Airlines (Group) Company from 1992 to 1999. He had been the Director of Political Division of Flight Department of the Company from December 1999 to May 2002. Mr. Li was the Deputy Party Secretary of Flight Department and Director of Political Division of the Company from May 2002 to May 2004. Subsequently, he was appointed as the Party Secretary of Guangzhou Flight Operations Division of the Company from May 2004 to March 2006. Mr. Li served as the Party Secretary and Deputy General Manager of Guangzhou Flight Operations Division of the Company from March 2006 to July 2012. Mr. Li has been the Chairman of the Labour Union of the Company since July 2012 and the Director of the the Company since January 2013. For now, Mr. Li also serves as the Chairman of Guangzhou Southern Airline Project Supervision Co., Ltd. and Guangdong Southern Airline Pearl Service Co., Ltd.

Mr. Ning Xiang Dong, male, born in May 1965, 50, graduated from the Quantitative Economics Faculty of the School of Economics and Management of Tsinghua University with a doctor degree. Mr. Ning began his career in 1990 and served as the assistant, lecturer and associate professor at Tsinghua University and the executive deputy director of the National Center for Economic Research (NCER) at Tsinghua University. He was also a visiting scholar at Harvard Business School, University of Illinois, University of New South Wales, University of Sydney and the Chinese University of Hong Kong, and the independent director of a number of listed companies including Datang Telecom Technology Co., Ltd., Shantui Construction Machine Co., Ltd., Hong Yuan Securities Co., Ltd. and Goer Tek Inc. Currently, he serves as the professor and the doctorate-tutor of the School of Economics and Management of Tsinghua University and the executive director of Centre for Corporate Governance of Tsinghua University. Mr. Ning has been the independent non-executive director of the Company since December 29, 2010. He is also the independent director of China Petroleum & Chemical Corporation and a number of listed companies including Aerospace Hi-Tech Holding Group Co., Ltd., Sichuan Changhong Electric Company Limited, Yango Group Co., Ltd. and Weichai Power Co., Ltd.

Mr. Liu Chang Le, male, born in November 1951, aged 64, was conferred an honorary doctoral degree in literature by the City University of Hong Kong and an honorary fellow by the United International College, and is a founder of Phoenix Satellite Television. Mr. Liu has been the Chairman and Chief Executive Officer of Phoenix Satellite Television Company Limited since 1996 and the Chairman and Chief Executive Officer of Phoenix Satellite Television Holdings Limited, a company listed on the Stock Exchange since 2000. Mr. Liu gained widespread recognition both locally and overseas for his enthusiasm for and achievements in the media industry. Mr. Liu is the recipient of numerous titles and awards, among which include “Wiseman of the Media Industry”, “the Most Innovative Chinese Business Leaders in the Asia Pacific Region”, “the Most Entrepreneurial Chinese Business Leaders”, and has been awarded the “Robert Mundell Successful World CEO Award”, the “Man of Year for Asia Brand Innovation Award”, the “Person of the Year” award of the Chinese Business Leaders Annual Meeting and the “Business Person of the Year” award of DHL/SCMP Hong Kong Business Awards 2012. Since 2005, Mr. Liu has been the Chairman of the iEMMYs Festival. In 2008, Mr. Liu received the International Emmy Directorate Award granted by International Academy of Television Arts & Sciences. Mr. Liu was appointed as honorary chairman of World Chinese-language Media Cooperation Alliance in 2009 and appointed as special consultant to the 8th Council of the Buddhist Association of China in 2010. In 2014, he was appointed as Vice President of the 6th council of The Buddha’s Light International Association, Board of Directors of Headquarters. Mr. Liu was a member of the Tenth and the Eleventh National Committee of the Chinese People’s Political Consultative Conference, served as the Vice Chairman of the sub-committee on Education, Science, Culture, Health and Sport of the Eleventh National Committee of the Chinese People’s Political Consultative Conference, and is serving as a member of standing committee of the Twelfth National Committee of the Chinese People’s Political Consultative Conference. Mr. Liu has been appointed a Justice of the Peace by the government of the Hong Kong Special Administrative Region. In 2010, Mr. Liu was awarded the Silver Bauhinia Star by the government of the Hong Kong Special Administrative Region. Mr. Liu has been the independent non-executive director of the Company since November 30, 2011.

Mr. Tan Jin Song, male, born in January 1965, aged 51, graduated from Renmin University of China with an on-job doctor degree in Accounting. Mr. Tan is a Chinese Certified Public Accountant. Mr. Tan began his career in 1985 and was a teacher in Shaoyang School of Finance and Accounting of Hunan Province and the Deputy Dean of the School of Management of Zhongshan University. Mr. Tan is currently a professor and a doctorate-tutor of the School of Management of Zhongshan University. He is also a member of the MPAcc Education Instruction Committee, a member of China Institute of Internal Audit, Vice President of Guangdong Institute of Certified Public Accountants and a member of China Audit Society. Currently, Mr. Tan also serves as the independent director of Poly Real Estate Company Limited, Guangzhou Hengyun Enterprises Holdings Limited and Huafa Industrial Co., Ltd. Zhuhai. In addition, Mr. Tan also acts as the independent non-executive director of Welling Holding Limited. Mr. Tan has been the independent non-executive director of the Company since December 26, 2013.

Mr. Guo Wei, male, born in February 1963, aged 53, graduated from the Management Faculty of the Management Department of Graduate School of Chinese Academy of Social Sciences (formerly the Graduate School of University of Science and Technology of China) with a master degree in Engineering. Mr. Guo has extensive experience in business strategy development and business management. Mr. Guo was an executive director and Senior Vice President of Lenovo Group, Vice Chairman, President and the Chief Executive Officer of Digital China Holdings Limited (Digital China), director of Digiwin Software Co., Ltd. Currently, Mr. Guo serves as board chairman of Digital China and directors of a number of subsidiary and associated companies of Digital China. Mr. Guo also acts as the president of Digital China Information Service Company Ltd., the non-executive director of HC International Inc., the independent director of Shanghai Pudong Development Bank Co., Ltd. and the director of Kosalaki Investments Limited. In addition, Mr. Guo was also a member of the Twelfth National Committee of the Chinese People’s Political Consultative Conference, a member of the Fourth Committee of the Advisory Committee for State Informatization and the president of the Sixth Council of Chinese Private Technology Entrepreneur Association. Mr. Guo was the recipient of numerous titles and important awards, among which include Top Ten Outstanding Youths in China (2002), the Future Economic Leaders in China (2003) and the First Session of China Youth Entrepreneurs Management Innovation award (2005), and was rated as one of the TOP 50 Most Influential Business Leaders in China consecutively for 2011, 2012 and 2013. Mr Guo has been the Non-executive Director of this company since June 30, 2015.

Mr. Jiao Shu Ge, male, born in February 1966, aged 50, with a master degree, first graduated from the Control Theory Faculty of the Department of Mathematics of Shangdong University with a bachelor degree, and then graduated from the Systems Engineering Faculty of No. 2 Research Institute of the Ministry of Aerospace Industry with a master degree in Engineering. Mr. Jiao has extensive experience in funds management and equity management. Currently, Mr. Jiao is the Director and President of CDH China Management Company Limited (CDH Investments). He was a computer researcher of 710 Research Institute of the former Ministry of Aerospace Industry of China, the Deputy General Manager of China International Capital Corporation Ltd. (CICC) and is the founder of CDH Investments. Mr. Jiao was the non-executive directors of China Yurun Food Group Limited and China Shanshui Cement Group Limited. Currently, he is also the Director of the associated companies of CDH Investments, the independent non-executive director of China Mengniu Dairy Company Limited, the independent non-executive director and Vice Chairman of WH Group Limited, the director of Joyoung Co., Ltd., the Vice President of Henan Shuanghui Investment & Development Co.,Ltd. and the directors of a number of companies including Beijing TaiYang Pharmaceutical Industry Company Limited, Chery Automobile Co., Ltd., Inner Mongolia Hetao Spirit Group Co., Ltd., Fujian Nanping Nanfu Battery Co.,Ltd. and Shanghai Qingchen Real Estate Development Co., Ltd. Mr Jiao has been the company’s Independent Non-executive Director since June 30, 2015.

Supervisory Committee

As required by the Company Law of the PRC and the Articles of Association of the Company, we have a supervisory committee (the "Supervisory Committee") which is primarily responsible for the supervision of senior management of the Company, including the Board, executive officers and other senior management personnel, to ensure that they act in the interests of the Company, its shareholders and employees, as well as in compliance with applicable law. The Supervisory Committee consists of five Supervisors. Three of the Supervisors are appointed by shareholders, and the other two Supervisors are representatives of our employees. The Supervisors serve terms of three years and may serve consecutive terms.

Mr. Pan Fu, male, born in February 1963, 53, graduated with a master degree from Chongqing University majoring in Power Systems and Automation, and is a senior engineer. Mr. Pan is a CPC member and began his career in July 1986, and served successively as the Deputy Head of the Planning Department of Electric Power Industry Bureau of Yunnan Province, the Deputy Director of the Planning & Development Department of Yunnan Electric Power Group Co., Ltd., the Deputy Director and director of Kunming Power Plant, the Deputy Chief Engineer and chief engineer of Yunnan Electric Power Corporation from 1994 to 2003. He served as the deputy director (work as chair) and Director of the Department of Security Supervision of China Southern Power Grid Company Ltd. from February 2003 to April 2004; served as the Director of the China Southern Power Grid Technology and Research Center from April 2004 to January 2005, and served as the General Manager (legal representative) and Deputy Party Secretary of the Guizhou Power Grid Corporation from January 2005 to November 2007. Mr. Pan served as the Director of the Planning Development Department of China Southern Power Grid Company Ltd. from November 2007 to November 2010. Mr. Pan has been the party member and team leader of the Discipline Inspection Commission of CSAHC since November 2010 and the supervisor & chairman of the Supervisory Committee of the Company since December 2010.

Mr. Li Jia Shi, male, born in May 1961, 54, graduated from Guangdong Polytechnic Normal University majoring in Economics and Mathematics, and obtained an Economic Administration bachelor degree from Correspondence School under the Party School of the CPC Central Committee and an Executive Master of Business Administration (EMBA) degree from Tsinghua University and is an expert of political science. Mr. Li is a CPC member and began his career in August 1976. He served as the Deputy Head (work as chair) of the Organization Division of the Party Committee of the China Southern Airlines (Group) Company, the party secretary of Guangzhou Nanland Air Catering Company Limited from 1994 to 1999. Mr. Li served as the head of the Organization Division of the Party Committee of CSAHC from December 1999 to December 2003; and served as the Deputy Secretary of the Disciplinary Committee and the Director of the Disciplinary Committee Office of the Company from December 2003 to December 2007. Mr. Li served as a member of the Standing Committee of the CPC, the Secretary of the Disciplinary Committee and the Director of the Disciplinary Committee Office of the Company from December 2007 to February 2012. Mr. Li has been the supervisor of the Company since June 2009. He has been the team deputy leader of the Discipline Inspection Commission of CSAHC, and member of the Standing Committee of the CPC, Secretary of the Disciplinary Committee and Director of the Disciplinary Committee Office, and supervisor of the Company since February 2012. He also serves as the Vice Chairman of Southern Airlines Culture and Media Co., Ltd.

Ms. Zhang Wei, female, born September 1966, 49, has a master degree. She graduated from Tianjin University majoring in Investment Skills and Economics and is a senior accountant. Ms. Zhang is a CPC member and began her career in September 1988. She successively served as the General Manager Assistant of China Southern Airlines (Group) Company, the Deputy General Manager of the Finance Department of the Company, and the Deputy Director of the Supervisory Bureau and the Director of the Audit Division of CSAHC from 1999 to 2006. Ms. Zhang served as the General Manager and the Secretary of CPC General Branch of Southern Airlines Group Finance Company Limited from August 2006 to October 2007; served as the Deputy Director of the Supervisory Bureau and the Director of the Audit Division of CSAHC from October 2007 to October 2008. Since October 2008, she has been the Director of the Audit Division of CSAHC and the Supervisor of the Company since June 2008. Ms. Zhang has been a part-time Supervisor of the Board of Supervisors of Stated-owned Enterprises dispatched by SASAC on behalf of the State Council to CSAHC since January 2010, and has been a member of the Discipline Inspection Commission of CSAHC since February 2012. For now, she also acts as the Chairman of the Board of Supervisors of China Southern Airlines Group Import and Export Trading Co., Ltd., Southern Airlines Group Finance Company Limited, Southern Airlines Culture and Media Co., Ltd., Supervisor of MTU Maintenance Zhuhai Co., Ltd. and the Director of Guangzhou Southern Airline Construction Co., Ltd.

Ms. Yang Yi Hua, female, born in August 1960, 55, has an Economic Administration bachelor degree from Correspondence School under the Party School of the CPC Central Committee. She is an accountant and also a CPC member who began her career in August 1977. From 1996 to 2002, she first acted as Financial Manager of the Company and then Deputy General Manager of CSAHC's Audit Department. Ms. Yang has been the General Manager of the Company's Audit Department from May 2002 to September 2015, and the Supervisor of the Company since June 2004. For now, she is also appointed as Chairman of the Board of Supervisors of Guizhou Airlines and Nanlong International Freight Ltd., Convener of the Board of Supervisors of Beijing Southern Airline Ground Services Co., Ltd. and Zhuhai Airlines and Supervisor of Xiamen Airlines, Guangzhou Baiyun International Logistics Co., Ltd., Southern Airlines Group Finance Company Limited, Chongqing Airlines and Guangzhou Southern Airline Project Supervision Co., Ltd.

Mr. Wu De Ming, male, born in April 1958, 57, obtained a university bachelor degree from South China Normal University College of Continuing Education majoring in Political Administration, and is an Administration Engineer. He is a CPC member and began his career in February 1976. From 1991 to 2001, he was first appointed as political section's deputy director of the operation department of the Company, then member of the Party Committee, Deputy Secretary of the Party Committee and secretary of Committee for Discipline Inspection of Guangzhou ticket office of the Company, then Deputy Secretary and Secretary of Party General Branch of the ticket office at the Transportation Department of the Company, and then Secretary of Party General Branch at Passenger Traffic Department of the Transportation Department of the Company. He was appointed as Director of the Disciplinary Supervision Department of CSAHC from March 2001 to December 2003, and General Director of the Supervision Bureau and Chief Officer of Disciplinary Committee Office of CSAHC from December 2003 to April 2009. He has been a member of Party Committee of the Marketing Management Committee of the Company, secretary to the Disciplinary Committee and Chairman of the Labour Union from April 2009 to November 2015, a member of Party Committee of the Marketing Management Committee of the Company, secretary to the Disciplinary Committee since November 2015 and has been the Supervisor of the Company since December 2013.

Senior Management

Mr. Ren Ji Dong, male, born in January 1965, 51, graduated from Nanjing University of Aeronautics and Astronautics, majoring in Aircraft Engine Design and obtained an Executive Master of Business Administration (EMBA) degree from Tsinghua University, and he is a senior engineer. Mr. Ren is a CPC member and began his career in August 1986. Mr. Ren served as the No. 2 Workshop Manager, Deputy Plant Manager and Deputy General Manager of Engineering Department of the aircraft maintenance factory of Urumqi Civil Aviation Administration (Xinjiang Airlines) from 1995 to 2000. He served as the Deputy Director (deputy general manager) and a member of the Standing Committee of the CPC of Urumqi Civil Aviation Administration (Xinjiang Airlines) from January 2000 to December 2001, and a member of the party committee and the Deputy General Manager of Xinjiang Airlines from December 2001 to June 2004, and the Party Secretary and Deputy General Manager of CSAHC Xinjiang Company from June 2004 to December 2004, the Party Secretary and Deputy General Manager of Xinjiang Branch of the Company from January 2005 to February 2015, a member of the Standing Committee of the CPC and the Executive Vice President of the Company from March 2005 to February 2007; a member of the Standing Committee of the CPC of the Company and the General Manager and Deputy Party Secretary of Xinjiang Branch from January 2007 to April 2009. Mr. Ren has been a member of the Standing Committee of the CPC of the Company and the Executive Vice President of the Company since May 2009.

Mr. Wang Zhi Xue, male, born in January 1961, 55, has a college degree from Civil Aviation Flight University of China majoring in Aircraft Piloting, and obtained an on-job university degree from Civil Aviation Flight University of China majoring in Wingmanship, and is a command pilot. Mr. Wang is a CPC member, and began his career in February 1981. Mr. Wang successively served as the Deputy General Manager and Manager of the Flight Safety Technology Division of Zhuhai Airlines Company Limited, the Senior Flight Instructor of Model B737, Deputy Chief Pilot and Director of the Flight Safety Technology Division as well as the Deputy Chief Pilot and Manager of the Flight Safety Technology Management Division from 1995 to 2002 of Shantou Airlines Company Limited of CSAHC. He also acted as the Deputy General Manager of Shantou Airlines Company Limited from June 2002 to October 2004, and the General Manager of the Flight Management Division of the Company from October 2004 to February 2009, and the General Manager and Deputy Party Secretary of Guangzhou Flight Division of the Company from February 2009 to July 2012. Mr. Wang has been a member of the Standing Committee of the CPC, Executive Vice President and chief pilot of the Company since August 2012. For now, he also serves as Chairman of Zhuhai Airlines.

Mr. Li Tong Bin, male, born in December 1961, 54, has college qualification and graduated from Civil Aviation Institute of China majoring in Maintenance of Aircraft Electrical Equipment. He obtained on-job Master of Business Administration (MBA) from Hainan University and Executive Master of Business Administration (EMBA) from Tsinghua University, and is a senior engineer. Mr. Li is a CPC member and began his career in August 1983, and successively served as the Deputy Head of Technical Division of Aircraft Maintenance Plant, the head of Maintenance Plant and the deputy director of Aircraft Engineering Department (aircraft maintenance base), the Director of Aircraft Engineering Department (aircraft maintenance base) of China Northern Airlines Company, the General Manager of Jilin branch of China Northern Airlines Company from 1994 to 2003. He also acted as the Deputy General Manager and Deputy Party Secretary of Zhuhai Airlines Company Limited from September 2004 to January 2005, the General Manager and Deputy Party Secretary of Zhuhai Airlines Company Limited from January 2005 to April 2012, and the party secretary and Deputy General Manager of Northern Branch of the Company from April 2012 to April 2014. Mr. Li was the Chief Engineer, General Manager and Deputy Party Secretary of Aircraft Engineering Department of the Company from April 2014 to August 2015. Mr. Li has been a member of the Standing Committee of the CPC, Executive Vice President and Chief Manager, as well as General Manager and Deputy Party Secretary of Aircraft Engineering Department of the Company since September 2015. For now, Mr Li also serves as Chairman of Guangzhou Aircraft Maintenance Engineering Co., Ltd. and Shenyang Northern Aircraft Maintenance Co., Ltd.

Mr. Su Liang, male, born in April 1962, 53, graduated from the University of Cranfield, United Kingdom with a master degree majoring in Air Transport Management, and is an engineer. Mr. Su is a CPC member and began his career in December 1981. From 1998 to 2000, he successively served as Deputy General Manager of the Flight Operations Division, Deputy General Manager and Manager of Planning and Management Division of CSAHC Shenzhen Company. Mr. Su was the Secretary to the Board of the Company from July 2000 to December 2003, the Secretary to the Board and Director of Board Secretariat of the Company from December 2003 to November 2005, the Secretary to the Board and Vice Director of Commercial Steering Committee of the Company from November 2005 to February 2006, the Company Secretary and director of Company Secretary Office and Vice Director of Commercial Steering Committee of the Company from February 2006 to January 2007, and the Secretary to the Board and Director of Company Secretary Office from January 2007 to December 2007. Mr. Su has been the Chief Economist of the Company since December 2007. For now, he also serves as Director of Sichuan Airlines.

Mr. Chen Wei Hua, male, born in October 1966, 49, graduated from the School of Law of Peking University with a bachelor degree, who is an economist, a qualified lawyer in the PRC and a qualified corporate legal counselor. Mr. Chen is a CPC member and joined the aviation industry in July 1988. He successively served as Deputy Director of CSAHC, Deputy Director of the Office (director of the Legal Department) of the Company and CSAHC from 1997 to 2004. Mr. Chen was the Chief Legal Adviser of the Company and Director of the Legal Department of the Company from June 2004 to October 2008. Mr. Chen has been the General Counsel and General Manager of the Legal Department of the Company since October 2008. For now, he also acts as Director of Xiamen Airlines.

Mr. Guo Zhi Qiang, male, born in July 1963, 52, is an economist who graduated with a master degree from Party School of Xinjiang Uyghur Autonomous Region majoring in Business Administration. Mr. Guo is a CPC member and began his career in January 1981. He successively served as the Xi'an Office manager, Beijing Office manager and General Manager of Transportation Department of Xinjiang Airlines Manager; the Deputy General Manager of Xinjiang Airlines; the Beijing Office Director of CSAHC, the General Manager and the Party Secretary of China Southern Airlines Beijing Office from 1995 to 2004. He served as a member of the Standing Committee of the CPC and the Deputy General Manager of CSAHC Xinjiang Branch from June 2004 to December 2004, a member of the Standing Committee of the CPC and the Deputy General Manager of China Southern Airlines Xinjiang Branch from January 2005 to December 2005. Mr. Guo served as a member of Party Committee and the Deputy General Manager of the Shenzhen Branch of the Company from December 2005 to February 2008 and the President and Chief Executive Officer as well as Deputy Party Secretary of Chongqing Airlines Company Limited from February 2008 to May 2009. He served as a member of Party Committee and the Deputy Director of the Commercial Steering Committee of the Company from May 2009 to September 2009, the Director and Deputy Party Secretary of the Commercial Steering Committee of the Company from September 2009 to September 2012. Mr. Guo acted as the COO Marketing and Sales of the Company, the Director and the Deputy Party Secretary of the Commercial Steering Committee of the Company from September 2012 to July 2014. Mr. Guo has been the COO Marketing and Sales of the Company since July 2014. For now, he also serves as President of Guangzhou Nanland Air Catering Co., Ltd. and Guangzhou Baiyun International Logistics Co., Ltd.

Mr. Xie Bing, male, born in September 1973, 42, with a university degree, 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 business administration (international banking and finance) and an Executive Master of Business Administration (EMBA) degree from Jinan University, the University of Birmingham, Britain and Tsinghua University, respectively. Mr. Xie is a Senior Economist, has the qualification for Company Secretary of companies listed on Shanghai Stock Exchange. Mr. Xie is a CPC member and began his career in July 1995. He successively served as the Assistant of Company Secretary of the Company, and the Executive Secretary of the General Office of CSAHC from 2003 to 2007. Mr. Xie has been the Company Secretary and Deputy Director of the Company Secretary Office from November 2007 to December 2009. Mr. Xie has been the Company Secretary and Director of the Company Secretary Office since December 2009.

Mr. Feng Hua Nan, male, born in November 1962, 53, graduated with a college degree from China Civil Aviation Flying College, majoring in Aircraft Piloting, and obtained an on-job master degree in Aeronautical Engineering from Beijing University of Aeronautics and Astronautics and an Executive Master of Business Administration (EMBA) from the School of Economics and Management of Tsinghua University. He is a commanding pilot. Mr. Feng is a CPC member and began his career in January 1983. He successively served as the Director of Zhuhai Flight Training Centre of China Southern Airlines (Group) Company and the Deputy General Manager of Flight Operation Division of the Company from 1994 to 1999. He was the General Manager of Flight Safety Technology Department from December 1999 to October 2002, and the General Manager of Flight Technology Management Department of the Company from November 2002 to September 2004. Mr. Feng also served as the Party Secretary and Deputy General Manager of Guizhou Airlines Company Limited from September 2004 to February 2006, and then served as the General Manager and Deputy Party Secretary of Guizhou Airlines Company Limited from February 2006 to July 2014. He has been the COO Flight Safety of the Company since August 2014. For now, he also serves as President of Zhuhai Xiang Yi Aviation Technology Co., Ltd. and China Southern West Australia Flight College.

Mr. Xiao Li Xin, male, born in June 1966, 49, graduated from Guangdong Academy of Social Sciences with a master degree in Economics and then obtained an on-job Executive Master of Business Administration (EMBA) degree from Tsinghua University. He is a qualified senior accountant and a certified public accountant. Mr. Xiao is a CPC member and began his career in July 1991. He served as the General Manager Assistant and Deputy General Manager of the Finance Department of the Company from 1999 to 2002, and served as the General Manager and Deputy Secretary of the General Party Branch of the Finance Department of the Company from January 2002 to February 2007. Mr. Xiao served as the deputy chief accountant and general manager of the Finance Department of the Company from February 2007 to October 2007, and served as the General Manager and Secretary of the General Party Branch of Southern Airlines Group Finance Company Limited from October 2007 to February 2008. He served as the General Manager and Party Secretary of Southern Airlines Group Finance Company Limited from February 2008 to March 2015. Mr. Xiao has been the Chief Accountant and Chief Financial Officer of the Company since March 2015. For now, he also serves as Chairman of Guizhou Airlines, Director of Xiamen Airlines and China Southern Airlines Overseas (Hong Kong) Co. Ltd.

Save as disclosed above, none of the above Directors or Supervisors, senior management of the Company has any relationship with any Directors, Supervisors, senior management, substantial shareholders of the Company.

B. Compensation

The aggregate compensation paid to all Directors, Supervisors and Senior Management for 2015 was RMB11.45 million. For the year ended December 31, 2015, the Company paid an aggregate of approximately RMB1.87 million on behalf of its executive Directors, Supervisors and Senior Management pursuant to the pension scheme and the retirement plans operated by various municipal and provincial governments in which the Company participates.

Details of the remuneration of directors' and supervisors' remuneration for the year ended December 31, 2015 are set out below:

	Directors' fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Retirement scheme contributions RMB'000	Total RMB'000
<i>Non-executive Directors</i>				
Wang Quan Hua	-	-	-	-
Yuan Xin An	-	-	-	-
Yang Li Hua	-	-	-	-
<i>Independent Non-executive Directors</i>				
Wei Jin Cai	75	-	-	75
Ning Xiang Dong	150	-	-	150
Liu Chang Le	150	-	-	150
Tan Jin Song	150	-	-	150
Guo Wei	75	-	-	75
Jiao Shu Ge	75	-	-	75
<i>Executive Directors</i>				
Tan Wan Geng	-	-	-	-
Zhang Zi Fang	-	-	-	-
Li Shao Bin	-	636	137	773
<i>Supervisors</i>				
Pan Fu	-	-	-	-
Li Jia Shi	-	636	139	775
Zhang Wei	-	-	-	-
Yang Yi Hua	-	240	92	332
Wu De Ming	-	451	140	591
Total	675	1,963	508	3,146

Note: The Company's non-executive director and former chairman, Mr. Si Xian Min resigned on January 15, 2016. For the year ended December 31, 2015, Mr. Si Xian Min did not receive any remuneration for his service in the capacity of the non-executive director of the Company.

On November 30, 2011, the Company's General Meeting, approved the "H Share Appreciation Rights Scheme of China Southern Airlines Company Limited" and "Initial Grant under the H Share Appreciation Rights Scheme of China Southern Airlines Company Limited" ("the Scheme").

Under the Scheme, 24,660,000 units of Share Appreciation Rights were granted to 118 employees of the Group at the exercise price of HK\$3.92 per unit prior to or on at December 31, 2011. No shares will be issued under the Scheme and each of the Share Appreciation Rights is notionally linked to one existing H Share of the Company. Upon exercise of the Share Appreciation Rights, a recipient will receive an amount of cash equal to the difference between the market share price of the relevant H Share and the exercise price.

The Share Appreciation Rights will have an exercise period of six years from the date of grant. Upon the satisfaction of certain performance conditions after the second, third and fourth anniversary of the date of grant, each one third of the Share Appreciation Rights will become exercisable.

A dividend of RMB0.2 (equivalent to HKD0.25) (inclusive of applicable tax), a dividend of RMB0.05 (equivalent to HKD0.06) (inclusive of applicable tax), a dividend of RMB0.04 (equivalent to HKD0.05) (inclusive of applicable tax) and a dividend of RMB0.04 (equivalent to HKD0.05) (inclusive of applicable tax) per share was approved by the Company's General Meeting on May 31, 2012, June 18, 2013, June 26, 2014 and June 30, 2015 respectively, therefore, the exercise price for the Share Appreciation Rights was adjusted to HKD3.51 per share in accordance with the predetermined formula stipulated in the Scheme. During the year, there were no granting or exercising of Share Appreciation Rights and 7,013,333 units of Share Appreciation Rights were forfeited.

The fair value of the liability for Share Appreciation Rights is measured using the Black-Scholes option pricing model. The risk free rate, expected dividend yield and expected volatility of the share price are used as the inputs into the model. As at December 31, 2015, 24,660,000 units of Share Appreciation Rights granted by the Company have all forfeited and correspondingly, the liability for Share Appreciation Right was RMB0.

C. Board Practices

Each Director's service contract with the Company or any of its subsidiaries provides prorated monthly salary upon termination of employment in accordance with his contract. The Director is entitled to paid leave under his contract. The term of office of a director is three years. The term of office of the current directors will end in 2016. A Director may serve consecutive terms upon re-election.

Audit Committee

The Audit Committee is appointed by the Board of Directors and consists of three independent Non-executive Directors. The current members of the Audit Committee are Tan Jing Song, Ning Xiang Dong and Jiao Shu Ge. Tan Jing Song is the Chairman of the Audit Committee. The term of office of each member will end in 2016. A member may serve consecutive terms upon re-election. At least once a year, the committee is required to meet with the Company's external auditors without any executive members of the Board in attendance. The quorum necessary for the transaction of any business is two committee members. The Audit Committee held 22 meetings in 2015, which were attended by all members.

The Audit Committee is required, amongst other things, to oversee the relationship with the external auditors, to review the Group's interim results and annual financial statements, to monitor compliance with statutory and listing requirements, to review the scope, if necessary, to engage independent legal or other advisers as it determines is necessary and to perform investigations. In addition, the Audit Committee also examines the effectiveness of the Company's internal controls, which involves regular reviews of the internal controls of various corporate structures and business processes on a continuous basis, and takes into account their respective potential risks and severity, in order to ensure the effectiveness of the Company's business operations and the realization of its corporate objectives and strategies. The scope of such examinations and reviews includes finance, operations, regulatory compliance and risk management. The Audit Committee also reviews the Company's internal audit plan, and submits relevant reports and concrete recommendations to the Board on a regular basis.

The Company has an internal audit department which reviews procedures in all major financial and operational activities. This department is led by the head of internal audit.

Remuneration and Assessment Committee

The Remuneration and Assessment Committee is comprised of three members. Currently, the Remuneration and Assessment Committee is chaired by Independent Non-executive Director Ning Xiang Dong with Independent Non-executive Director Tan Jing Song and Non-executive Director Yuan Xin An as members. The term of office of each member is three years. Wang Quan Hua resigned from office because of retirement in March 25, 2015. The term of office of the current members will end in 2016. A member may serve consecutive terms upon re-election. The Remuneration and Assessment Committee held 1 meeting in 2015, which were attended by all members.

The responsibilities of the Remuneration and Assessment Committee are to make recommendations on the remuneration policy and structure for Directors and senior management of the Company, to establish regular and transparent procedures on remuneration policy development and improvement and submit the Company's "Administrative Measures on Remuneration of Directors" and "Administrative Measures on Remuneration of Senior Management". In particular, the Remuneration and Assessment Committee has the duty to ensure that the Directors or any of their associates shall not be involved in the determination of their own remuneration packages.

The Remuneration and Assessment Committee consulted, when appropriate, the Chairman and/or the President about its proposals relating to the remuneration of other executive Directors. The Remuneration and Assessment Committee is provided with sufficient resources to discharge its duties and professional advice is available if necessary. The Remuneration and Assessment Committee is also responsible for assessing performance of executive Directors and approving the terms of executive Directors' service contracts. The Remuneration and Assessment Committee has performed all its responsibilities under its terms of reference in 2015.

Nomination Committee

The Nomination Committee was established on June 28, 2007. Before that, nomination of Directors and other senior management was mainly undertaken by the Board. According to the Articles of Association, the Board has the authority to appoint from time to time any person as Director to fill a vacancy or as additional Director. In selecting candidate Directors, the Board focuses on their qualifications, technical skills, experiences (in particular, the experience in the industry in which the Group operates in case of candidates of executive directors) and expected contributions to the Group.

As of December 31, 2015, the Nomination Committee consists of three members, including Si Xian Min as Chairman and Tan Jing Song (Independent Non-executive Director) and Jiao Shu Ge (Independent Non-executive Director) as members. The responsibilities of the Nomination Committee are to make recommendations to the Board in respect of the size and composition of the Board based on the operational activities, assets and shareholding structure of the Company; study the selection criteria and procedures of Directors and executives and give advice to the Board; identify qualified candidates for Directors and executives; investigate and propose candidates for Directors and managers and other senior management members to the Board. On January 15, 2016, the Board received resignation from Mr. Si Xian Min as the Chairman of the Board. Si Xian Min tendered his resignation from the post of the chairman of the Nomination Committee under the Board. On April 9, 2015, pursuant to relevant requirements of Opinions on Further Regulation on Party and Political Leaders and Cadres Working Part-time (Holding Office) in Enterprises, Wei Jin Cai tendered his resignation as an Independent Non-executive Director of the Company to the Board which took effect upon the date of June 30, 2015.

In accordance with relevant laws and regulations as well as the provisions of the Articles of Association of the Company, the Nomination Committee shall study and resolve on the selection criteria, procedures and terms of office for directors and managers with reference to the Company's actual situation. Any resolution made in this regard shall be filed and proposed to the Board for approval and shall be implemented accordingly. The Nomination Committee is provided with sufficient resources to discharge its duties and independently engages intermediate agencies to provide professional advice on its proposals if necessary.

The Nomination Committee held 3 meetings in 2015, which was attended by all members.

D. Employees

As of December 31, 2015, the Group had 87,202 employees, including 7,465 pilots, 16,505 flight attendants, 12,108 maintenance personnel, 7,321 passenger transportation personnel, 6,197 cargo transportation personnel, 9,146 ground service personnel, 2,343 flight operation officers, 1,065 flight security guards, 1,391 information system personnel, 2,366 financial personnel, and 21,295 other personnel. All of our pilots, flight attendants, maintenance personnel, administrative personnel and sales and marketing personnel are contract employees.

The Company's employees are members of a trade union organized under the auspices of the All-China Federation of Trade Unions, which is established in accordance with the Trade Union Law of China. Two representatives of the Company labor union currently serve on the Supervisory Committee of the Company. Each of the Company's subsidiaries has its own trade union. The Group has not experienced any strikes, slowdowns or labor disputes that have interfered with its operations, and the Group believes that its relations with its employees are good.

All employees of the Group receive cash remuneration and certain non-cash benefits. Cash remuneration consists of salaries, bonuses and cash subsidies provided by the Group. Salaries are determined in accordance with the national basic wage standards. The total amount of wages payable by the Group to its employees is subject to a maximum limit based on the profitability of the Group and other factors. Bonuses are based on the profitability of the Group. Cash subsidies are intended as a form of cost-of-living adjustment. In addition to cash compensation, the Group's contract employees receive certain non-cash benefits, including housing, education and health services, and the Group's temporary employees also receive certain health services, housing fund and education.

Employee benefits

Employee benefits are all forms of considerations given and other related expenditures incurred in exchange for services rendered by employees. Except for termination benefits, employee benefits are recognized as a liability in the period in which the associated services are rendered by employees, with a corresponding increase in cost of relevant assets or expenses in the current period.

Retirement benefits

Employees of the Group participate in several defined contribution retirement schemes organized separately by the PRC municipal and provincial governments in regions where the major operations of the Group are located. The Group is required to contribute to these schemes at rates ranging from 13% to 21% (2014: 11% to 21%) of salary costs including certain allowances. A member of the retirement schemes is entitled to pension benefits from the Local Labour and Social Security Bureau upon his/her retirement. The retirement benefit obligations of all retired staff of the Group are assumed by these schemes. The Group, at its sole discretion, had made certain welfare subsidy payments to these retirees.

In 2014, the Company and its major subsidiaries joined a new defined contribution retirement scheme ("Pension Scheme") that was implemented by CSAHC. The annual contribution to the Pension Scheme is based on a fixed specified percentage of prior year's annual wage. There will be no further obligation beyond the annual contribution according to the Pension Scheme. The total contribution into the Pension Scheme in 2015 was approximately RMB438,000,000.

Housing fund and other social insurances

The Group contributes on a monthly basis to housing funds organized by municipal and provincial governments based on certain percentages of the salaries of employees. The Group's liability in respect of these funds is limited to the contributions payable in each year. In addition to the housing funds, certain employees of the Group are eligible to one of the following housing benefit schemes:

- (1) Pursuant to a staff housing benefit scheme effective in September 2002, the Group agreed to pay lump sum housing allowances to certain employees who have not received living quarters from CSAHC or the Group according to the relevant PRC housing reform policy. An employee who leaves the Company prior to the end of the vesting benefit period is required to pay back a portion of the lump sum housing benefits determined on a pro rata basis of the vesting benefit period. The Group has the right to affect a charge on the employee's house and to enforce repayment through the sale of the house in the event of default in repayment. Any remaining shortfall is reflected in the consolidated income statement. The amount was fully amortized in 2012.
- (2) The Group also pays cash housing subsidies on a monthly basis to eligible employees. The monthly cash housing subsidies are reflected in the consolidated income statement.

Termination benefits

When the Group terminates the employment relationship with employees before the employment contracts expire, or provides compensation as an offer to encourage employees to accept voluntary redundancy, a provision for the termination benefits provided is recognized in the consolidated income statement when both of the following conditions are satisfied:

- The Group has a formal plan for the termination of employment or has made an offer to employees for voluntary redundancy, which will be implemented shortly; and
- The Group is not allowed to withdraw from termination plan or redundancy offer unilaterally.

Workers' Compensation

There is no workers' compensation or other similar compensation scheme under the Chinese labor and employment system. As required by Chinese law, however, the Group, subject to certain conditions and limitations, pays for the medical expenses of any contract employee who suffer a work-related illness, injury or disability, and continues to pay the full salary of, and provides all standard cash subsidies to, such employee during the term of such illness, injury or disability. The Group also pays for certain medical expenses of its temporary employees.

E. Share Ownership

On November 30, 2011, the Company's General Meeting approved the "H Share Appreciation Rights Scheme of China Southern Airlines Company Limited" and "Initial Grant under the H Share Appreciation Rights Scheme of China Southern Airlines Company Limited" ("the Scheme").

Under the Scheme, 24,660,000 units of Share Appreciation Rights were granted to 118 employees of the Group at the exercise price of HK\$3.92 per unit prior to or on at December 31, 2011. No shares will be issued under the Scheme and each of the SAR is notionally linked to one existing H Share of the Company. Upon exercise of the Share Appreciation Rights, a recipient will receive an amount of cash equal to the difference between the market share price of the relevant H Share and the exercise price.

The Share Appreciation Rights will have an exercise period of six years from the date of grant. Upon the satisfaction of certain performance conditions after the second, third and fourth anniversary of the date of grant, each one third of the Share Appreciation Rights will become exercisable.

A dividend of RMB0.2 (equivalent to HKD0.25) (inclusive of applicable tax), a dividend of RMB0.05 (equivalent to HKD0.06) (inclusive of applicable tax), a dividend of RMB0.04 (equivalent to HKD0.05) (inclusive of applicable tax) and a dividend of RMB0.04 (equivalent to HKD0.05) (inclusive of applicable tax) per share was approved by the Company's General Meeting on May 31, 2012, June 18, 2013, June 26, 2014 and June 30, 2015 respectively, therefore, the exercise price for the Share Appreciation Rights was adjusted to HKD3.51 per share in accordance with the predetermined formula stipulated in the Scheme. During the year, there were no granting or exercising of Share Appreciation Rights and 7,013,333 units of Share Appreciation Rights were forfeited.

The fair value of the liability for Share Appreciation Rights is measured using the Black-Scholes option pricing model. The risk free rate, expected dividend yield and expected volatility of the share price are used as the inputs into the model. As at December 31, 2015, 24,660,000 units of Share Appreciation Rights granted by the Company have all forfeited and correspondingly, the liability for Share Appreciation Right was RMB0.

None of our directors and senior management owns any shares or options in the Group as of April 18, 2016.

ITEM 7. MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS

A. Major Shareholders

The table below sets forth information regarding the ownership of our share capital as of April 18, 2016 by all persons who are known to us to be the beneficial owners of 5.0% or more of each class of our voting securities.

Title of Shares	Identity of Person or Group	Beneficially Owned ⁽¹⁾	Percentage of the Respective Class of Shares ⁽²⁾	Percentage of Total Shares ⁽²⁾
A shares	CSAHC	4,039,228,665	57.52%	41.14%
H shares	HKSCC Nominees Limited	1,749,166,988	62.58%	17.82%
H shares	CSAHC ⁽³⁾	1,064,770,000	38.10%	10.85%
H shares	Nan Lung Holding Limited	1,033,650,000	36.98%	10.53%

(1) Beneficial ownership is determined in accordance with the rules of the SEC.

(2) Percentage of A Shares and percentage of H Shares is based on 7,022,650,000 A Shares and 2,794,917,000 H Shares, respectively, issued as of April 18, 2016. Percentage of total shares is based on 9,817,567,000 shares issued as of April 18, 2016.

(3) Includes 31,120,000 H Shares held by Yazhou Travel Investment Company Limited, representing 1.11% of the total number of H Shares and 0.32% of the total number of all outstanding shares, and 1,033,650,000 H Shares held by Nan Lung, representing 36.98% of the total number of H shares and 10.53% of the total number of all outstanding shares.

Shareholders of H Shares and A Shares enjoy the same voting rights with respect to each share. None of our major shareholders has voting rights that differ from the voting rights of other shareholders. We are not aware of any arrangement which may at a subsequent date result in a change of control of our Company.

As of April 18, 2016, there were 47 registered holders of 2,706,718 American Depositary Shares in the United States, consisting of 4.84% of our outstanding shares. Since certain of the ADSs are held by nominees, the above number may not be representative of the actual number of U.S. beneficial holders of ADSs or the number of ADSs beneficially held by U.S. persons.

Our Company is currently a majority-owned subsidiary of CSAHC, which is an entity wholly-owned by the Chinese government.

B. Related Party Transactions

For a detailed description of our related party transactions, please see Note 48 to the Financial Statements. In particular, the following arrangements, which the Company believes are material to its operations, have been made between the Company and CSAHC and its affiliates during the year ended December 31, 2015 and up to the latest practicable date. The Company believes that these arrangements have been entered into by the Company in the ordinary course of business and in accordance with the agreements governing such transactions.

Arrangements with CSAHC

De-merger Agreement

The De-merger Agreement dated March 25, 1995 (such agreement was amended by the Amendment Agreement No.1 dated May 22, 1997) was entered into between CSAHC and the Company for the purpose of defining and allocating the assets and liabilities between CSAHC and the Company. Under the De-merger Agreement, CSAHC and the Company have agreed to indemnify the other party against claims, liabilities and expenses incurred by such other party relating to the businesses, assets and liabilities held or assumed by CSAHC or the Company pursuant to the De-merger Agreement.

Neither the Company nor CSAHC has made any payments in respect of such indemnification obligations from the date of the De-merger Agreement up to the date of this Annual Report.

Trademark License Agreement

The Company and CSAHC entered into a ten-year trademark license agreement dated May 22, 1997. Pursuant to which CSAHC acknowledges that the Company has the right to use the name "China Southern" and "China Southern Airlines" in both Chinese and English, and grants the Company a renewable and royalty free license to use the kapok logo on a worldwide basis in connection with the Company's airline and airline-related businesses. Unless CSAHC gives a written notice of termination three months before the expiration of the agreement, the agreement will be automatically renewed for another ten-year term. In May 2007, the trademark license agreement entered into by the Company and CSAHC was automatically renewed for ten years.

Leases

The Group (as lessee) and CSAHC (as lessor) entered into lease agreements as follows:

- (1) On December 29, 2008, the Company renewed a master asset lease agreement with CSAHC with a term valid from January 1, 2009 to December 31, 2011 (the "Existing Asset Lease Agreement").

The Company and CSAHC entered into the new Asset Lease Agreement (the "New Asset Lease Agreement") on September 25, 2012 to renew the leases transactions for a term of three years from January 1, 2012 to December 31, 2014. Pursuant to the New Asset Lease Agreement, CSAHC agrees to continue to lease to the Company certain parcels of land, properties, and civil aviation structures and facilities at existing locations in Guangzhou, Haikou, Wuhan, Hengyang, Jingzhou (previously known as "Shashi"), Zhanjiang and Changsha.

The Company also entered into the individual lease agreement (the "2012 Property Lease Agreement") with CSAHC on September 25, 2012 in relation to certain fragmented leases for properties located in Harbin, Changchun, Dalian, Beijing and Shanghai as originally covered in the Existing Asset Lease Agreement for an aggregate annual rental of RMB4,437,000 for a term of two years from January 1, 2012 to December 31, 2013.

The Company further entered into the Lease Agreement of Nanyang Base Assets (the "Nanyang Asset Lease Agreement") with CSAHC on January 24, 2013 for the leases transaction relating to certain lands and properties at Nanyang Jiangying Airport as originally covered in the existing Asset Lease Agreement for the period from January 1, 2012 to December 31, 2012. The rent payable under the Nanyang Asset Lease Agreement was RMB12,441,000. As the Nanyang Asset Lease Agreement had expired and the lease transaction contemplated under the Nanyang Asset Lease Agreement would continue to be entered into on a recurring basis, the Company further entered into the 2013 Nanyang Asset Lease Agreement (the "2013 Nanyang Asset Lease Agreement") with CSAHC on April 19, 2013, pursuant to which CSAHC agreed to lease to the Company certain lands, properties, facilities and structures at Nanyang Jiangying Airport for a term of two years, commencing from January 1, 2013 to December 31, 2014.

As the lease transactions contemplated under the New Asset Lease Agreement and the 2013 Nanyang Asset Lease Agreement would continue to be entered into on a recurring basis, the Company and CSAHC entered into the new Asset Lease Agreement (the "Asset Lease Agreement") on December 29, 2014 for a term of three years from January 1, 2015 to December 31, 2017 to renew lease transactions originally covered under the New Asset Lease Agreement and the 2013 Nanyang Asset Lease Agreement. The annual rents payable to CSAHC under the Asset Lease Agreement is RMB86,268,700 for the three years ending December 31, 2017.

For the year ended December 31, 2015, the rent incurred by the Group amounted to RMB86 million pursuant to the Asset Lease Agreement.

- (2) The Company and CSAHC entered into an indemnification agreement dated May 22, 1997 in which CSAHC has agreed to indemnify the Company against any loss or damage caused by or arising from any challenge of, or interference with, the Company's right to use certain lands and buildings.
- (3) On February 14, 2011, in order to ensure normal operation of the Company, the Company, based on the actual leasing requirement, once again reviewed the land and properties contemplated under the lease, adjusted part of these projects, and engaged a real estate appraisal company to assess the rent of land, properties, structures and pipes under the lease. It then determined the rent according to the assessment and re-entered into the Land Lease Contract and the Tenancy Contract. Pursuant to the Land Lease Contract, the parties agreed that the annual rent for land from 2011 to 2013 would be RMB56,329,131. Pursuant to the Tenancy Contract, the annual rent for properties, structures and pipes leased by the Company from CSAHC from 2011 to 2013 would be RMB42,975,542.

On January 9, 2014, the Company and CSAHC have entered into two new lease agreements (the "Lease Agreements"), namely, the property lease agreement (the "Property Lease Agreement") and the land lease agreement (the "Land Lease Agreement") to renew the land and property leases transactions contemplated thereunder for the period from January 1, 2014 to December 31, 2016. Pursuant to the Property Lease Agreement, CSAHC agreed to lease certain properties, facilities and other infrastructure located in various cities such as Guangzhou, Shenyang, Dalian, Harbin, Xinjiang, Changchun, Beijing and Shanghai held by CSAHC or its subsidiaries to the Company for office use related to the civil aviation business development. The property lease transactions contemplated under the existing 2012 Property Lease Agreements have now been covered under the Property Lease Agreement so as to save resources as well as time of management of various property leases with CSAHC. Pursuant to the Land Lease Agreement, CSAHC agreed to lease certain lands located in Xinjiang, Harbin, Changchun, Dalian and Shenyang by leasing the land use rights of such lands to the Company for the purposes of civil aviation and related businesses of the Company. The maximum annual aggregate amount of rent payable by the Company to CSAHC under the Property Lease Agreement and the Land Lease Agreement for each of the three years ending December 31, 2016 shall not exceed RMB40,114,700 and RMB63,582,200, respectively, and such payment shall be made quarterly. On August 13, 2015, the Company and CSAHC entered into a supplemental agreement to the Property Lease Agreement, pursuant to which the Company and CSAHC agreed that the maximum annual aggregate amount of rent payable by the Company to CSAHC under the Property Lease Agreement for the two years ending 31 December 2016 shall be slightly adjusted to not more than RMB40,270,700 (original cap of RMB 40,114,700) and RMB40,348,700 (original cap of RMB 40,114,700), respectively. Save as the said revision, all other terms of the Property Lease Agreement shall remain unchanged.

For the year ended December 31, 2015, the rents incurred by the Group amounted to RMB40 million and RMB64 million pursuant to the Lease Agreement and the Land Lease Agreement.

SAIETC, a wholly-owned subsidiary of CSAHC

On January 28, 2011, the Company renewed the Import and Export Agency Framework Agreement with SAIETC. The scope of cooperation under the agreement covers import and export services, custom clearing services, customs declaration and inspection services, and tendering and agency services etc. The agreement is effective for a period from January 1, 2011 to December 31, 2013, with the annual cap for the commission not exceeding RMB97,200,000.

On April 19, 2013, the Company entered into the Supplemental Agreement to the Import and Export Agency Framework Agreement dated January 28, 2011 with SAIETC to revise the maximum annual service fee payable by the Company to SAIETC for the period from January 1, 2013 to December 31, 2013 from RMB97.2 million to RMB160 million.

On January 9, 2014, the Company and SAIETC have entered into a new import and export agency framework agreement (the "New Import and Export Agency Framework Agreement") to renew the continuing connected transactions contemplated therein for a fixed term of three years commencing from January 1, 2014 to December 31, 2016. During the period of the New Import and Export Agency Framework Agreement, the annual cap shall remain at RMB160 million per annum.

For the year ended December 31, 2015, the agency fee incurred by the Group in respect of the above import and export services was RMB114 million.

On February 2, 2016, the Company and CSAHC have entered into an agreement, pursuant to which the Company agreed to acquire the CSAHC agreed to sell 100% equity interest in SAIETC for the consideration of RMB400,570,400 (the "Acquisition"). The Company believes that the Acquisition can assist the Group to strengthen procurement management of aircraft, flight equipment and other airline-related facilities, lower management risk; assist the Company to streamline its relationship with trading companies so as to reduce connected transactions. With SAIETC's experience in tendering and agency services, SAIETC will be developed into a centralised platform for procurement activities of the Group, that enhances concentration and efficiency of procurement activities. The Directors (including the independent non-executive Directors) consider that the agreement was entered into after an arm's length negotiation between the Company and CSAHC and the terms therein (including the consideration) are fair and reasonable, the Acquisition is on normal commercial terms and in the ordinary and usual course of business of the Group; and the Acquisition is beneficial to the operation and long-term development of the Group and in the interests of the Company and its shareholders as a whole.

Southern Airlines Culture and Media Co., Ltd. ("SACM"), which is 40% owned by the Company and 60% owned by CSAHC

On May 11, 2010, the Company renewed the Media Services Framework Agreement with SACM, for a term of three years commencing from January 1, 2010. Pursuant to the agreement, the Company has appointed SACM to provide advertising agency services, production of in-flight TV and movie program agency services, public relations services relating to recruitments of airhostess, and services relating to the distribution of newspapers and magazines. The parties have determined the various rates for providing advertising services after negotiations on an arm's length basis, and SACM has promised that the advertising fees for which they charged the Company were all based on the prevailing market prices for similar businesses which were accepted by the Company. The annual cap under the agreement for each year is RMB40,000,000, RMB48,000,000 and RMB58,000,000, respectively.

On April 19, 2013, the Company entered into a new Media Services Framework Agreement with SACM to renew the annual cap, expand the services scope and extend the term for an additional term of three years, commencing from January 1, 2013 to December 31, 2015. Pursuant to the agreement, the Company has appointed SACM to provide advertising agency services, plotting, purchase and production of in-flight TV and movie program agency services, channel publicity and production services, public relations services relating to recruitments of airhostess, and services relating to the distribution of newspapers and magazines. The annual cap under the agreement for each year is RMB98 million, RMB105 million and RMB113 million for each of years ended December 31, 2013, 2014 and 2015, respectively.

Due to the increase in demand for the advertising services provided by XAMC, the original annual cap will no longer be sufficient to cover the transaction amount to be incurred by the Group during the remaining term of the Media Services Framework Agreement. Accordingly, the Company and SACM entered into a supplemental agreement to the Media Services Framework Agreement (the "Supplemental Agreement to the Media Services Framework Agreement") on 29 December 2014 to revise, among others, the annual cap. Pursuant to the Supplemental Agreement to the Media Services Framework Agreement, the Company and SACM have agreed to revise the annual cap for services provided by the SACM Group for the period from January 1, 2015 to December 31, 2015 from RMB113 million to RMB118.5 million.

For the year ended December 31, 2015, the media fees incurred by the Group for the media services amounted to RMB67 million.

On December 30, 2015, the Company entered into a new Media Services Framework Agreement with SACM to renew the media services transaction and extend for an additional term of three years, commencing from January 1, 2016 to December 31, 2018. The annual cap under the new agreement will remain unchanged at RMB118.5 million.

Southern Airlines Group Finance Company Limited ("SA Finance"), which is 66% owned by CSAHC, 21% owned by the Company and 13% owned in aggregate by four subsidiaries of the Company

(1) On November 8, 2010, the Company renewed the Financial Services Framework Agreement with SA Finance for a term of three years starting from January 1, 2011 to December 31, 2013.

Under such agreement, SA Finance agrees to provide to the Company deposit and loan services. SA Finance shall pay interests to the Company regularly at a rate not lower than the current deposit rates set by the People's Bank of China. The Group's deposits placed with SA Finance were re-deposited in a number of banks. SA Finance has agreed that the loans provided to CSAHC and its subsidiaries other than the Group should not exceed the sum of SA Finance's shareholders' equity, capital reserves and total deposits received from other companies (excluding the Group). The rates should be determined on an arm's length basis and based on fair market rate, and should not be higher than those available from independent third parties. The parties agreed that the balance of the Group's deposits placed with SA Finance (including accrued interests) should not at any time exceed RMB4,000,000,000, nor should the balance of loans borrowed from SA Finance at any time exceed the above-mentioned level. The annual cap of fees payable to SA Finance for the other financial services should not exceed RMB5,000,000.

On March 16, 2012, the Company entered into a supplemental agreement to the Financial Services Framework Agreement with SA Finance, for a term effective from May 31, 2012, the date of passing of the resolution at the General Meeting, to December 31, 2013. In line with the Company's business requirement, the parties agreed that deposit balance placed with SA Finance (including interest payable accrued thereon) in any day may not exceed RMB6,000,000,000, and the balance for provision of loan service to the Company by SA Finance (including total interests paid) in any day may not exceed the above level.

On November 8, 2013, the Company and SA Finance entered into the new Financial Services Framework Agreement for a term of three years starting from January 1, 2014 to December 31, 2016 to renew the provision of the financial services contemplated under the Financial Services Framework Agreement.

Under the new Financial Services Framework Agreement, SA Finance agrees to provide to the Company deposit services, loan services and other financial services. SA Finance shall accept deposit of money from the Group at interest rates not lower than those set by the People's Bank of China, or PBOC for the same term of deposit. SA Finance will in turn deposit the whole of such sums of money with certain stated-owned commercial banks and listed commercial banks to control the risk. SA Finance shall make loans or provide credit line services to the Group and the entering into of separate loan agreements, which will set out the terms and conditions of the loans, upon application by the Company during the term of the new Financial Services Framework Agreement. SA Finance shall not charge interest rates higher than those set by the PBOC for similar loans. The total amount of outstanding loans extended by SA Finance to CSAHC (excluding the Group) must not exceed the sum of SA Finance's shareholders' equity, capital reserves and money deposit received from other parties (except the Group). The interest rate for loans provided to the Group by SA Finance shall not be higher than the basis rate allowed by the PBOC for the same type of loan and, subject to the above, the interest rate charged on the loans to the Group shall be equal to or lower than the rate charged by normal commercial banks in the PRC for comparable loans (whichever is lower). Upon request by the Company, SA Finance shall also provide other financial services to the Group, including financial and financing consultation, credit certification and other relevant advice and agency services, insurance agency services, and other businesses which SA Finance are approved by China Banking Regulatory Commission, or CBRC to operate by entering into of separate agreements, which will set out the terms and conditions of such services. The parties agreed that the balance of the Company's deposits placed with SA Finance (including accrued interests) should not at any time exceed RMB6,000,000,000, nor should the balance of loans borrowed from SA Finance at any time exceed the above-mentioned level. The annual cap of fees payable to SA Finance for the other financial services should not exceed RMB5,000,000. The Company and SA Finance entered into a supplemental agreement to the new Financial Services Framework Agreement on 4 May 2015. Pursuant to the supplemental agreement, the Company and SA Finance agreed to revise each of the cap in relation to the provision of deposit services and the provision of the loan services for the period from the effective date of the supplemental agreement to December 31, 2016 from RMB6 billion to RMB8 billion. Save as the said revision, all other terms of the new Financial Services Framework Agreement shall remain unchanged.

As of December 31, 2015, the Group's deposits placed with SA Finance amounted to RMB2,934 million, the outstanding loans provided by SA Finance is nil.

(2) On November 21, 2014, Guangdong CSA E-commerce Co., Ltd. (the "E-commerce Company") entered into four electronic aviation passenger comprehensive insurance four-parties cooperation agreements (the "Cooperation Agreements") with SA Finance, Air Union Insurance Brokers (Beijing) Co., Ltd. (the "Air Union") and Ping An Property & Casualty Insurance Company of China, Ltd. Guangdong Branch, Sunshine Property and Casualty Insurance Company Limited, Taiping Pension Co., Ltd. and PICC Property and Casualty Company Limited Guangzhou Branch the Insurance Companies, respectively (the "Insurance Companies"), for a term of three years commencing from June 12, 2014 to May 31, 2017. Pursuant to the Cooperation Agreements, the E-commerce Company agreed to authorize other parties to use the B2C website, the mobile terminal air tickets sale platform and VOS sale system of the Company for sales of online insurances in consideration for a fixed service fees for each policy sold through its electronic platform. SA Finance (the only entity within the CSAHC Group holding the comprehensive insurance agent qualification which was approved by both China Banking Regulatory Commission and CIRC) shall be responsible for the general coordination and support, financial settlement and assisting the settlement for insurance claims in relation to the sales of online insurance procured by Air Union through the electronic platforms of the Company. Air Union shall act as the agent of the Insurance Companies to sell the electronic aviation passenger comprehensive insurance through the electronic platforms of the Company and the Insurance Companies shall provide the standard insurance products and corresponding consulting services, and will be responsible for the insured risks under the electronic aviation passenger comprehensive insurance. The Group will charge a fixed service fee of RMB5 for each insurance policy sold through its electronic platforms. For the year ended December 31, 2014, the service fee charged by the Group amounted to RMB20.87 million.

On November 19, 2015, the Company and SA Finance entered into the Insurance Business Platform Cooperation Framework Agreement for a term of two years starting from January 1, 2015 to December 31, 2016. Pursuant to the Insurance Business Platform Cooperation Framework Agreement, the Company as the platform service provider, agreed to cooperate with SA Finance, and authorize SA Finance to use the various platforms of the Group including online channels and ground service counter channels as the sales platforms for sale of various insurances relating to aviation transportation including baggage insurance and aviation passenger accident insurance. The scope of the Insurance Business Platform Cooperation Framework Agreement shall also cover the electronic platform as contemplated under the four electronic aviation passenger comprehensive insurance four-parties cooperation agreements entered into between the E-commerce Company, inter alia, with SA Finance on November 21, 2014 as disclosed above. For the sale of insurance policies through the Group's ground service counter channels and its electronic platforms, the Group is currently charging a fixed ratio of the insurance premium of the insurance policies. For the year ended December 31, 2015, the service fee charged by the Group amounted to RMB16 million.

China Southern Air Holding Ground Services Company Limited ("GSC"), a wholly-owned subsidiary of CSAHC

The Company and GSC entered into a Sales Agency Services Framework Agreement dated January 28, 2011, which is valid from January 1, 2011 to December 31, 2013. The Company and GSC entered into a new Passenger and Cargo Sales Agency Services Framework Agreement dated November 8, 2013, which is valid from January 1, 2014 to December 31, 2016 to renew the continued cooperation with GSC. Pursuant to the new Passenger and Cargo Sales Agency Services Framework Agreement, the cooperative scope of both parties thereto mainly comprises extended businesses including air ticket sales agency services, airfreight forwarding sales agency services, chartered flight and pallets sales agency services, internal operation services for the inside storage area, and delivery services for the outside storage area. GSC charges commission with reference to the prevailing market rate. Besides, the Company has other air ticket sales agents in China who also charge commission at the same rates. GSC also acts as the ticket sales agents of other airline companies in China, and charge commission at the same rates offered to the Group. The annual transaction cap of the sales value shall not exceed RMB250,000,000.

For the year ended December 31, 2015, the commission expense and goods handling fee paid to GSC were RMB98 million and RMB109 million respectively, and the income relating to other services was RMB20 million.

Guangzhou China Southern Airlines Property Management Company Limited (the "GCSAPMC"), a wholly-owned subsidiary of CSAHC

The Company and GCSAPMC renewed the Framework Agreement for the Engagement of Property Management (the "existing Property Management Framework Agreement") on December 29, 2008 for a term of three years.

The Company has entered into a New Framework Agreement for Engagement of Property Management (the "New Property Management Framework Agreement") on December 28, 2012 to renew the property management transactions for a term of three years from January 1, 2012 to December 31, 2014. Pursuant to the New Property Management Framework Agreement, the Company has renewed the appointment of GCSAPMC for provision of property management and maintenance services for the Company's leased properties in the airport terminal, the base and the 110KV transformer substation at the new Baiyun International Airport (other than certain properties in the Company's headquarter located in the old Baiyun Airport which were covered in the existing Property Management Framework Agreement) to ensure the ideal working conditions of the Company's production and office facilities and physical environment, and the normal operation of equipment.

The Company has further entered into the airport property management framework agreement (the "Airport Property Management Framework Agreement") on January 11, 2013 to renew the property management at the old Baiyun Airport for a term of three years from January 1, 2012 to December 31, 2014. Pursuant to the Airport Property Management Framework Agreement, the Company has renewed the appointment of GCSAPMC for the provision of property management and maintenance services for the Company's properties at the old Baiyun Airport and surrounding in Guangzhou.

The fee charging schedule (or charge standard) under the New Property Management Framework Agreement and the Airport Property Management Framework Agreement shall be determined on an arm's length basis between both parties, and shall not be higher than the one charged by any independent third parties in the similar industry. The annual cap for the New Property Management Framework Agreement and the Airport Property Management Framework Agreement are set at RMB32,750,000 and RMB22,250,000, respectively.

On December 31, 2013, the Company further entered into an agreement supplemental to the New Property Management Framework Agreement (the "New Property Management Supplemental Agreement") and an agreement supplemental to the Airport Property Management Framework Agreement (the "Airport Property Management Supplemental Agreement"). Pursuant to the New Property Management Supplemental Agreement, the parties have agreed to revise the services fee in relation to the provision of property management and maintenance services by GCSAPMC for the Company's leased properties at the airport terminal, the base and the 110KV transformer substation at the new Baiyun International Airport from RMB32,750,000 per annum to RMB42,700,000 per annum for the year ended December 31, 2014. Pursuant to the Airport Property Management Supplemental Agreement, the parties have agreed to revise the services fee in relation to provision of property management and maintenance services by GCSAPMC for the Company's several properties at the old Baiyun Airport and surrounding in Guangzhou from RMB22,250,000 per annum to RMB27,300,000 per annum for the year ended December 31, 2014.

As the transactions contemplated under the New Property Management Framework Agreement and the Airport Property Management Framework Agreement will continue to be entered into on a recurring basis, the Company entered into the new Property Management Framework Agreement (the "Property Management Framework Agreement") with ise the services fee in relation to the provision of property management and maintenance services by GCSAPMC on December 29, 2014 to renew the property management transactions originally covered under the New Property Management Framework Agreement and the Airport Property Management Framework Agreement for a term of three years from January 1, 2015 to December 31, 2017. The annual cap for the Property Management Framework Agreement is set at RMB90 million, RMB92 million and RMB96 million for the three years ending December 31, 2015, 2016 and 2017, respectively.

For the year ended December 31, 2015, the property management and maintenance fee incurred by the Group amounted to RMB73 million pursuant to the New Property Management Framework Agreement, the Airport Property Management Framework Agreement and the Property Management Framework Agreement.

Shenzhen Air Catering Co., Ltd. (the "SACC"), which is 50.1% owned by CSAHC

The Company entered into a Catering Services Framework Agreement with Shenzhen Air Catering Co., Ltd., a non-wholly-owned subsidiary of CSAHC on April 19, 2013 for a term of three years, commencing from January 1, 2013 to December 31, 2015, pursuant to which SACC agrees to provide the in-flight lunch box, and order, supply, allot, recycle, store and install the in-flight supply with their respective services for the arrival and departure flights designated by the Group at the airport where SACC located at. The maximum annual aggregate amount of the services fee payable by the Company to SACC shall not exceed RMB100 million, RMB115 million and RMB132.5 million for each of the years ended December 31, 2013, 2014 and 2015, respectively.

For the year ended December 31, 2015, the services fee incurred by the Group for the catering services amounted to RMB100 million.

The Company entered into a new Catering Services Framework Agreement with SACC on December 30, 2015 for an additional term of three years, commencing from January 1, 2016 to December 31, 2018. The annual cap under the new agreement is set at RMB152 million, RMB175 million and RMB201 million for each of the years ending December 31, 2016, 2017 and 2018, respectively.

Zhuhai MTU, which is 50% owned by CSAHC

The Company entered into an agreement relating to continuing connected transactions with CSAHC, MTU Aero Engines GmbH ("MTU GmbH") and Zhuhai MTU on September 28, 2009, by which Zhuhai MTU shall continue to provide the Company with engine repair and maintenance services subject to the international competitiveness and at the net most favorable terms, while the Company shall make relevant payment to Zhuhai MTU according to related charging standard. The agreement is effective from its date to April 5, 2031. The maximum aggregate annual consideration for the continuing connected transactions under the above agreement were disclosed in the announcement of the Company dated September 28, 2009 and such maximum aggregate annual consideration for the year ended December 31, 2012 is RMB1.2 billion.

For the year ended December 31, 2015, the Group's engine repair and maintenance service fees incurred under the agreement amounted to RMB1,324 million.

Sale of Aircraft to Hebei Airlines Company Limited ("Hebei Airlines") by Xiamen Airlines

On September 26, 2012, the Board announced that Xiamen Airlines and Hebei Airlines entered into the Aircraft Sale Agreement, pursuant to which Xiamen Airlines agreed to sell and Hebei Airlines agreed to purchase one B737-800 aircraft at the consideration of approximately RMB257 million.

Acquisition of 95.4% Equity Interests in Hebei Airlines by Xiamen Airlines

On October 13, 2014, the Board announced that Xiamen Airlines and Hebei Airlines Investment Group Company Limited (the "Hebei Airlines Investment") entered into an agreement, pursuant to which Hebei Airlines Investment agreed to sell and Xiamen Airlines agreed to purchase 95.4%% equity interests (the "Targeted Equity Interests") in Hebei Airlines at the consideration of RMB680 million (the "Acquisition"). Hebei Airlines is a company incorporated in the PRC and its principal business activity is that of operation of international and domestic air routes, and cargo, mail and luggage transportation business; agency business between airlines; service business related to air transportation; provision of general aviation services; aircraft management business; aircraft maintenance; agency business between airlines, and ground service and air express (except mails and items with mail nature) related to the principal business; in-flight duty free goods; aircraft leasing and sales agent for aviation accident insurance; aviation food producing and sale, insurance industry and agency services; other aviation business and related business, including advertising for such businesses; logistics, trading and storage.

The audited and unaudited net asset value of Hebei Airlines as of December 31, 2013 and August 31, 2014 was approximately RMB 1,305.84 million and RMB 1,181.36 million, respectively. According to the valuation report dated June 30, 2014 prepared by Beijing Zhong Qi Hua Assets Valuation Co., Ltd. (an independent qualified valuer in the PRC), the appraisal value of the total equity interests of Hebei Airlines amounted to RMB831,293,200 as of April 30, 2014. As such, the appraisal value of the Targeted Equity Interests amounted to RMB793,053,700 as of April 30, 2014. The consideration of RMB 680 million is determined after an arm's length negotiation between the parties in accordance with prevailing market conditions and after taking into account, inter alia, the net asset value of Hebei Airlines and the abovementioned appraisal value of the Targeted Equity Interests as of April 30, 2014.

The Company believes that the Acquisition can help the Group to further develop the aviation market in Hebei, facilitate the integration of the North China market by Xiamen Airlines and improve its domestic route network; the Acquisition will also achieve the synergies of Xiamen Airlines and Hebei Airlines to strengthen their market positions, so as to further enhance the competitiveness of the Company, Xiamen Airlines and Hebei Airlines as a whole.

Acquisition of 4% Equity Interests in Xiamen Airlines from Xiamen Jianfa

On July 14, 2015, the Board announced that the Company and Xiamen Jianfa entered into an agreement (the "Share Transfer Agreement"), pursuant to which Xiamen Jianfa agreed to sell and the Company agreed to purchase 4% equity interests (the "Targeted Equity Interests") in Xiamen Airlines at the consideration of RMB586,666,670 (the "Acquisition"). The Company believes that the increase of 4% equity interests in Xiamen Airlines held by the Company can help the Group to further enhance its control over the Xiamen Airlines, help the Xiamen Airlines to maintain a stable shareholding structure, further improve the strategic synergy effect of the Company and Xiamen Airlines and improve the overall operating results of the Company.

On December 8, 2015, the Company and Xiamen Jianfa entered into a supplemental agreement to the Share Transfer Agreement, pursuant to which the parties agreed to adjust the consideration from RMB586,666,667 to RMB626,666,667 so as to reflect the profit attribution arrangement.

Sale of 51% Equity Interests in XAMC

On June 29, 2012, the Board announced that Xiamen Airlines and SACM entered into an agreement, pursuant to which Xiamen Airlines agreed to sell and SACM agreed to purchase 51% equity interests in XAMC at the consideration of RMB43.12 million. The Company believes that the disposal of the 51% equity interests in XAMC can promote the integration of media resources owned by SACM and XAMC, and they can achieve a better development by mutual use of the platforms and resources owned by each other. As XAMC shall be owned as to 49% by Xiamen Airlines, Xiamen Airlines shall continue to benefit from long-term development of XAMC.

Subscription of New A Shares by CSAHC

On June 11, 2012, the Board approved the proposed issuance of not more than 487,804,878 new A Shares (after the adjustment with reference to the profit distribution proposal for 2011) to CSAHC at the subscription price of RMB4.10 (after the adjustment with reference to the profit distribution proposal for 2011) per A Share (the "Non-public A Share Issue"). The proceeds to be raised from the proposed Non-public A Share Issue will be not more than RMB2 billion. CSAHC entered into the Subscription Agreement with the Company, pursuant to which CSAHC has conditionally agreed to subscribe for and the Company has conditionally agreed to allot and issue not more than 487,804,878 new A Shares for an aggregate consideration of not more than RMB2 billion, equivalent to the subscription price of RMB4.10 per new A Share (the "Subscription"). As of August 9, 2013, the relevant work regarding the 2012 Non-public A Share Issue of the Company has not been completed. The proposal for the 2012 Non-public A Share Issue of the Company and A Shares subscription agreement therefore were lapsed automatically due to the expiration of the resolution passed at the general meeting.

All related party transactions have been approved by Independent Non-executive Directors.

C. Interests of Experts and Counsel

Not applicable.

ITEM 8. FINANCIAL INFORMATION

A. Consolidated Statements and Other Financial Information

Our audited consolidated financial statements are set forth beginning on page F-1, which can be found after Item 19.

Legal Proceedings

The Company received a claim on July 11, 2011 from an overseas entity (the "claimant") against the Company for the alleged breach of certain terms and conditions of an aircraft sale agreement for aircraft sold by the Company to the claimant. The claimant claimed against the Company for damages in the sum of approximately USD46 million or for the refund of its down payments of approximately USD12 million paid to the Company, and also interest thereon which is to be calculated in accordance with Section 35A, Supreme Court Act 1981 of the United Kingdom. In 2012, the claimant subsequently changed its claim for the refund of the down payment to approximately USD14 million. On July 25, 2013, the High Court of England and Wales dismissed the claimant's claim in its entirety but awarded damages in the sum of approximately USD28 million, interest thereon and also legal costs to the Company in respect of its counterclaim made against the claimant. The claimant appealed to the Court of Appeal and on December 17, 2014, the Court of Appeal dismissed the claimant's appeal but varied the award of damages to the Company from USD28 million to USD18 million. The Court of Appeal also ordered the claimant to pay the Company's costs of the appeal. The claimant has applied for permission to further appeal the case to the Supreme Court but the application has been rejected by both the Court of Appeal and the Supreme Court. Based on existing information available, the Directors are of the opinion that an outflow of resource embodying economic benefits is not probable to occur.

On May 31, 2014, the Company received a notice from the International Court of Arbitration of International Chamber of Commerce ("ICC"). The notice states that SASOF TR-81 AVIATION IRELAND LIMITED (the "lessor") has applied for arbitration for the alleged breach of certain terms and conditions of an aircraft leasing agreement. The lessor has made a claim against the Company for an indemnity of approximately USD13 million, including the compensation for engine thrust upgrade damages, life components of engine, reserves of engines, cost of termination of the lease, external legal counsel's remuneration and the interest thereon. On July 31, 2014, the Company has established a team to handle this arbitration and applied to ICC for a counter claim to request the lessor to compensate the Company for insurance fees amounting to USD9.8 million, deposits, default penalty, extra technical support fees and legal expenses and the interest thereon. The hearing in the ICC arbitration proceedings commenced in London on March 7, 2016, and will conclude on April 19, 2016, and the award of the Arbitral Tribunal is awaited. As of the date of this report, the Company cannot reasonably predict the result and potential financial impact of this pending arbitration, if any. Therefore, no additional provision has been made against this pending arbitration.

Dividend Information

A dividend in respect of the year ended December 31, 2015 of RMB0.4 (inclusive of applicable tax) per ten shares, amounting to a total dividend of RMB785 million was proposed by the Directors on March 30, 2016. The final dividend proposed after the end of the financial year has not been recognized as a liability at the end of the financial year.

Our Board declares dividends, if any, in Renminbi with respect to H Shares on a per share basis and pays such dividends in Hong Kong dollars. Any final dividend for a fiscal year is subject to shareholders' approval. Bank of New York Mellon, as depositary, converts the HK dollar dividend payments and distributes them to holders of ADSs in U.S. dollars, less expenses of conversion. Under the Company Law of the PRC and our Articles of Association, all of our shareholders have equal rights to dividends and distributions. The holders of the H Shares share proportionately on a per share basis in all dividends and other distributions declared by our Board, if any, based on the foreign exchange conversion rate published by the People's Bank of China, or PBOC, on the date of the distribution of the cash dividend.

We believe that our dividend policy strikes a balance between two important goals providing our shareholders with a competitive return on investment and assuring sufficient reinvestment of profits to enable us to achieve our strategic objectives. The declaration of dividends is subject to the discretion of our Board, which takes into account the following factors:

- our financial results;
- capital requirements;
- contractual restrictions on the payment of dividends by us to our shareholders or by our subsidiaries to us;
- our shareholders interests;
- the effect on our creditworthiness;
- general business and economic conditions; and
- other factors our Board may deem relevant.

Pursuant to PRC laws and regulations and the Articles of Association of the Company, dividends may only be distributed after allowance has been made for: (i) recovery of losses, if any, and (ii) allocations to the statutory surplus reserve. The allocation to the statutory surplus reserve is 10% of our net profit determined in accordance with PRC GAAP. Our distributable profits for the current fiscal year will be equal to our net profits determined in accordance with IFRSs, less allocations to the statutory surplus reserve.

B. Significant Changes

No significant changes have occurred since the date of the consolidated financial statements.

ITEM 9. THE OFFER AND LISTING

A. Offer and Listing Details

The principal trading market for the Company's H Shares is the Hong Kong Stock Exchange, and the Company's trading code is "1055". The Company completed its initial public offering of H Shares on July 30, 1997. The ADRs, each representing 50 H Shares, have been listed for trading on the New York Stock Exchange since July 31, 1997, under the symbol "ZNH".

The principal trading market for the Company's A Shares is the Shanghai Stock Exchange with trading code of "600029". On July 25, 2003, the Company completed its initial public offering of A Shares.

Set forth below for the periods indicated are the high and low sales prices of H Shares on the Hong Kong Stock Exchange, ADRs on the New York Stock Exchange and A Shares on the Shanghai Stock Exchange.

	The Hong Kong Stock Exchange Price per H Share (HK\$)		The New York Stock Exchange Price per ADR (US\$)		The Shanghai Stock Exchange Price per A Share (RMB)	
	High	Low	High	Low	High	Low
<i>Annual Market Prices</i>						
Fiscal Year ended December 31, 2011	5.37	3.08	35.40	20.02	10.13	4.57
Fiscal Year ended December 31, 2012	4.54	3.22	29.72	20.20	5.48	3.28
Fiscal Year ended December 31, 2013	4.43	2.61	30.04	17.09	4.3	2.54
Fiscal Year ended December 31, 2014	3.90	2.23	25.17	14.53	5.93	2.26
Fiscal Year ended December 31, 2015	9.84	3.53	63.29	22.52	15.98	4.48
<i>Quarterly Market Prices</i>						
Fiscal Year ended December 31, 2014						
First Quarter	3.08	2.47	19.58	15.91	2.72	2.48
Second Quarter	2.64	2.23	16.68	14.53	2.60	2.26
Third Quarter	2.88	2.39	18.29	15.00	2.99	2.31
Fourth Quarter	3.90	2.49	25.17	15.97	5.93	2.81
Fiscal Year ended December 31, 2015						
First Quarter	5.45	3.53	36.04	22.52	8.51	4.48
Second Quarter	9.84	5.99	63.29	38.37	15.98	8.13
Third Quarter	9.00	4.32	57.50	27.46	14.27	7.12
Fourth Quarter	6.73	5.17	42.40	32.62	9.35	7.68
<i>Monthly Market Prices</i>						
October 2015	6.73	5.50	42.40	35.86	8.97	7.68
November 2015	6.44	5.64	41.51	36.49	9.35	7.74
December 2015	6.21	5.17	39.62	32.62	9.15	7.72
January 2016	5.48	4.50	35.23	28.93	8.57	6.14
February 2016	4.84	4.13	31.10	25.44	6.98	5.86
March 2016	4.95	4.41	32.17	29.07	6.59	5.91
April 2016 (up to April 18, 2016)	5.30	4.90	34.18	31.44	6.54	6.25

B. Plan of Distribution

Not applicable.

C. Markets

See "Offer and Listing Details" above.

D. Selling Shareholders

Not applicable.

E. Dilution

Not applicable.

F. Expenses of the Issue

Not applicable.

ITEM 10. ADDITIONAL INFORMATION

A. Share Capital

Not applicable.

B. Memorandum and Articles of Association

The following is a summary of certain provisions of our Articles of Association. As this is a summary, it does not contain all the information that may be important to you. You and your advisors should read the text of our most updated Articles of Association for further information, which is filed as an exhibit to this Annual Report.

General

The Company is registered with and has obtained a business license from the State Administration Bureau of Industry and Commerce of the People's Republic of China on March 25, 1995. On March 13, 2003, the Company obtained an approval certificate from the Ministry of Commerce to change to a permanent limited company with foreign investments.

Other Senior Administrative Officers

Pursuant to the Article 16 of the Articles of Association, other senior administrative officers of the Company refer to executive vice president, chief financial officer, the board secretary, chief economist, chief engineer, chief pilot, and chief legal adviser and chief information officer.

Objects and Purposes

Pursuant to the Article 18 of the Articles of Association, the scope of business of the Company includes: (I) provision of scheduled and non-scheduled domestic, regional and international air transportation services for passengers, cargo, mail and luggage; (II) undertaking general aviation services; (III) provision of aircraft repair and maintenance services; (IV) acting as agent for other domestic and international airlines; (V) provision of air catering services; (VI) provision of hotel business; (VII) acting as sale agent for aircraft leasing and aviation accident insurance; (VIII) engaging in other airline or airline-related business, including advertising for such services; and (IX) insurance agency business. (subject to approved of State Administration of Industry and Commerce).

Directors

Pursuant to Article 243 of the Articles of Association, where a Director of the Company is in any way, directly or indirectly, materially interested in a contract, transaction or arrangement or proposed contract, transaction or arrangement with the Company, other than his contract of service with the Company, he shall declare the nature and extent of his interests to the Board of Directors at the earliest opportunity, whether or not the contract, transaction or arrangement or proposal is otherwise subject to the approval of the Board of Directors. For the purposes of this Article, a director is deemed to be interested in a contract, transaction or agreement in which an associate of him is interested.

Pursuant to Article 173 of the Articles of Association, where a Director is interested in any resolution proposed at a board meeting, such Director shall not be present and shall not have a right to vote. Such Director shall not be counted in the quorum of the relevant meeting. Such directors also shall not vote on behalf of other directors. Board meetings may be convened by more than half of the directors who are not interested in the proposal. Resolutions of board meetings shall be passed by more than half of directors who are not interested in the proposal.

Pursuant to Article 251 of the Articles of Association, the Company shall, with the prior approval of shareholders in general meeting, enter into a contract in writing with a Director wherein his emoluments are stipulated. The aforesaid emoluments include, emoluments in respect of his service as Director, Supervisor or senior administrative officer of the Company or any subsidiary of the Company, emoluments in respect of the provision of other services in connection with the management of the affairs of the Company and any of its subsidiaries, and payment by way of compensation for loss of office, or as consideration for or in connection with his retirement from office. There is no specific provisions concerning a director's power, in the absence of an independent quorum, to vote compensation to themselves or any members of their body, other than the above Article 173 with respect to a director's voting power in matters he is materially interested.

Ordinary Shares

Pursuant to Article 26 of the Articles of Association, subject to the approval of the securities authority of the State Council, the Company may issue and offer shares to domestic investors or foreign investors for subscription. Foreign investors are those investors of foreign countries and regions of Hong Kong, Macau and Taiwan who subscribe for shares issued by the Company. Domestic investors are those investors within the territory of the PRC (excluding investors of the regions referred to in the preceding sentence) who subscribe for shares issued by the Company.

Pursuant to Article 27 of the Articles of Association, shares issued by the Company to domestic investors for subscription in Renminbi shall be referred to as "Domestic-Invested Shares". Shares issued by the Company to foreign investors for subscription in foreign currencies shall be referred to as "Foreign-Invested Shares". Foreign-Invested Shares which are listed overseas are called "Overseas-Listed Foreign-Invested Shares". The foreign currencies mean the legal currencies (apart from Renminbi) of other countries or districts which are recognised by the foreign exchange control authority of the state and can be used to pay the Company for the share price.

Pursuant to Article 28 of the Articles of Association, Domestic-Invested Shares issued by the Company are called "A Shares". Overseas-Listed Foreign-Invested Shares issued by the Company and listed in Hong Kong are called "H Shares". H Shares are shares which have been admitted for listing on the Stock Exchange of Hong Kong Limited, the par value of which is denominated in Renminbi and which are subscribed for and traded in Hong Kong dollars. H Shares can also be listed on a stock exchange in the United States of America in the form of ADR. Shares issued by the Company, including A Shares and H Shares, are all ordinary shares.

Pursuant to Article 62 of the Articles of Association, the ordinary shareholders of the Company shall enjoy the following rights:

- (1) the right to attend or appoint a proxy to attend shareholders' general meetings and to vote thereat;
- (2) the right to dividends and other distributions in proportion to the number of shares held;
- (3) the right of supervisory management over the Company's business operations, and the right to present proposals or enquiries;

- (4) the right to transfer, donate or pledge his shares in accordance with laws, administrative regulations and provisions of these Articles of Association;
- (5) the right of knowledge and decision making power with respect to important matters of the Company in accordance with laws, administrative regulations and these Articles of Association;
- (6) the right to obtain relevant information in accordance with the provisions of these Articles of Association, including:
 - (i) the right to obtain a copy of these Articles of Association, subject to payment of the cost of such copy;
 - (ii) the right to inspect and copy, subject to payment of a reasonable charge;
 - (iii) all parts of the register of shareholders;
 - (a) personal particulars of each of the Company's directors, supervisors, president and other senior administrative officers, including:
 - (aa) present name and alias and any former name or alias;
 - (bb) principal address (residence);
 - (cc) nationality;
 - (dd) primary and all other part-time occupations and duties;
 - (ee) identification documents and their relevant numbers;
 - (b) state of the Company's share capital;
 - (c) reports showing the aggregate par value, quantity, highest and lowest price paid in respect of each class of shares repurchased by the Company since the end of last accounting year and the aggregate amount paid by the Company for this purpose;
 - (d) minutes of shareholders' general meetings; and
 - (e) interim and annual reports of the Company.
- (7) in the event of the termination or liquidation of the Company, to participate in the distribution of surplus assets of the Company in accordance with the number of shares held; and
- (8) other rights conferred by laws, administrative regulations and these Articles of Association.

According to Article 266, dividends shall be distributed in accordance with the proportion of shares held by shareholders.

According to Article 67 of the Articles of Association, shareholders of the company have the obligation not to withdraw their shares unless required by laws and regulations.

According to Article 37 of the Articles of Association, the Company may repurchase its issued shares under the following circumstances: (1) cancellation of shares for the reduction of its capital; (2) merging with another company that holds shares in the Company; (3) awarding its employees with shares; (4) at the request of the dissenting shareholders; and (5) other circumstances permitted by laws and administrative regulations.

According to Article 41 of the Articles of Association, unless the Company is in the course of liquidation, it must comply with the following provisions in relation to repurchase of its issued shares: (1) where the Company repurchases shares of the Company at par value, payment shall be made out of book surplus distributable profits of the Company or out of proceeds of a fresh issue of shares made for that purpose; (2) where the Company repurchases shares of the Company at a premium to its par value, payment up to the par value may be made out of the book surplus distributable profits of the Company or out of the proceeds of a fresh issue of shares made for that purpose; and (3) payment by the Company in consideration of the following shall be made out of the Company's distributable profits: (i) acquisition of rights to repurchase shares of the Company; (ii) Variation of any contract to repurchase shares of the Company; and (iii) release of any of the Company's obligation under any contract to repurchase shares of the Company.

According to Article 263 of the Articles of Association, when distributing each year's after-tax profits, the Company shall set aside 10% of such profits for the Company's statutory common reserve fund, except where the accumulated balance of the said fund has reached 50% of the Company's registered capital. After the Company has allocated its after-tax profits to the statutory common reserve fund, it may, with the approval of the shareholders by way of resolution in a shareholders' general meeting, further allocate its after-tax profits to the discretionary common reserve fund.

According to Article 67 of the Articles of Association, shareholders are not liable to make any further contribution to the share capital other than as agreed by the subscriber of the relevant shares on subscription.

The Articles of Association does not have specific provisions discriminating against any existing or prospective holder of such securities as a result of other shareholders owning a substantial number of shares.

Action Necessary to Change Rights of Shareholders

Pursuant to Article 151 of the Articles of Association, shareholders who hold different classes of shares are shareholders of different classes. The holders of the Domestic Shares and holders of Overseas Listed Foreign Shares are deemed to be shareholders of different classes.

Pursuant to Article 152 of the Articles of Association, rights conferred on any class of shareholders in the capacity of shareholders ("class rights") may not be varied or abrogated unless approved by a special resolution of shareholders in general meeting and by holders of shares of that class at a separate meeting.

Pursuant to Article 154 of the Articles of Association, shareholders of the affected class, whether or not otherwise having the right to vote at shareholders' general meetings, shall nevertheless have the right to vote at class meetings in respect of the following matters: (i) to effect an exchange of all or part of the shares of such class into shares of another class or to effect an exchange or create a right of exchange of all or part of the shares of another class into the shares of such class; (ii) to restrict the transfer or ownership of the shares of such class or add to such restriction; (iii) to restructure the Company where the proposed restructuring will result in different classes of shareholders bearing a disproportionate burden of such proposed restructuring; and (iv) to vary or abrogate the provisions of these Articles of Association. However, interested shareholder(s) shall not be entitled to vote at class meetings.

Pursuant to Article 155 of the Articles of Association, resolutions of a class of shareholders shall be passed by votes representing more than two-thirds of the voting rights of shareholders of that class represented at the relevant meeting who are entitled to vote at class meetings.

Pursuant to Article 156 of the Articles of Association, written notice of a class meeting shall be given forty-five days before the date of the class meeting to notify all of the shareholders in the share register of the class of the matters to be considered, the date and the place of the class meeting. A shareholder who intends to attend the class meeting shall deliver his written reply concerning attendance at the class meeting to the Company twenty days before the date of the class meeting. If the number of shares carrying voting rights at the meeting represented by the shareholders who intend to attend the class meeting reaches more than one half of the voting shares at the class meeting, the Company may hold the class meeting; if not, the Company shall within five (5) days notify the shareholders again by public notice of the matters to be considered, the date and the place for the class meeting. The Company may then hold the class meeting after such publication of notice.

Pursuant to Article 157 of the Articles of Association, notice of class meetings need only be served on shareholders entitled to vote thereat. Meeting of any class of shareholders shall be conducted in a manner as similar as possible to that of general meetings of shareholders. The provisions of these Articles of Association relating to the manner to conduct any shareholders' general meeting shall apply to any meeting of a class of shareholders.

Meetings of Shareholders

According to Article 78, shareholders' general meetings are divided into annual general meetings and extraordinary general meetings. Shareholders' general meetings shall be convened by the Board of Directors. Annual general meetings are held once every year and within six months from the end of the preceding financial year.

According to Article 79, under any of the following circumstances, the Board of Directors shall convene an extraordinary general meeting within two months: (1) the number of directors is less than that is required by the Company Law or two thirds of the number of directors specified in these Articles of Association; (2) the accrued losses of the Company amount to one third of the total amount of its share capital; (3) shareholder(s) individually or jointly holding 10% or more of the Company's issued and outstanding shares carrying voting rights request(s) in writing the convening of an extraordinary general meeting; (4) it is deemed necessary by the Board of Directors or requested by the supervisory committee to convene an extraordinary general meeting; (5) more than one half of the independent directors propose to convene the meeting.

According to Article 91 of the Articles of Association, notice of a shareholders' general meeting shall be given by way of announcement or by any other manner as provided in these Articles of Association (if necessary), not less than forty-five days (including forty-five days) before the date of the meeting to notify all of the shareholders in the share register of the matters to be considered, the date and the place of the meeting.

According to Article 92 of the Articles of Association, the Company shall, based on the written replies received twenty days before the date of the shareholders' general meeting from the shareholders, calculate the number of voting shares represented by the shareholders who intend to attend the meeting. If the number of voting shares represented by the shareholders who intend to attend the meeting reaches one half or more of the Company's total voting shares, the Company may hold the meeting; if not, then the Company shall within five days notify the shareholders again by public notice of the matters to be considered, the place and date for, the meeting. The Company may then hold the meeting after such publication of notice.

Limitation on Right to Own Securities

The Articles of Association does not specifically provide for the limitations on the rights to own securities by certain shareholders, however, the PRC Special Regulations on Overseas Offering and the Listing of Shares by Companies Limited by Share (the "Special Regulations") and the Mandatory Provisions for Articles of Association of Companies to be Listed Overseas (the "Mandatory Provisions") provide for different classes of shares to be subscribed for and traded by local and overseas investors respectively. Shares which can be traded by overseas investors must be in registered form and while denominated in Renminbi, they are traded in foreign currency with dividends payable in foreign currency. Local investors are prohibited from dealing in such shares.

Merger, Acquisition or Corporate Restructuring

Pursuant to Article 291 of the Articles of Association, in the event of the merger or division of the Company, a plan shall be presented by the Company's Board of Directors and shall be approved in shareholders' general meeting and the relevant examining and approving formalities shall be processed as required by law. A shareholder who objects to the plan of merger or division shall have the right to demand the Company or the shareholders who consent to the plan of merger or division to acquire that dissenting shareholder's shareholding at a fair price. The contents of the resolution of merger or division of the Company shall be made into special documents for shareholders' inspection. Such special documents shall be sent by mail to holders of Overseas-Listed Foreign-Invested Shares.

Ownership to Be Disclosed

The Articles of Association do not contain any provisions governing the ownership threshold above which shareholder ownership must be disclosed.

C. Material Contracts

Other than such contracts as are described in our disclosure in Item 4 "Information on the Company" and Item 7 "Major Shareholders and Related Party Transactions", we have not entered into any material contracts outside the ordinary course of our business within the two years preceding the date of this annual report.

D. Exchange Controls

Under current Chinese foreign exchange regulations, Renminbi is fully convertible for current account transactions, but is not freely convertible for capital account transactions. Current account foreign currency transactions can be undertaken without prior approval from the relevant Chinese government agencies by producing commercial documents evidencing such transactions, provided that they are processed through Chinese banks licensed to engage in foreign currency transactions. Conversion from Renminbi into a foreign currency or vice versa for purposes of capital account transactions requires prior approvals of relevant Chinese government agencies. This restriction on capital account transactions could affect the ability of the Company to acquire foreign currency for capital expenditures.

The Company is generally required by law to sell all its foreign currency revenues to Chinese banks. The Company may purchase foreign currency directly from Chinese banks for any current account transactions, such as trade transactions in its usual and normal course of business, including acquisition of aircraft, jet fuel and flight equipment (such acquisition requires approvals from the relevant Chinese government agencies). Payment of dividends by the Company to holders of the Company's H Shares and ADRs is also considered a current account transaction under Chinese law. Therefore, there is no legal restriction on the conversion of Renminbi into foreign currency for the purpose of paying dividends to such holders of H Shares and ADRs. In addition, the Company's Articles of Association require the Company to pay dividends to holders of the Company's H Shares and ADRs in foreign currency.

On July 21, 2005, the PRC government changed its policy of pegging the value of the Renminbi to the U.S. dollar so that the Renminbi is now permitted to fluctuate within a band against a basket of certain foreign currencies. On May 18, 2007, the People's Bank of China announced that the floating band of Renminbi trading prices against U.S. dollar in the inter-bank spot foreign exchange market would be permitted to rise or fall by as much as 0.5%. The floating band was subsequently expanded to 1% by the People's Bank of China, effective from April 16, 2012, and further expanded to 2% by the People's Bank of China, effective from March 15, 2014.

The PRC government has stated publicly that it intends to further liberalize its currency policy, which could result in a further and more significant change in the value of the Renminbi against the U.S. dollar. Any significant revaluation of the Renminbi may have a material adverse effect on the Company's financial performance, and the value of, and any dividends payable on, the Company's H Shares and ADRs in foreign currency terms.

Other Limitations

There are no limitations on the right of non-resident or foreign owners to hold or vote H Shares or ADRs imposed by Chinese law or by the Articles of Association or other constituent documents of the Company. However, under current Chinese law, foreign ownership of the Company may not exceed 49%.

Chinese Taxation

The following is a general summary of certain Chinese tax consequences of the acquisition, ownership and disposition of A Shares, H Shares and ADRs. This summary is based upon tax laws of China as in effect on the date of this Annual Report, including the income tax treaty between the United States and China (the "U.S.-PRC Tax Treaty"), all of which are subject to change or different interpretation.

In general, for Chinese tax purposes, holders of ADRs will be treated as the owners of the H Shares represented by those ADRs, and exchanges of H Shares for ADRs, and ADRs for H Shares, will not be subject to taxation under the laws of China.

This summary does not purport to address all material tax consequences for holders or prospective purchasers of A Shares, H Shares or ADRs, and does not take into account the specific circumstances of such investors. Investors should consult their own tax advisors as to Chinese or other tax consequences of the acquisition, ownership and disposition of A shares, H Shares or ADRs.

As a result of the new corporate income tax law, the statutory corporate income tax rate adopted by the Company and its subsidiaries has been changed from 33% to 25% with effect from January 1, 2008. Pursuant to new corporate income tax law, the corporate income tax rates of entities that previously enjoyed preferential tax rates of 15% have been revised to 18%, 20%, 22%, 24% and 25% for 2008, 2009, 2010, 2011 and 2012 onwards, respectively.

Dividends

The new corporate income tax law and its relevant regulations generally provide for the imposition of a withholding tax on dividends paid by a Chinese company to a non-resident enterprise at a rate of 10%.

China currently has double-taxation treaties with a number of countries, such as Australia, Canada, France, Germany, Japan, Malaysia, the Netherlands, Singapore, the United Kingdom and the United States. Under the U.S.-PRC Tax Treaty, China may tax a dividend paid by the Company to a U.S. holder up to a maximum of 10% of the gross amount of such dividend.

For individuals, Chinese tax law generally provides that an individual who receives dividends from Chinese companies is subject to a 20% individual income tax. A 50% reduction of taxable income is granted by Chinese tax law for an individual receiving dividends from a listed company on Shanghai Stock Exchange or Shenzhen Stock Exchange. As a result, the effective tax rate for dividends received by A share individual holder is 10% in 2012. Dividend income received by any foreign individual that holds overseas shares in Chinese enterprise is generally subject to individual income tax at a flat rate of 20%, subject to exemption or reduction by an applicable double-taxation treaty.

Capital Gains from Transfer or Disposition of Shares

The new corporate income tax law and its relevant regulations generally provides that a non-resident enterprise is subject to a 10% capital gains tax for the transfer or disposition of shares of a Chinese company.

For individual shareholders, Chinese tax law generally provide that an individual who transfers or otherwise disposes of a company's shares of capital stock is subject to a 20% individual income tax on the capital gain, if any. Currently, all individuals are temporarily exempt from individual income tax on transfers of shares of joint stock companies listed on Shanghai Stock Exchange or Shenzhen Stock Exchange, such as the Company. Should such temporary exemption be discontinued, such holders may be subject to a 20% individual income tax on the capital gain, if any, unless reduced by an applicable double-taxation treaty.

United States Federal Income Taxation

This discussion describes general U.S. federal income tax consequences of the purchase, ownership and disposition of the Company's ADRs. This discussion does not address any aspect of U.S. federal gift or estate tax, or the state, local or foreign tax consequences of an investment in the Company's ADRs. This discussion applies to you only if you hold and beneficially own the Company's ADRs as capital assets for tax purposes. This discussion does not apply to you if you are a member of a class of holders subject to special rules, such as:

- dealers in securities or currencies;
- traders in securities that elect to use a mark-to-market method of accounting for securities holdings;
- banks or other financial institutions;
- insurance companies;
- tax-exempt organizations, retirement plans, individual retirement accounts or tax deferred accounts;
- partnerships or other pass-through entities (including entities treated as partnerships for U.S. federal income tax purposes) or persons holding ADRs through any such entities;
- persons that hold ADRs as part of a hedge, straddle, constructive sale, conversion transaction or other integrated investment;
- persons whose functional currency for tax purposes is not the U.S. dollar;
- persons who are U.S. expatriates;
- persons liable for alternative minimum tax; or
- persons who directly, indirectly or constructively own 10% or more of the total combined voting power of all classes of the Company's shares (including ADRs) entitled to vote.

This discussion is based on the U.S. Internal Revenue Code of 1986, as amended, which is referred to in this discussion as the Code, its legislative history, existing and proposed regulations promulgated thereunder, published rulings and court decisions, all as currently in effect. These laws are subject to change, possibly on a retroactive basis. In addition, this discussion relies on the assumptions regarding the value of the Company's shares and the nature of its business over time. Finally, this discussion is based in part upon the representations of the depository and the assumption that each obligation in the deposit agreement and any related agreement will be performed in accordance with its terms. For U.S. federal income tax purposes, as a holder of ADRs, you are treated as the owner of the underlying ordinary shares represented by such ADRs.

The discussions and comments included herein are only a general description of the tax aspects and they do not constitute a tax advice or opinion. Therefore, you should consult your own tax advisor concerning the particular U.S. federal income tax consequences to you of the purchase, ownership and disposition of the Company's ADRs, as well as the consequences to you arising under the laws of any other taxing jurisdiction.

For purposes of the U.S. federal income tax discussion below, you are a "U.S. Holder" if you beneficially own ADRs and are:

- a citizen or resident of the United States for U.S. federal income tax purposes;
- a corporation, or other entity taxable as a corporation, that was created or organized in or under the laws of the United States or any political subdivision thereof;

- an estate the income of which is subject to U.S. federal income tax regardless of its source; or
- a trust if (a) a court within the United States is able to exercise primary supervision over its administration and one or more U.S. persons have the authority to control all substantial decisions of the trust, or (b) the trust has a valid election in effect to be treated as a U.S. person.

If you are not a U.S. person, please refer to the discussion below under "Non-U.S. Holders."

U.S. Holders

Dividends on ADRs

Subject to the Passive Foreign Investment Company ("PFIC") discussion below, if the Company makes distributions and you are a U.S. Holder, the gross amount of any distributions you receive on your ADRs will generally be treated as dividend income if the distributions are made from the Company's current or accumulated earnings and profits, calculated according to U.S. federal income tax principles. Dividends will generally be subject to U.S. federal income tax as ordinary income on the day you actually or constructively receive such income. However, if you are an individual and have held your ADRs for a sufficient period of time, dividend distributions on the Company's ADRs will generally constitute qualified dividend income taxed at a preferential rate as long as the Company is not treated as a PFIC, the Company's ADRs continue to be readily tradable on the New York Stock Exchange and certain other conditions apply. You should consult your own tax adviser as to the rate of tax that will apply to you with respect to dividend distributions, if any, you receive from us.

Distributions in excess of current and accumulated earnings and profits, as determined for U.S. federal income tax purposes, will be treated as a non-taxable return of capital to the extent of your adjusted tax basis in the ADRs and thereafter as capital gain. However, the Company does not intend to maintain calculations of its earnings and profits in accordance with U.S. federal income tax principles, so each U.S. Holder should therefore assume that any distribution by the Company with respect to the ADRs will constitute ordinary dividend income. Even if you are a corporation, you will not be entitled to claim a dividends-received deduction with respect to distributions you receive from the Company. Dividends generally will constitute foreign source passive income for U.S. foreign tax credit limitation purposes. You should consult your own tax advisor to determine the foreign tax credit implications of owning ADRs.

Sales and other dispositions of ADRs

Subject to the PFIC discussion below, when you sell or otherwise dispose of the Company's ADRs, you will generally recognize capital gain or loss in an amount equal to the difference between the amount realized on the sale or other disposition and your adjusted tax basis in the ADRs, both as determined in U.S. dollars. Your adjusted tax basis will generally equal the amount you paid for the ADRs. Any gain or loss you recognize is long-term capital gain or loss if your holding period in the Company's ADRs is more than one year at the time of disposition. If you are an individual, any such long-term capital gain is eligible for preferential rates. Your ability to deduct capital losses is subject to various limitations.

Passive Foreign Investment Company

If the Company is currently or were to become a PFIC, as a U.S. Holder, you would generally be subject to adverse U.S. tax consequences, in the form of increased tax liabilities and special U.S. tax reporting requirements.

The Company will be classified as a PFIC in any taxable year if either: (1) the average value during the taxable year of its assets that produce passive income, or are held for the production of passive income, is at least 50% of the average value of its total assets for such taxable year (the "Asset Test"); or (2) 75% or more of its gross income for the taxable year is passive income (such as certain dividends, interest or royalties)(the "Income Test"). For purposes of the Asset Test: (1) any cash, cash equivalents, and cash invested in short-term, interest bearing, debt instruments, or bank deposits that is readily convertible into cash, will generally count as producing passive income or as being held for the production of passive income; and (2) the average values of the Company's passive and total assets is calculated based on its market capitalization. In the case of publicly traded corporations, fair market value must be used for purposes of applying the Asset Test. In addition, regarding the above two tests, there are complex look-through rules to consider with respect to the assets and activities of related corporations from which the Company either receives income or in which it holds an interest. More specifically, certain adjustments are made to exclude certain income received from a related party or to include income earned and assets held by a 25% or more owned subsidiary in determining whether the Company qualifies as a PFIC under the two tests. In particular: 1) passive income received from a related party is excluded if it is properly allocable to the non-passive income of the related party, and 2) if the Company owns directly or indirectly 25% or more of the stock of another corporation, the Company is treated as if it owned directly a proportionate share of that corporation's assets and income.

The Company believes that it was not a PFIC for the taxable year 2015. However, there can be no assurance that the Company will not be a PFIC for the taxable year 2016 and/or later taxable years, as PFIC status is re-tested each year and depends on the facts in such year. For example, the Company would be a PFIC for the taxable year 2015 if the sum of its average market capitalization, which is its share price multiplied by the total amount of its outstanding shares, and its liabilities over that taxable year is not more than twice the value of its cash, cash equivalents, and other assets that are readily converted into cash.

If the Company were a PFIC, you would generally be subject to additional taxes and interest charges on certain "excess distributions" the Company makes regardless of whether the Company continues to be a PFIC in the year in which you receive an "excess distribution". An "excess distribution" would be either (1) the excess amount of a distribution with respect to ADRs during a taxable year in which distributions to you exceed 125% of the average annual distributions to you over the preceding three taxable years or, if shorter, your holding period for the ADRs, or (2) 100% of the gain from the disposition of ADRs.

To compute the tax on "excess" distributions or any gain, (1) the "excess distribution" would be allocated ratably to each day in your holding period, (2) the amounts allocated to the current year and to any tax year before the first day on which the Company became a PFIC would be taxed as ordinary income in the current year, (3) the amount allocated to other taxable years would be taxable at the highest applicable marginal rate in effect for that year, and (4) an interest charge at the rate for underpayment of U.S. federal income tax for any period described under (3) above would be imposed with respect to any portion of the "excess" distribution that is allocated to such period. In addition, if the Company were a PFIC, no distribution that you receive from the Company would qualify for taxation at the preferential rate discussed in the "Dividends on ADRs" section above.

If the Company were a PFIC in any year, as a U.S. Holder, you would be required to make an annual return on IRS Form 8621 "Information Return by a Shareholder of a Passive Foreign Investment Company or a Qualified Electing Fund." However, the Company does not intend to generate, or share with you, information that you might need to properly complete IRS Form 8621. You should consult with your own tax adviser regarding reporting requirements with regard to your ADRs.

If the Company were a PFIC in any year, you would generally be able to avoid the "excess" distribution rules described above by making a timely so-called "mark-to-market" election with respect to your ADRs provided the Company's ADRs are "marketable". The Company's ADRs will be "marketable" as long as they remain regularly traded on a national securities exchange, such as the New York Stock Exchange. If you made this election in a timely fashion, you would generally recognize as ordinary income or ordinary loss the difference between the fair market value of your ADRs on the first day of any taxable year and their value on the last day of that taxable year. Any ordinary income resulting from this election would generally be taxed at ordinary income rates and would not be eligible for the reduced rate of tax applicable to qualified dividend income. Any ordinary losses would be limited to the extent of the net amount of previously included income as a result of the mark-to-market election, if any. Your basis in the ADRs would be adjusted to reflect any such income or loss. Any gains recognized on the sale or other disposition of the ADRs would be treated as ordinary income and any losses would be treated as ordinary losses (but only to the extent of the net amount of previously included income as a result of the mark-to-market election, if any). You should consult with your own tax adviser regarding potential advantages and disadvantages to you of making a "mark-to-market" election with respect to your ADRs.

Separately, if the Company were a PFIC in any year, you would be able to avoid the "excess" distribution rules by making a timely election to treat us as a so-called "Qualified Electing Fund" or "QEF". You would then generally be required to include in gross income for any taxable year (1) as ordinary income, your pro rata share of the Company's ordinary earnings for the taxable year, and (2) as long-term capital gain, your pro rata share of the Company's net capital gain for the taxable year. However, the Company does not intend to provide you with the information you would need to make or maintain a "QEF" election and you will, therefore, not be able to make or maintain such an election with respect to your ADRs.

Medicare Tax

Recently enacted legislation requires certain U.S. Holders who are individuals, estates or trusts to pay up to an additional 3.8% tax on, among other things, dividends and capital gains for tax years beginning after December 12, 2012.

Non-U.S. Holders

If you beneficially own ADRs and are not a U.S. Holder for U.S. federal income tax purposes (a "Non-U.S. Holder"), you generally will not be subject to U.S. federal income tax or U.S. withholding tax on dividends received from the Company with respect to ADRs unless that income is considered effectively connected with your conduct of a U.S. trade or business and, if an applicable income tax treaty so requires as a condition for you to be subject to U.S. federal income tax with respect to income from your ADRs, such dividends are attributable to a permanent establishment that you maintain in the United States.

You generally will not be subject to U.S. federal income tax, including withholding tax, on any gain realized upon the sale or exchange of ADRs, unless:

- that gain is effectively connected with the conduct of a U.S. trade or business and, if an applicable income tax treaty so requires as a condition for you to be subject to U.S. federal income tax with respect to income from your ADRs, such gain is attributable to a permanent establishment that you maintain in the United States; or
- you are a non-resident alien individual and are present in the United States for at least 183 days in the taxable year of the sale or other disposition and certain other conditions are met.

If you are engaged in a U.S. trade or business, unless an applicable tax treaty provides otherwise, the income from your ADRs, including dividends and the gain from the disposition of the Company's ADRs, that is effectively connected with the conduct of that trade or business will generally be subject to the rules applicable to U.S. Holders discussed above. In addition, if you are a corporation, you may be subject to an additional branch profits tax at a rate of 30% or any lower rate under an applicable tax treaty.

U.S. information reporting and backup withholding rules

In general, dividend payments with respect to the ADRs and the proceeds received on the sale or other disposition of those ADRs may be subject to information reporting to the IRS and to backup withholding (currently imposed at a rate of 28%). Backup withholding will not apply, however, if you (1) are a corporation or come within certain other exempt categories and, when required, can demonstrate that fact or (2) provide a taxpayer identification number, certify as to no loss of exemption from backup withholding and otherwise comply with the applicable backup withholding rules. To establish your status as an exempt person, you will generally be required to provide certification on IRS Form W-9, W-8BEN or W-8ECI, or an appropriate substitute, as applicable. Any amounts withheld from payments to you under the backup withholding rules will be allowed as a refund or a credit against your U.S. federal income tax liability, provided that you furnish the required information to the IRS.

HOLDERS OF THE COMPANY'S ADRS SHOULD CONSULT WITH THEIR OWN TAX ADVISORS REGARDING THE APPLICATION OF THE U.S. FEDERAL INCOME TAX LAWS TO THEIR PARTICULAR SITUATIONS AS WELL AS ANY TAX CONSEQUENCES RESULTING FROM PURCHASING, HOLDING OR DISPOSING OF THE ADRS, INCLUDING THE APPLICABILITY AND EFFECT OF THE TAX LAWS OF ANY STATE, LOCAL OR FOREIGN JURISDICTION AND INCLUDING ESTATE, GIFT, AND INHERITANCE LAWS.

F. Dividends and Paying Agents

Not applicable.

G. Statement by Experts

Not applicable.

H. Documents on Display

The Company has filed this Annual Report on Form 20-F with the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended. Statements made in this Annual Report as to the contents of any document referred to are not necessarily complete. With respect to each such document filed as an exhibit to this Annual Report, reference is made to the exhibit for a more complete description of the matter involved, and each such statement shall be deemed qualified in its entirety by such reference.

The Company is subject to the informational requirements of the Exchange Act and file reports and other information with the Securities and Exchange Commission. Reports and other information which the Company filed with the Securities and Exchange Commission, including this Annual Report on Form 20-F, may be inspected and copied at the public reference room of the Securities and Exchange Commission at 450 Fifth Street N.W. Washington D.C. 20549.

You can also obtain copies of this Annual Report on Form 20-F by mail from the Public Reference Section of the Securities and Exchange Commission, 450 Fifth Street, N.W., Washington D.C. 20549, at prescribed rates. Additionally, copies of this material may be obtained from the Securities and Exchange Commission's Internet site at <http://www.sec.gov>. The Commission's telephone number is 1-800-SEC-0330. Copies of this material may also be obtained for the Company's website at <http://www.csair.com>.

I. Subsidiary Information

Not applicable.

ITEM 11. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Fuel Price Fluctuation Risk

The Group's earnings are affected by changes in the price and availability of jet fuel. There are currently no effective means available to manage the Group's exposure to the fluctuations in jet fuel prices. The Group's results of operations may be significantly affected by fluctuations in fuel prices which is a significant expense for the Group. A reasonable possible increase or decrease of 10% in jet fuel price, with volume of fuel consumed and all other variables held constant, would have increased/decreased the fuel costs by approximately RMB2,627 million. The sensitivity analysis of jet fuel price risk is disclosed in Note 4 (e) to the consolidated Financial Statements.

Interest Rate Risk

The Group is subject to market risks due to fluctuations in interest rates. The majority of the Group's borrowing is in the form of long-term fixed-rate and variable-rate debts with original maturities ranging from three to twelve years. Fluctuations in interest rates can lead to significant fluctuations in the fair value of such debt instruments. From time to time, the Group may enter into interest rate swaps designed to mitigate exposure relating to interest rate risks. The sensitivity analysis of interest rate risk is disclosed in Note 4(b) to the consolidated Financial Statements.

The following table provides information regarding the Group's financial instruments that are sensitive to changes in interest rate as of December 31, 2015 and 2014:

	As of December 31, 2015 Expected Maturity Date								As of December 31, 2014	
	2016	2017	2018	2019	2020	Thereafter	Total Recorded Amount	Fair Value (2)	Total Recorded Amount	Fair Value (2)
Fixed-rate bank and other loans in US\$	-	-	-	-	-	-	-	-	935	1,009
Average interest rate	-	-	-	-	-	-	-	-	-	-
Variable-rate bank and other loans in US\$	2,781	6,607	2,221	1,670	1,123	708	15,110	15,110	57,666	57,666
Average interest rate	2.03%	2.92%	2.08%	2.05%	2.33%	2.24%	-	-	-	-
Variable-rate bank and other loans in Euro	631	-	-	-	-	-	631	-	-	-
Average interest rate	1.64%	-	-	-	-	-	-	-	-	-
Fixed-rate bank and other loans in RMB	9,220	-	3,001	-	1	18	12,240	-	476	461
Average interest rate	3.27%	-	3.63%	-	1.20%	1.20%	-	-	-	-
Variable-rate bank and other loans in RMB	17,370	167	96	52	217	3	17,905	17,905	968	968
Average interest rate	4.00%	4.23%	4.71%	4.88%	4.90%	4.35%	-	-	-	-

(1) These interest rates are calculated based on the year end indices.

(2) Fair value of debt instruments was estimated based on the interest rates applicable to similar debt instruments as of December 31, 2015 and 2014.

Foreign Currency Exchange Risk

The Group is also exposed to foreign currency risk as a result of its aircraft and flight equipment being sourced from overseas suppliers. Specifically, the Group's foreign currency exposure relates primarily to its foreign currency long-term bank and other loans used to finance such capital expenditures and its capital commitments. Subject to certain restrictive conditions imposed by the SAFE, the Group may, from time to time, enter into foreign exchange forward option contracts to mitigate its foreign currency exposures. The sensitivity analysis of foreign currency risk is disclosed in Note 4(c) to the consolidated Financial Statements.

As of December 31, 2015, the Group operated a total of 424 aircraft under operating leases and capital leases at rates that are substantially fixed. Such leases expose the Group to market risks. However, in accordance with Item 305 of Regulation S-K, such leases have been excluded from the following market risk tables. Commitments under capital leases and operating leases are disclosed in Note 47(a) and Note 47(b) to the consolidated Financial Statements, respectively.

The following table provides information regarding the Group's material foreign currency sensitive financial instruments and capital commitments as of December 31, 2015 and 2014:

	As of December 31, 2015 Expected Maturity Date								As of December 31, 2014	
	2016	2017	2018	2019	2020	Thereafter	Total Recorded Amount	Fair Value (1)	Total Recorded Amount	Fair Value (1)
Fixed-rate bank and other loans in US\$	-	-	-	-	-	-	-	-	935	1,009
Variable-rate bank and other loans in US\$	2,781	6,607	2,221	1,670	1,123	708	15,110	15,110	57,666	57,666
Capital commitment in US\$	19,074	22,359	18,898	14,309	8,587	200	83,427	83,427	59,467	59,467

(1) Fair value of debt instruments was estimated based on the floating interest rates applicable to similar debt instruments as of December 31, 2015 and 2014.

ITEM 12. DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES

A. Debt Securities

Not applicable.

B. Warrants and Rights

Not applicable.

C. Other Securities

Not applicable.

D. American Depositary Shares

The Bank of New York Mellon collects its fees for delivery and surrender of ADSs directly from investors depositing shares or surrendering ADSs for the purpose of withdrawal or from intermediaries acting for them. The Bank of New York Mellon collects fees for making distributions to investors by deducting those fees from the amounts distributed or by selling a portion of distributable property to pay the fees. The Bank of New York Mellon may collect its annual fee for depositary services by deductions from cash distributions or by directly billing investors or by charging the book-entry system accounts of participants acting for them. The Bank of New York Mellon may generally refuse to provide fee-attracting services until its fees for those services are paid.

Persons depositing or withdrawing shares must pay:

\$5.00 (or less) per 100 ADSs (or portion of 100 ADSs)

\$.02 (or less) per ADS

A fee equivalent to the fee that would be payable if securities distributed to you had been shares and the shares had been deposited for issuance of ADSs

\$.02 (or less) per ADSs per calendar year

Registration or transfer fees

Expenses of the depositary

Taxes and other governmental charges the depositary or the custodian have to pay on any ADS or share underlying an ADS, for example, stock transfer taxes, stamp duty or withholding taxes

Any charges incurred by the depositary or its agents for servicing the deposited securities

For:

- Issuance of ADSs, including issuances resulting from a distribution of shares or rights or other property
- Cancellation of ADSs for the purpose of withdrawal, including if the deposit agreement terminates
- Any cash distribution to ADS registered holders
- Distribution of securities distributed to holders of deposited securities which are distributed by the depositary to ADS registered holders
- Depositary services
- Transfer and registration of shares on our share register to or from the name of the depositary or its agent when you deposit or withdraw shares
- Cable, telex and facsimile transmissions (when expressly provided in the deposit agreement)
- Converting foreign currency to U.S. dollars
- As necessary
- As necessary

Fees and Payments from the Depositary to Us

In 2015, the Company received from the depositary a reimbursement of US\$46,176.11, net of withholding tax, for continuing annual stock exchange listing fees and expenses incurred by the Company in connection with the administration and maintenance of the depositary receipt facility.

Indirect payments

As part of its service to the Company, the Bank of New York Mellon waived a total amount of US\$130,347.75 for the standard costs associated with the administration of the ADS program in 2015.

PART II

ITEM 13. DEFAULTS, DIVIDEND ARREARAGES AND DELINQUENCIES

None.

ITEM 14. MATERIAL MODIFICATIONS TO THE RIGHTS OF SECURITY HOLDERS AND USE OF PROCEEDS

A. Material Modifications to the Instruments Defining the Rights of Security Holders

None.

B. Material Modifications to the Rights of Registered Securities by Issuing or Modifying any other Class of Securities

None.

C. Withdrawal or Substitution of a Material Amount of the Assets Securing any Registered Securities

Not applicable.

D. Change of Trustees or Paying Agents for any Registered Securities

Not applicable.

E. Use of Proceeds

Not applicable.

ITEM 15. CONTROLS AND PROCEDURES

Disclosure controls and procedures

Our President and Chief Financial Officer have evaluated the effectiveness of our disclosure controls and procedures (as defined in the Exchange Act Rules 13a-15(e) or 15d-15(e)), and concluded that, based on their evaluation, our disclosure controls and procedures are effective as of the end of the period covered by this Annual Report to ensure that information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms, and were also effective to ensure that information required to be disclosed in the reports that we file or submit under the Exchange Act is accumulated and communicated to our management, including our President and Chief Financial Officer, to allow timely decisions regarding required disclosure.

Management's annual report on internal control over financial reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act. Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles and includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of a company's assets, (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of consolidated financial statements in accordance with generally accepted accounting principles, and that a company's receipts and expenditures are being made only in accordance with authorizations of a company's management and directors, and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of a company's assets that could have a material effect on the consolidated financial statements. Our management has assessed the effectiveness of internal control over financial reporting based on the Internal Control - Integrated Framework (1992) issued by the Committee of Sponsoring Organizations of the Treadway Commission. Our management has concluded that our internal control over financial reporting was effective as of December 31, 2015.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with policies or procedures may deteriorate.

PricewaterhouseCoopers Zhong Tian LLP, an independent registered public accounting firm, has audited the consolidated financial statements included in this Annual Report, and, as part of the audit, has issued a report, included herein, on the effectiveness of our internal control over financial reporting.

Attestation Report of the Registered Public Accounting Firm

PricewaterhouseCoopers Zhong Tian LLP, our independent registered public accounting firm, audited the effectiveness of our company's internal control over financial reporting as of December 31, 2015, the audit report of which appears on page F-1 of this Form 20-F.

Changes in internal control over financial reporting

During the year ended December 31, 2015, there have been no changes in our internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

ITEM 16A. AUDIT COMMITTEE FINANCIAL EXPERT

The Board of Directors has determined that Mr. Tan Jing Song qualifies as an audit committee financial expert in accordance with the terms of Item 16A of Form 20-F. Mr. Tan Jing Song satisfies as an "independent director" within the meaning of NYSE Manual Section 303A and meets the criteria for independence set forth in Section 10A(m)(3) of the U.S. Securities Exchange Act of 1934, as amended, or the Exchange Act, and Rule 10A-3 under the Exchange Act. See "Item 6 Directors, Senior Management and Employees — Directors and Senior Management".

ITEM 16B. CODE OF ETHICS

We have adopted a code of ethics that applies to our principal executive officer, principal financial officer and principal accounting officer. Such code is included in the director service agreements, a form of which is incorporated by reference in this Annual Report in Exhibit 4.1. Each of the aforementioned senior corporate officers currently serves as a Director and all of our Directors are subject to the director service contracts with the Company. Pursuant to the director service agreements, among other things, Directors (i) owe fiduciary duties to the Company and shall perform their duties in compliance with applicable governmental laws, rules and regulations; (ii) shall not engage in any activities in competition with the Company's business or carry out any activities detrimental to the interests of the Company; and (iii) shall be held liable for any loss or injury incurred to the Company as a result of such Director's violation of applicable laws and regulations.

ITEM 16C. PRINCIPAL ACCOUNTING FEES AND SERVICES

The following table sets forth the aggregate audit fees, audit-related fees and tax fees of our principal accountants and all other fees billed for products and services provided by our independent registered public accounting firm other than the audit fees, audit-related fees and tax fees for each of the fiscal years 2014 and 2015:

	<u>Audit Fees</u>	<u>Audit-Related Fees</u> RMB (in million)	<u>Tax Fees</u>	<u>Other Fees</u>
2014	17.7	-	-	-
2015	14.9	-	-	-

Before our independent registered public accounting firm were engaged by the Company or our subsidiaries to render the audit or non-audit services, the engagements were approved by our Audit Committee.

ITEM 16D. EXEMPTIONS FROM THE LISTING STANDARDS FOR AUDIT COMMITTEE

Not applicable.

ITEM 16E. PURCHASES OF EQUITY SECURITIES BY THE ISSUER AND AFFILIATED PURCHASERS

None.

ITEM 16F. CHANGES IN REGISTRANT'S CERTIFYING ACCOUNTANT

On March 30, 2016, the board of the directors of the Company resolved, as recommended by our audit committee, to propose to dismiss our independent registered public accounting firm, PricewaterhouseCoopers Zhong Tian LLP, or PwC, effective upon the completion of their audit of our consolidated financial statements as of and for the year ended December 31, 2015 and the effectiveness of internal control over financial reporting as of December 31, 2015 and to appoint KPMG as our new independent registered public accounting firm effective upon the approval by the shareholders of the Company at the forthcoming annual general meeting. In this connection, the Company, a listed company controlled by a stated-owned enterprise, did not reappoint PwC as our independent registered public accounting firm at the forthcoming annual general meeting.

The audit reports of PwC on our consolidated financial statements as of and for the fiscal years ended December 31, 2014 and 2015 contain no adverse opinion or disclaimer of opinion, and were not qualified or modified as to uncertainty, audit scope, or accounting principles.

During the two fiscal years ended December 31, 2014 and 2015 and through April 28, 2016, there were no disagreements with PwC on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure, which disagreements if not resolved to the satisfaction of PwC, would have caused them to make reference to the subject matter of the disagreements in connection with their report, nor were there any reportable events (as defined in Item 16F(a)(1)(v) of Form 20-F). We have provided a copy of the foregoing disclosure to PwC and requested that PwC furnish a letter addressed to the SEC stating whether or not PwC agrees with such disclosure. A copy of the letter from PwC addressed to SEC, dated April 28, 2016, is filed as Exhibit 15.1 to this Form 20-F.

During the two most recent fiscal years and through April 28, 2016, neither we nor any person on our behalf consulted KPMG regarding either (i) the application of accounting principles to a specific transaction, either completed or proposed; or the type of audit opinion that might be rendered on our financial statements, or (ii) any matter that was either the subject of a "disagreement" (as defined in Item 16F(a)(1)(iv) of Form 20-F and related instructions to Item 16-F of Form 20-F) with KPMG or a "reportable event" (as defined in Item 16F(a)(1)(v) of Form 20-F). Also, during the two most recent fiscal years and through April 28, 2016, we did not obtain any written report or oral advice that KPMG concluded was an important factor considered by us in reaching a decision as to the accounting, auditing or financial reporting issue.

ITEM 16G. CORPORATE GOVERNANCE

Set out below is a summary of any significant ways in which the Company's corporate governance practices differ from those followed by domestic companies under the listing standards of the New York Stock Exchange ("NYSE"):

Director Independence

A listed company must have a majority of independent directors on its board of directors. No director qualifies as "independent" unless the board of directors affirmatively determines that the director has no material relationship with the listed company (either directly or as a partner, shareholder or officer of an organization that has a relationship with the company). In addition, a director must meet certain standards to be deemed independent. For example, a director is not independent if the director is, or has been within the last three years, an employee of the listed company, or if the director has received, during any twelve-month period within the last three years, more than US\$120,000 in direct compensation from the listed company, other than director and committee fees and pension or other forms of deferred compensation for prior service (provided such compensation is not contingent in any way on continued service).

Executive Sessions

The non-management directors of each listed company must meet at regularly scheduled executive sessions without management.

Nominating/Corporate Governance Committee

Listed companies must have a nominating/corporate governance committee composed entirely of independent directors.

The nominating/corporate governance committee must have a written charter that addresses the committee's purposes and responsibilities which, at minimum, must be to: identify individuals qualified to become board members, consistent with criteria approved by the board, and to select, or to recommend that the board select, the director nominees for the next annual meeting of shareholders; develop and recommend to the board a set of corporate governance guidelines applicable to the corporation; and oversee the evaluation of the board and management, and evaluate the performance of the committee every year.

The Company has complied with the relevant Chinese corporate governance rules and has implemented internal rules governing the independence and responsibilities of independent directors. The Company determines the independence of independent directors every year.

No similar requirements.

The Company has established a nominating committee. As of December 31, 2015, the Nomination Committee consists of three members, Si Xian Min, Wei Jin Cai (Independent non-executive Director) and Tan Jing Song (Independent non-executive Director). Mr. Si Xian Min was appointed as the chairman of the Nomination Committee on December 26, 2013. The responsibilities of the Nomination Committee are to make recommendations to the Board in respect of the size and composition of the Board based on the operational activities, assets and shareholding structure of the Company; study the selection criteria and procedures of directors and executives and give advice to the Board; identify qualified candidates for directors and executives; investigate and propose candidates for directors and managers and other senior management members to the Board.

Compensation Committee

Listed companies must have a compensation committee composed entirely of independent directors.

The written charter of the compensation committee must state, at least, the following purposes and responsibilities:

- (1) review and approve the corporate goals associated with CEO's compensation, evaluate the performance of the CEO in fulfilling these goals, and based on such evaluation determine and approve the CEO's compensation level;
- (2) make recommendations to the board with respect to non-CEO executive officer compensation, and incentive-compensation and equity-based plans that are subject to board approval;
- (3) produce a committee report on executive compensation as required by the SEC to be included in the annual proxy statement or annual report filed with the SEC.

NYSE corporate governance rules

The charter must also include the requirement for an annual performance evaluation of the compensation committee.

Audit Committee

Listed companies must have an audit committee that satisfies the requirements of Rule 10A-3 of Exchange Act. It must have a minimum of three members, and all audit committee members must satisfy the requirements for independence set forth in Section 303A.02 of NYSE Corporate Governance Rules as well as the requirements of Rule 10A-3b (1) of the Exchange Act.

The Company has established a remuneration and assessment committee consisting of three members. As of December 31, 2015, the remuneration and assessment committee is chaired by independent non-executive Director Ning Xiang Dong with independent non-executive Director Tan Jing Song and non-executive Director Wang Quan Hua as members.

The responsibilities are similar to those stipulated by the NYSE rules, but the committee is not required to produce a report on the executive compensation or make an annual performance evaluation of the committee. The responsibilities of the remuneration and assessment committee are to approve the remuneration packages of Directors and senior management of the Group, and the Company's "preliminary proposals on annual emoluments of the directors and senior management of the Group". The remuneration and assessment committee is also responsible for assessing performance of executive director and approving the terms of executive directors' service contracts.

The Company's governance practices

The Board of Directors of the Company has established an audit committee that satisfies relevant domestic requirements and the audit committee has a written charter. As of December 31, 2015, the Audit Committee consists of three members, Mr. Ning Xiang Dong, Wei Jin Cai and Tan Jing Song, with Tan Jing Song being the Chairman of the Audit Committee.

The written charter of the audit committee must specify that the purpose of the audit committee is to assist the board oversight of the integrity of financial statements, the company's compliance with legal and regulatory requirements, qualifications and independence of independent auditors and the performance of the listed company's internal audit function and independent auditors.

The written charter must also require the audit committee to prepare an audit committee report as required by the SEC to be included in the listed company's annual proxy statement as well as an annual performance evaluation of the audit committee.

Shareholder Approval of Equity Compensation Plans

Shareholders must be given the opportunity to vote on equity-compensation plans and material revisions thereto, except for employment incentive plans, certain awards and plans in the context of mergers and acquisitions.

Corporate Governance Guidelines

Listed companies must adopt and disclose corporate governance guidelines, involving director qualification standards, director responsibilities, director access to management and , as necessary and appropriate, independent advisors, director compensation, director orientation continuing education, management succession and annual performance evaluation of the board of directors, etc.

Certification Requirements

Each listed company CEO must certify to the NYSE each year that he or she is not aware of any violation by the company of NYSE corporate governance listing standards and he or she must promptly notify the NYSE in writing of any material non-compliance with any applicable provisions of Section 303A.

Each listed company must submit an executed Written Affirmation annually to the NYSE. In addition, each listed company must submit an interim Written Affirmation as and when required by the interim Written Affirmation form specified by the NYSE.

The responsibilities of the audit committee are similar to those stipulated by the NYSE rules, but according to the domestic practices, the Company is not required to make an annual performance evaluation of the audit committee and the audit committee is not required to prepare an audit report to be included in the Company's annual proxy statement.

The relevant regulations of China require the board of directors to propose plans and types of director compensation for the shareholders' meeting to approve. The compensation plan of executive officers is subject to approval by the board and disclosed to the public upon the approval of the board of directors. The approval of director compensation and compensation plan of executive officers of the Company satisfies relevant domestic requirements.

CSRC has issued the Corporate Governance Rules, with which the Company has complied.

There are no similar requirements under the domestic corporate governance rules in China.

ITEM 16. MINE SAFETY DISCLOSURE

Not applicable.

ITEM 17. FINANCIAL STATEMENTS

We have elected to provide the financial statements and related information specified in Item 18 in lieu of Item 17.

ITEM 18. FINANCIAL STATEMENTS

See F-pages following Item 19.

ITEM 19. EXHIBITS

Index to Exhibits

Exhibit No.	Description of Exhibit
1.1	Restated and Amended Articles of Association of China Southern Airlines Company Limited (as amended) (English translation) ⁽¹⁾
2.1	Specimen Certificate for the H Shares ⁽²⁾
2.2	Form of Deposit Agreement among the Registrant, The Bank of New York, as depositary, and Owners and Beneficial Owners from time to time of American Depositary Shares evidenced by American Depositary Receipt issued thereunder, including the form of American Depositary Receipt ⁽³⁾
4.1	Form of Director's Service Agreement ⁽⁴⁾
4.2	Form of Non-executive Director's Service Agreement ⁽⁵⁾
4.3	Aircraft Acquisition Agreement entered into by and between the Company and Boeing on February 28, 2012* ⁽⁶⁾
4.4	Aircraft Acquisition Agreement entered into by and between Xiamen Airlines and Boeing on August 8, 2012* ⁽⁷⁾
4.5	Aircraft Acquisition Agreement entered into by and between the Company and Airbus S.A.S. on December 5, 2012* ⁽⁸⁾
4.6	Aircraft Acquisition Agreement entered into by and between Xiamen Airlines and Boeing on December 17, 2015*
4.7	Aircraft Acquisition Agreement entered into by and between the Company and Boeing on December 17, 2015 *
4.8	Aircraft Acquisition Agreement entered into by and between the Company and Boeing on December 17, 2015 *

- 4.9 Aircraft Acquisition Agreement entered into by and between the Company and Airbus S.A.S. on December 23, 2015*
- 4.10 Import and Export Agency Framework Agreement entered into by and between the Company and Southern Airlines (Group) Import and Export Trading Company Limited on January 9, 2014⁽⁹⁾
- 4.11 Media Services Framework Agreement entered into by and between the Company and Southern Airlines Culture and Media Co., Ltd. on April 19, 2013⁽¹⁰⁾
- 4.12 Financial Services Framework Agreement entered into by and between the Company and Southern Airlines Group Finance Company Limited on November 8, 2013⁽¹¹⁾
- 4.13 Passenger and Cargo Sales Agency Services Framework Agreement entered into by and between the Company and China Southern Airlines Group Passenger and Cargo Agent Company Limited on November 8, 2013⁽¹²⁾
- 4.14 Catering Service Framework Agreement entered into by and between the Company and Shenzhen Air Catering Co., Ltd. on April 19, 2013⁽¹³⁾
- 4.15 Property Lease Agreement entered into by and between the Company and CSAHC on January 9, 2014⁽¹⁴⁾
- 4.16 Land Lease Agreement entered into by and between the Company and CSAHC on January 9, 2014⁽¹⁵⁾
- 4.17 Trademark License Agreement entered into by and between the Company and CSAHC on May 22, 1997 ⁽¹⁶⁾
- 4.18 A Share subscription agreement entered into by and between the Company and CSAHC on June 11, 2012⁽¹⁷⁾
- 4.19 Aircraft Acquisition Agreement entered into by and between the Company and Airbus S.A.S. on May 16, 2014*⁽¹⁸⁾
- 4.20 English translation of Asset Lease Agreement entered into by and between the Company and CSAHC on December 29, 2014⁽¹⁹⁾
- 4.21 English translation of Supplemental Agreement to the Media Services Framework Agreement entered into by and between the Company and Southern Airlines Culture and Media Co., Ltd. on December 29, 2014⁽²⁰⁾

- 4.22 English translation of Property Management Framework Agreement entered into by and between the Company and Guangzhou China Southern Airlines Property Management Company Limited on December 29, 2014⁽²¹⁾
- 4.23 English translation of Electronic aviation passenger comprehensive insurance four-parties cooperation agreement entered into by and among Guangdong CSA E-commerce Co., Ltd. SA Finance, Air Union Insurance Brokers (Beijing) Co., Ltd. and Ping An Property & Casualty Insurance Company of China, Ltd. Guangdong Branch on November 21, 2014⁽²²⁾
- 4.24 English translation of Electronic aviation passenger comprehensive insurance four-parties cooperation agreement entered into by and among Guangdong CSA E-commerce Co., Ltd. SA Finance, Air Union Insurance Brokers (Beijing) Co., Ltd. and Sunshine Property and Casualty Insurance Company Limited on November 21, 2014⁽²³⁾
- 4.25 English translation of Electronic aviation passenger comprehensive insurance four-parties cooperation agreement entered into by and among Guangdong CSA E-commerce Co., Ltd. SA Finance, Air Union Insurance Brokers (Beijing) Co., Ltd. and PICC Property and Casualty Company Limited Guangzhou Branch on November 21, 2014⁽²⁴⁾
- 4.26 English translation of Electronic aviation passenger comprehensive insurance four-parties cooperation agreement entered into by and among Guangdong CSA E-commerce Co., Ltd. SA Finance, Air Union Insurance Brokers (Beijing) Co., Ltd. and Taiping Pension Co., Ltd. on November 21, 2014⁽²⁵⁾
- 4.27 English translation of Equity Transfer Agreement entered into by and between Xiamen Airlines Company Limited and Hebei Airlines Investment Group Company Limited on October 13, 2014⁽²⁶⁾
- 4.28 English translation of Supplemental Agreement to the financial service framework agreement entered into by and between the Company and Southern Airlines Group Finance Company Limited regarding revising each of the Cap in relation to the Provision of Deposit Services and the annual cap for the Provision of the Loan Services on May 4, 2015
- 4.29 English translation of Equity Transfer Agreement entered into by and between the Company and Xiamen Jiafa Group Co., Ltd. on July 14, 2015
- 4.30 English translation of Insurance Business Platform Cooperation Framework Agreement entered into by and between the Company and Southern Airlines Group Finance Company Limited on November 19, 2015
- 4.31 English translation of Supplemental Agreement to Equity Transfer Agreement entered into by and between the Company and Xiamen Jiafa Group Co., Ltd. on December 8, 2015
- 4.32 English translation of Catering Service Framework Agreement entered into by and between the Company and Shenzhen Air Catering Co., Ltd. on December 30, 2015
- 4.33 English translation of Supplemental Agreement to the property lease agreement entered into by and between the Company and CSAHC on August 13, 2015
- 4.34 English translation of Media Services Framework Agreement entered into by and between the Company and Southern Airlines Culture and Media Co., Ltd. on December 30, 2015
- 8.1 Subsidiaries of China Southern Airlines Company Limited
- 11.1 Code of Ethics (included in Exhibit 4.1)
- 12.1 Section 302 Certification of President
- 12.2 Section 302 Certification of Chief Financial Officer
- 13.1 Section 906 Certification of President
- 13.2 Section 906 Certification of Chief Financial Officer
- 15.1 Letter from PwC addressed to SEC dated April 28, 2016

* Portions of this document have been omitted pursuant to a confidential treatment request, and the full, unredacted document has been separately submitted to the Securities and Exchange Commission with a confidential treatment request.

- (1) Incorporated by reference to the Exhibit 99.5 to our Form 6-K (File No. 001-14600) filed with the Securities and Exchange Commission on December 27, 2013.
- (2) Incorporated by reference to the Exhibit 2.1 to our Form 20-F (File No. 001-14660) for the year ended December 31, 2012 filed with the Securities and Exchange Commission on April 26, 2013.
- (3) Incorporated by reference to our Registration Statement on Form F-6 (File No. 333-07116), filed with the Securities and Exchange Commission on August 7, 2012.
- (4) Incorporated by reference to the Exhibit 4.1 to our Form 20-F (File No. 001-14660) for the year ended December 31, 2005 filed with the Securities and Exchange Commission on June 30, 2006.
- (5) Incorporated by reference to the Exhibit 4.2 to our Form 20-F (File No. 001-14660) for the year ended December 31, 2005 filed with the Securities and Exchange Commission on June 30, 2006.

SIGNATURES

The registrant hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this annual report on its behalf.

CHINA SOUTHERN AIRLINES COMPANY LIMITED

/s/ Tan Wan Geng

Name: Tan Wan Geng

Title: Vice Chairman of the Board of Directors

Date: April 28, 2016

CHINA SOUTHERN AIRLINES COMPANY LIMITED
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Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders of China Southern Airlines Company Limited

In our opinion, the accompanying consolidated balance sheets and the related consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flows statement present fairly, in all material respects, the financial position of China Southern Airlines Company Limited and its subsidiaries at December 31, 2015 and December 31, 2014, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2015 in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2015, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for these financial statements, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Annual Report on Internal Control over Financial Reporting. Our responsibility is to express opinions on these financial statements and on the Company's internal control over financial reporting based on our integrated audits. We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ PricewaterhouseCoopers Zhong Tian LLP

Shanghai, China

April 28, 2016

Consolidated income statements for the years ended December 31, 2015, 2014 and 2013

(Prepared in accordance with International Financial Reporting Standards)

(Expressed in Renminbi)

	Note	2015 RMB million	2014 RMB million	2013 RMB million
Operating revenue				
Traffic revenue	5	107,099	104,328	94,684
Other operating revenue	7	4,553	4,256	3,863
Total operating revenue		<u>111,652</u>	<u>108,584</u>	<u>98,547</u>
Operating expenses				
Flight operation expenses	8	50,412	58,901	54,010
Maintenance expenses	9	10,407	8,304	7,805
Aircraft and transportation service expenses	10	17,908	16,402	15,091
Promotion and selling expenses	11	6,976	7,841	7,754
General and administrative expenses	12	2,464	2,337	2,470
Depreciation and amortisation	13	11,845	10,828	9,347
Impairment on property, plant and equipment	20	90	215	536
Others		1,390	1,198	1,267
Total operating expenses		<u>101,492</u>	<u>106,026</u>	<u>98,280</u>
Other net income	15	3,278	2,190	1,243
Operating profit		<u>13,438</u>	<u>4,748</u>	<u>1,510</u>
Interest income		253	376	307
Interest expense	16	(2,188)	(2,193)	(1,651)
Share of associates' results	24	460	261	294
Share of joint ventures' results	25	108	140	96
Exchange (loss)/gain, net	35(e)	(5,953)	(292)	2,903
Other non-operating income	17	-	26	25
Profit before income tax		<u>6,118</u>	<u>3,066</u>	<u>3,484</u>
Income tax	18	(1,300)	(668)	(734)
Profit for the year		<u>4,818</u>	<u>2,398</u>	<u>2,750</u>
Profit attributable to:				
Equity shareholders of the Company	19	3,736	1,777	1,986
Non-controlling interests		1,082	621	764
Profit for the year		<u>4,818</u>	<u>2,398</u>	<u>2,750</u>
Earnings per share attributable to equity shareholders of the Company				
Basic and diluted	19	<u>RMB 0.38</u>	<u>RMB 0.18</u>	<u>RMB 0.20</u>

The accompanying notes form part of these financial statements.

Consolidated statements of comprehensive income for the years ended December 31, 2015, 2014 and 2013

(Prepared in accordance with International Financial Reporting Standards)

(Expressed in Renminbi)

	Note	2015 RMB million	2014 RMB million	2013 RMB million
Profit for the year		<u>4,818</u>	<u>2,398</u>	<u>2,750</u>
Other comprehensive income for the year:				
Items that may be reclassified subsequently to profit or loss				
- Fair value movement of available-for-sale financial assets	27	-	43	(8)
- Fair value movement of derivative financials instrument	28	13	-	-
- Share of other comprehensive income/(loss) of an associate		(7)	21	(3)
- Deferred tax relating to above items	29	(3)	(11)	2
Total comprehensive income for the year		<u>4,821</u>	<u>2,451</u>	<u>2,741</u>
Total comprehensive income attributable to:				
Equity shareholders of the Company		3,742	1,813	1,981
Non-controlling interests		1,079	638	760
Total comprehensive income for the year		<u>4,821</u>	<u>2,451</u>	<u>2,741</u>

The accompanying notes form part of these financial statements.

Consolidated balance sheet at December 31, 2015 and 2014
(Prepared in accordance with International Financial Reporting Standards)
(Expressed in Renminbi)

	Note	2015 RMB million	2014 RMB million
Non-current assets			
Property, plant and equipment, net	20	142,870	134,453
Construction in progress	21	19,433	19,347
Lease prepayments	22	2,637	2,349
Interest in associates	24	1,995	1,583
Interest in joint ventures	25	1,440	1,338
Other investments in equity securities	26	136	136
Aircraft operating lease deposits		669	651
Available-for-sale financial assets	27	104	104
Derivative financial instruments	28	13	-
Deferred tax assets	29	1,387	966
Other receivables	33	304	300
Other assets	30	888	920
		<u>171,876</u>	<u>162,147</u>
Current assets			
Inventories	31	1,606	1,661
Trade receivables	32	2,580	2,683
Other receivables	33	3,720	5,864
Cash and cash equivalents	34	4,560	15,414
Restricted bank deposits		123	438
Prepaid expenses and other current assets		1,191	995
Amounts due from related companies	39	333	486
		<u>14,113</u>	<u>27,541</u>
Current liabilities			
Borrowings	35	30,002	20,979
Current portion of obligations under finance leases	36	6,416	5,992
Trade payables	37	2,500	1,657
Sales in advance of carriage		7,131	6,101
Deferred revenue	38	1,029	1,160
Current income tax		66	296
Amounts due to related companies	39	152	458
Accrued expenses	40	13,081	12,122
Other liabilities	41	5,158	5,321
		<u>65,535</u>	<u>54,086</u>

Consolidated balance sheet at December 31, 2015 and 2014 (continued)
 (Prepared in accordance with International Financial Reporting Standards)
 (Expressed in Renminbi)

	Note	2015 RMB million	2014 RMB million
Non-current liabilities			
Borrowings	35	15,884	42,066
Obligations under finance leases	36	49,408	43,919
Deferred revenue	38	1,806	1,750
Provision for major overhauls	42	1,895	1,623
Provision for early retirement benefits	43	13	25
Deferred benefits and gains	44	886	853
Deferred tax liabilities	29	938	873
		<u>70,830</u>	<u>91,109</u>
Net assets		<u>49,624</u>	<u>44,493</u>
Capital and reserves			
Share capital	45	9,818	9,818
Reserves	46	29,227	25,930
Total equity attributable to equity shareholders of the Company		<u>39,045</u>	<u>35,748</u>
Non-controlling interests		<u>10,579</u>	<u>8,745</u>
Total equity		<u>49,624</u>	<u>44,493</u>

The accompanying notes form part of these financial statements.

The financial statements were approved by the Board of Directors on 30 March 2016 and were signed on its behalf.

Consolidated statements of changes in equity
for the years ended December 31, 2015, 2014 and 2013
(Prepared in accordance with International Financial Reporting Standards)
(Expressed in Renminbi)

	Attributable to equity shareholders of the Company						Non-controlling interests	Total equity
	Share capital	Share premium	Fair value reserves	Other reserves	Retained earnings	Total		
	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million
Balance at January 1, 2013	9,818	14,131	24	1,226	7,640	32,839	6,895	39,734
Changes in equity for 2013:								
Profit for the year	-	-	-	-	1,986	1,986	764	2,750
Other comprehensive income	-	-	(2)	(3)	-	(5)	(4)	(9)
Total comprehensive income	-	-	(2)	(3)	1,986	1,981	760	2,741
Appropriations to reserves	-	-	-	113	(113)	-	-	-
Dividends relating to 2012	-	-	-	-	(491)	(491)	-	(491)
Acquisition of non-controlling interests in a subsidiary	-	-	-	-	-	-	(6)	(6)
Capital injection from the non-controlling shareholder of a Subsidiary	-	-	-	-	-	-	560	560
Distributions to non-controlling interests	-	-	-	-	-	-	(87)	(87)
Balance at December 31, 2013	<u>9,818</u>	<u>14,131</u>	<u>22</u>	<u>1,336</u>	<u>9,022</u>	<u>34,329</u>	<u>8,122</u>	<u>42,451</u>

	Attributable to equity shareholders of the Company						Non-controlling interests	Total equity
	Share capital	Share premium	Fair value reserves	Other reserves	Retained earnings	Total		
	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million
Balance at January 1, 2014	9,818	14,131	22	1,336	9,022	34,329	8,122	42,451
Changes in equity for 2014:								
Profit for the year	-	-	-	-	1,777	1,777	621	2,398
Other comprehensive income	-	-	22	14	-	36	17	53
Total comprehensive income	-	-	22	14	1,777	1,813	638	2,451
Appropriations to reserves	-	-	-	137	(137)	-	-	-
Dividends relating to 2013(Note 46)	-	-	-	-	(393)	(393)	-	(393)
Capital injection of non-controlling interests in a subsidiary	-	-	-	-	-	-	108	108
Acquisition of non-controlling interests in a subsidiary	-	-	-	(1)	-	(1)	(1)	(2)
Non-controlling interest arising on business combination	-	-	-	-	-	-	6	6
Distributions to non-controlling interests	-	-	-	-	-	-	(128)	(128)
Balance at December 31, 2014	<u>9,818</u>	<u>14,131</u>	<u>44</u>	<u>1,486</u>	<u>10,269</u>	<u>35,748</u>	<u>8,745</u>	<u>44,493</u>

Consolidated statements of changes in equity
for the years ended December 31, 2015, 2014 and 2013 (continued)
(Prepared in accordance with International Financial Reporting Standards)
(Expressed in Renminbi)

	Attributable to equity shareholders of the Company						Non-controlling interests	Total equity
	Share capital	Share premium	Fair value reserves	Other reserves	Retained earnings	Total		
	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million
Balance at January 1, 2015	9,818	14,131	44	1,486	10,269	35,748	8,745	44,493
Changes in equity for 2015:								
Profit for the year	-	-	-	-	3,736	3,736	1,082	4,818
Other comprehensive income	-	-	11	(5)	-	6	(3)	3
Total comprehensive income	-	-	11	(5)	3,736	3,742	1,079	4,821
Appropriations to reserves	-	-	-	246	(246)	-	-	-
Dividends relating to 2014(note 46)	-	-	-	-	(393)	(393)	-	(393)
Capital injection of non-controlling interests in a subsidiary	-	-	-	-	-	-	1,360	1,360
Acquisition of non-controlling interests in a subsidiary	-	-	-	(52)	-	(52)	(574)	(626)
Distributions to non-controlling interests	-	-	-	-	-	-	(31)	(31)
Balance at December 31, 2015	<u>9,818</u>	<u>14,131</u>	<u>55</u>	<u>1,675</u>	<u>13,366</u>	<u>39,045</u>	<u>10,579</u>	<u>49,624</u>

The accompanying notes form part of these financial statements.

Consolidated cash flow statements for the years ended December 31, 2015, 2014 and 2013

(Prepared in accordance with International Financial Reporting Standards)

(Expressed in Renminbi)

	Note	2015 RMB million	2014 RMB million	2013 RMB million
Operating activities				
Cash generated from operating activities	34(b)	27,857	15,826	11,546
Interest received		313	360	220
Interest paid		(2,274)	(1,991)	(1,538)
Income tax paid		(2,162)	(625)	(525)
Net cash generated from operating activities		23,734	13,570	9,703
Investing activities				
Acquisition of subsidiaries, net of cash acquired		(69)	(657)	-
Proceeds from disposal of property, plant and equipment and lease prepayments		3,196	1,611	205
Dividends received from associates		67	86	33
Dividends received from a joint venture		6	-	5
Dividends received from other investments in equity securities and available-for-sale financial assets		13	13	14
Acquisition of term deposits and wealth management products		(278)	(3,286)	(8,402)
Proceeds from maturity of term deposits and wealth management products		1,971	1,254	8,481
Interest received on wealth management products		-	-	25
Additions of property, plant and equipment, lease prepayments and other assets		(12,139)	(8,649)	(12,308)
Capital injection into associates and other investment		(40)	-	(72)
Payment for aircraft lease deposits		(123)	(172)	(51)
Refund of aircraft lease deposits		141	87	142
Placement of pledged bank deposits		-	(1,656)	(277)
Withdrawal of pledged bank deposits		324	1,609	-
Net cash used in investing activities		(6,931)	(9,760)	(12,205)
Financing activities				
Dividends paid to equity shareholders of the Company		(393)	(393)	(491)
Proceeds from borrowings		34,170	32,488	38,324
Proceeds from ultra-short-term financing bills		8,000	6,000	500
Proceeds from corporate bond		3,000	-	-
Repayment of borrowings		(62,212)	(31,126)	(31,243)
Repayment of principal under finance lease obligations		(8,209)	(4,072)	(2,895)
Repayment of ultra-short-term financing bills		(3,000)	(3,000)	(500)
Capital injection from the non-controlling interests of subsidiaries		1,360	108	560
Dividends paid to non-controlling interests		(23)	(128)	(87)
Payment for purchase of non-controlling interest		(388)	(8)	-
Net cash (used in)/generated from financing activities		(27,695)	(131)	4,168
Net (decrease)/increase in cash and cash equivalents		(10,892)	3,679	1,666
Cash and cash equivalents at January 1		15,414	11,748	10,082
Exchange gain/(loss) on cash and cash equivalents		38	(13)	-
Cash and cash equivalents at December 31		4,560	15,414	11,748

The accompanying notes form part of these financial statements.

Notes to the consolidated financial statements

(Prepared in accordance with International Financial Reporting Standards)

(Expressed in Renminbi unless otherwise indicated)

1 Corporate information

China Southern Airlines Company Limited (the “Company”), a joint stock company limited by shares, was incorporated in the People’s Republic of China (the “PRC”) on March 25, 1995. The address of the Company’s registered office is House 203, No. 233 Kaifa Avenue, Guangzhou Economic & Technology Development Zone, Luogang District, Guangzhou, Guangdong Province, the PRC. The Company and its subsidiaries (the “Group”) are principally engaged in the operation of civil aviation, including the provision of passenger, cargo, mail delivery and other extended transportation services.

The Company’s majority interest is owned by China Southern Air Holding Company (“CSAHC”), a state-owned enterprise incorporated in the PRC.

The Company’s shares are traded on the Shanghai Stock Exchange, the Stock Exchange of Hong Kong Limited and the New York Stock Exchange.

These financial statements are presented in RMB, unless otherwise stated.

These consolidated financial statements were approved for issue by the Company’s Board on March 30, 2016.

2 Significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Basis of preparation

The consolidated financial statements have been prepared in accordance with all applicable International Financial Reporting Standards (“IFRSs”), which collective term includes all applicable individual IFRSs, International Accounting Standards (“IASs”) and Interpretations issued by the International Accounting Standards Board (the “IASB”). The measurement basis used in the preparation of the financial statements is the historical cost basis, except that available-for-sale equity securities are stated at their fair value as explained in the accounting policies set out in Note 2(e) and Note 2(f).

The preparation of financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and relevant assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and relevant assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of IFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in Note 3.

The consolidated financial statements comprise the Company and its subsidiaries and the Group’s interest in associates and joint ventures.

Notes to the consolidated financial statements

(Prepared in accordance with International Financial Reporting Standards)

(Expressed in Renminbi unless otherwise indicated)

2 Significant accounting policies (continued)

(a) Basis of preparation (continued)

(i) Going concern

As at December 31, 2015, the Group's current liabilities exceeded its current assets by RMB51,422 million. In preparing the consolidated financial statements, the Board has given careful consideration to the going concern status of the Group in the context of the Group's current working capital deficit and believe that adequate funding is available to fulfil the Group's short-term obligations and capital expenditure requirements.

As at December 31, 2015, the Group had banking facilities with several PRC banks and financial institutions for providing bank financing up to approximately RMB173.7 billion (2014: RMB187.1 billion), of which approximately RMB131.0 billion (2014: RMB126.7 billion) was unutilised. The Board believes that, based on experience to date, it is likely that these facilities will be rolled over in future years if required. Accordingly, the Board believes that it is appropriate to prepare the consolidated financial statements on a going concern basis without including any adjustments that would be required should the Company and the Group fail to continue as a going concern.

(ii) New and amended standards adopted by the Group

The following standards have been adopted by the Group for the first time for the financial year beginning on or after January 1, 2015:

- Amendment to IAS 19 on contributions from employees or third parties to defined benefit plans. The amendment distinguishes between contributions that are linked to service only in the period in which they arise and those linked to service in more than one period. The amendment allows contributions that are linked to service, and do not vary with the length of employee service, to be deducted from the cost of benefits earned in the period that the service is provided. Contributions that are linked to service, and vary according to the length of employee service, must be spread over the service period using the same attribution method that is applied to the benefits.
- Amendments from annual improvements to IFRSs – 2010 – 2012 Cycle, on IFRS 8, 'Operating segments', IAS 16, 'Property, plant and equipment' and IAS 38, 'Intangible assets' and IAS 24, 'Related party disclosures.'
- Amendments from annual improvements to IFRSs – 2011 – 2013 Cycle, on IFRS 3, 'Business combinations', IFRS 13, 'Fair value measurement' and IAS 40, 'Investment property.'

The adoption of the improvements made in the 2010-2012 Cycle has required additional disclosures in the segment note. Other than that, the remaining amendments are not material to the Group.

Notes to the consolidated financial statements

(Prepared in accordance with International Financial Reporting Standards)

(Expressed in Renminbi unless otherwise indicated)

2 Significant accounting policies (continued)

(a) Basis of preparation (continued)

(iii) New standards and interpretations not yet adopted

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after January 1, 2015, and have not been applied in preparing these consolidated financial statements. None of these is expected to have a significant effect on the consolidated financial statements of the Group, except the following set out below:

- IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of IFRS 9 was issued in July 2014. It replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through OCI and fair value through P&L. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI not recycling. There is now a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes.
- Contemporaneous documentation is still required but is different to that currently prepared under IAS 39. The standard is effective for accounting periods beginning on or after January 1, 2018. Early adoption is permitted. The Group is yet to assess IFRS 9's full impact.
- IFRS 15, 'Revenue from contracts with customers' deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognized when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18 'Revenue' and IAS 11 'Construction contracts' and related interpretations. The standard is effective for annual periods beginning on or after January 1, 2017 and earlier application is permitted. The Group is assessing the impact of IFRS 15.
- IFRS 16, 'Leases' addresses the definition of a lease, recognition and measurement of leases and establishes principles for reporting useful information to users of financial statements about the leasing activities of both lessees and lessors. A key change arising from IFRS 16 is that most operating leases will be accounted for on balance sheet for lessees. The standard replaces IAS 17 'Leases', and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2019 and earlier application is permitted subject to the entity adopting IFRS 15 'Revenue from contracts with customers' at the same time. The group is currently assessing the impact of IFRS 16.

There are no other IFRSs or IFRIC/HK interpretations that are not yet effective that would be expected to have a material impact on the Group.

Notes to the consolidated financial statements

(Prepared in accordance with International Financial Reporting Standards)

(Expressed in Renminbi unless otherwise indicated)

2 Significant accounting policies (continued)

(b) Subsidiaries and non-controlling interests

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. With regards to each business combination, the Group recognized non-controlling interests based on the proportion of the net identifiable assets of the subsidiary owned by the non-controlling interests.

Non-controlling interests are presented in the consolidated balance sheet within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated income statement and the consolidated statement of comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of the Company. Loans from holders of non-controlling interests and other contractual obligations towards these holders are presented as financial liabilities in accordance with Notes 2(n) or Note 2(o) depending on the nature of the liability.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognized.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognized in income statement. Any interest retained in that former subsidiary at the date when control is lost is recognized at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (Note 2(e)) or, when appropriate, the cost on initial recognition of an investment in an associate or joint venture (Note 2(c)).

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognizes any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognized amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred.

Notes to the consolidated financial statements

(Prepared in accordance with International Financial Reporting Standards)

(Expressed in Renminbi unless otherwise indicated)

2 Significant accounting policies (continued)**(b) Subsidiaries and non-controlling interests (continued)**

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognized in profit or loss.

Any contingent consideration to be transferred by the Group is recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognized in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

(c) Associates and joint arrangements

An associate is an entity in which the Group has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

The Group has applied IFRS 11 to all joint arrangements. Under IFRS 11, investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor. The Group has assessed the nature of its joint arrangements and determined them to be joint ventures.

An investment in an associate or a joint venture is accounted for in the consolidated financial statements under the equity method and is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment (Notes 2(e) and 2(k)). The Group's share of the post-acquisition, post-tax results of the investees, adjusted for any acquisition-date excess over cost and any impairment losses for the year are recognized in the consolidated income statement, whereas the Group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognized in the consolidated statement of comprehensive income.

When the Group's share of losses exceeds its interest in the associate or the joint venture, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the associate or the joint venture.

Unrealized profits and losses resulting from transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interest in the investee, except where unrealized losses provide evidence of an impairment of the asset transferred, in which case they are recognized immediately in the consolidated income statement.

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2 Significant accounting policies (continued)**(d) Goodwill**

Goodwill represents the excess of

- (i) the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the Group's previously held equity interest in the acquiree; over
- (ii) the Group's interest in the net fair value of the acquiree's identifiable assets and liabilities measured as at the acquisition date.

When (ii) is greater than (i), then this excess is recognized immediately in the consolidated income statement as a gain on a bargain purchase.

Goodwill is stated at cost less accumulated impairment losses. Goodwill arising on a business combination is allocated to each cash-generating unit, or groups of cash generating units, that is expected to benefit from the synergies of the combination and is tested annually for impairment (Note 2(k)).

(e) Other investments in equity securities

The Group's policies for investments in equity securities, other than investments in subsidiaries, associates and joint ventures, are as follows:

Investments in equity securities are initially stated at fair value, which is their transaction price unless fair value can be more reliably estimated using valuation techniques whose variables include only data from observable markets. Cost includes attributable transaction costs, except where indicated otherwise below. These investments are subsequently accounted for as follows, depending on their classification:

Available-for-sale equity securities are those non-derivative financial assets that are designated as available for sale. At the end of each financial year the fair value is remeasured, with any resultant gain or loss being recognized in other comprehensive income and accumulated separately in equity in the fair value reserve. Dividend income from these investments is recognized in the consolidated income statement in accordance with the policy set out in Note 2(w)(iv)). When these investments are derecognized or impaired (Note 2(k)), the cumulative gain or loss is reclassified from equity to profit or loss.

The Group's other investments in equity securities represent unlisted equity securities of companies established in the PRC. These securities do not have a quoted market price in an active market and their fair values cannot be reliably measured. Accordingly, they are recognized in the consolidated balance sheet at cost less impairment losses (Note 2(k)).

Investments are recognized/derecognized on the date the Group commits to purchase/sell the investments or they expire.

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2 Significant accounting policies (continued)**(f) Derivative financial instruments**

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

Derivative financial instruments that do not qualify for hedge accounting are accounted for as trading instruments and any unrealised gains or losses, being changes in fair value of the derivatives, are recognised in the profit or loss immediately.

Changes in the fair value of derivatives that are designated and qualify as fair value hedges and that are highly effective, are recorded in the profit or loss, along with any changes in the fair value of the hedged assets or liabilities that are attributable to the hedged risk.

Derivative financial instruments that qualify for hedge accounting and which are designated as a specific hedge of the variability in cash flows of a highly probable forecast transaction, are accounted for as follows:

(i) The effective portion of any change in fair value of the derivative financial instrument is recognised directly in equity. Where the forecast transaction or firm commitment results in the recognition of an asset or a liability, the gains and losses previously deferred in equity are included in the initial measurement of the cost of the asset or liability. Otherwise, the cumulative gain or loss on the derivative financial instrument is removed from equity and recognized in the profit or loss in the same period during which the hedged forecast transaction affects net profit or loss.

(ii) The ineffective portion of any change in fair value is recognised in the profit or loss immediately.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised in the profit or loss when the committed or forecast transaction ultimately occurs. When a committed or forecast transaction is no longer expected to occur, the cumulative gain or loss that was recorded in equity is immediately transferred to the profit or loss.

(g) Investment properties

Investment properties are buildings which are owned to earn rental income and/or for capital appreciation.

Investment properties are stated at cost, less accumulated depreciation and impairment losses (Note 2(k)). Depreciation is calculated to write off the cost of items of investment properties, less their estimated residual value, if any, using the straight line method over their estimated useful lives. Rental income from investment properties is accounted for as described in Note 2(w)(iii).

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2 Significant accounting policies (continued)**(h) Property, plant and equipment**

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses (Note 2(k)).

The cost of self-constructed items of property, plant and equipment includes the cost of materials, direct labor, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads and borrowing costs (Note 2(z)).

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognized in income statement on the date of retirement or disposal.

When each major aircraft overhaul is performed, its cost is recognized in the carrying amount of the component of aircraft and is depreciated over the appropriate maintenance cycles. Components related to overhaul cost, are depreciated on a straight-line basis over 3 to 12 years. Upon completion of an overhaul, any remaining carrying amount of the cost of the previous overhaul is derecognized and charged to the income statement.

Except for components related to overhaul costs, the depreciation method of which has been described in the preceding paragraph, depreciation of other property, plant and equipment is calculated to write off the cost of items less their estimated residual value, if any, using the straight line method over their estimated useful lives as follows:

Buildings	5 to 35 years
Owned and finance leased aircraft	15 to 20 years
Other flight equipment	
–Jet engines	15 to 20 years
–Others, including rotatable spares	3 to 15 years
Machinery and equipment	4 to 10 years
Vehicles	6 to 8 years

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

(i) Construction in progress

Construction in progress represents aircraft prepayment, office buildings, various infrastructure projects under construction and equipment pending for installation, and is stated at cost less impairment losses (Note 2(k)). Capitalization of these costs ceases and the construction in progress is transferred to property, plant and equipment when the asset is substantially ready for its intended use, notwithstanding any delay in the issue of the relevant commissioning certificates by the relevant PRC authorities.

No depreciation is provided in respect of construction in progress.

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2 Significant accounting policies (continued)**(j) Leased assets**

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

(i) Classification of assets leased to the Group

Assets that are held by the Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases, except for land held for own use under an operating lease, the fair value of which cannot be measured separately from the fair value of a building situated thereon at the inception of the lease, is accounted for as being held under a finance lease, unless the building is also clearly held under an operating lease. For these purposes, the inception of the lease is the time that the lease was first entered into by the Group, or taken over from the previous lessee.

(ii) Assets acquired under finance leases

Where the Group acquires the use of assets under finance leases, the amounts representing the fair value of the leased asset, or, if lower, the present value of the minimum lease payments, of such assets are included in property, plant and equipment and the corresponding liabilities, net of finance charges, are recorded as obligations under finance leases. Depreciation is provided at rates which write off the cost or valuation of the assets over the term of the relevant lease or, where it is likely the Group will obtain ownership of the asset, the life of the asset, as set out in Note 2 (h). Impairment losses are accounted for in accordance with the accounting policy as set out in (Note 2(k)). Finance charges implicit in the lease payments are charged to income statement over the period of the leases so as to produce an approximately constant periodic rate of charge on the remaining balance of the obligations for each accounting period. Contingent rentals are charged to income statement in the accounting period in which they are incurred.

(iii) Operating lease charges

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to income statement in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognized in income statement as an integral part of the aggregate net lease payments made. Contingent rentals are charged to income statement in the accounting period in which they are incurred.

The cost of acquiring land held under an operating lease is amortised on a straight-line basis over the respective periods of lease terms which range from 30 to 70 years.

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2 Significant accounting policies (continued)**(j) Leased assets (continued)****(iv) Sale and leaseback transactions**

Gains or losses on aircraft sale and leaseback transactions which result in finance leases are deferred and amortised over the terms of the related leases.

Gains or losses on aircraft sale and leaseback transactions which result in operating leases are recognized immediately if the transactions are established at fair value. If the sale price is below fair value then the gain or loss is recognized immediately. However, if a loss is compensated for by future rentals at a below-market price, then the loss is deferred and amortised over the period that the aircraft is expected to be used. If the sale price is above fair value, then any gain is deferred and amortised over the useful life of the assets.

(k) Impairment of assets**(i) Impairment of investments in equity securities and receivables**

Investments in equity securities and current and non-current receivables that are stated at cost or amortised cost or are classified as available-for-sale equity securities are reviewed at the end of each financial year to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- it becoming probable that the debtor will enter bankruptcy or other financial reorganisation;
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and
- a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

If any such evidence exists, any impairment loss is determined and recognized as follows:

- For investments in subsidiaries, associates and joint ventures (including those recognized using the equity method (Note 2(c))), the impairment loss is measured by comparing the recoverable amount of the investment with its carrying amount in accordance with Note 2(k)(ii). The impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount in accordance with Note 2(k)(ii).

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2 Significant accounting policies (continued)

(k) Impairment of assets (continued)

(i) Impairment of investments in equity securities and receivables (continued)

- For unquoted equity securities carried at cost, the impairment loss is measured as the difference between the carrying amount of the financial asset and the estimated future cash flows, discounted at the current market rate of return for a similar financial asset where the effect of discounting is material. Impairment losses for equity securities carried at cost are not reversed.
- For trade and other current receivables and other financial assets carried at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. This assessment is made collectively where these financial assets share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognized, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognized in prior years.

- For available-for-sale securities, the cumulative loss that has been recognized in the fair value reserve is reclassified to profit or loss. The amount of the cumulative loss that is recognized in income statement is the difference between the acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss on that asset previously recognized in income statement.

Impairment losses recognized in income statement in respect of available-for-sale equity securities are not reversed through profit or loss. Any subsequent increase in the fair value of such assets is recognized directly in other comprehensive income.

Impairment losses are written off against the corresponding asset directly, except for impairment losses recognized in respect of trade and other receivables, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade and other receivables directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognized in income statement.

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2 Significant accounting policies (continued)

(k) Impairment of assets (continued)

(ii) Impairment of other assets

Internal and external sources of information are reviewed at the end of each financial year to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognized no longer exists or may have decreased:

- Property, plant and equipment;
- Investment properties;
- Construction in progress;
- Lease deposits;
- Lease prepayments;
- Other assets; and
- Goodwill

If any such indication exists, the asset's recoverable amount is estimated. The recoverable amount of goodwill is estimated annually whether or not there is any indication of impairment.

– Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

– Recognition of impairment losses

An impairment loss is recognized in income statement if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognized in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs to sell, or value in use, if determinable.

– Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognized in prior years. Reversals of impairment losses are credited to income statement in the year in which the reversals are recognized.

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2 Significant accounting policies (continued)**(k) Impairment of assets (continued)****(iii) Interim financial reporting and impairment**

Under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, the Group is required to prepare an interim financial report in compliance with IAS 34, Interim financial reporting, in respect of the first six months of the financial year. At the end of the interim period, the Group applies the same impairment testing, recognition, and reversal criteria as it would at the end of the financial year (Notes 2(k)(i) and (ii)).

Impairment losses recognized in an interim period in respect of goodwill, available-for-sale equity securities and unquoted equity securities carried at cost are not reversed in a subsequent period. This is the case even if no loss, or a smaller loss, would have been recognized had the impairment been assessed only at the end of the financial year to which the interim period relates. Consequently, if the fair value of an available-for-sale equity security increases in the remainder of the annual period, or in any other period subsequently, the increase is recognized in other comprehensive income and not profit or loss.

(l) Inventories

Inventories, which consist primarily of consumable spare parts and supplies, are stated at cost less any applicable provision for obsolescence, and are charged to income statement when used in operations. Cost represents the average unit cost.

Inventories held for sale or disposal are carried at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognized as an expense in the period in which the related revenue is recognized. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognized as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognized as a reduction in the amount of inventories recognized as an expense in the period in which the reversal occurs.

(m) Trade and other receivables

Trade and other receivables are initially recognized at fair value and thereafter stated at amortised cost less allowance for impairment of doubtful debts (Note 2(k)), except where the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of bad and doubtful debts.

(n) Interest-bearing borrowings

Interest-bearing borrowings are recognized initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between the amount initially recognized and redemption value being recognized in income statement over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

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2 Significant accounting policies (continued)

(o) Trade and other payables

Trade and other payables are initially recognized at fair value. Except for financial guarantee liabilities measured in accordance with (Note 2(q)(i)), trade and other payables are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(p) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been generally within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated cash flow statement.

(q) Financial guarantees issued, provisions and contingent liabilities

(i) Financial guarantees issued

Financial guarantees are contracts that require the issuer (i.e. the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the "holder") for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Where the Group issues a financial guarantee, the fair value of the guarantee (being the transaction price, unless the fair value can otherwise be reliably estimated) is initially recognized.

The amount of the guarantee initially recognized is amortised in income statement over the term of the guarantee as income from financial guarantees issued. In addition, provisions are recognized in accordance with (Note 2(q)(ii)) if and when (i) it becomes probable that the holder of the guarantee will call upon the Group under the guarantee, and (ii) the amount of that claim on the Group is expected to exceed the amount currently carried in trade and other payables in respect of that guarantee i.e. the amount initially recognized, less accumulated amortisation.

(ii) Provision and contingent liabilities

Provisions are recognized for other liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

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2 Significant accounting policies (continued)**(r) Dividend distribution**

Dividend distribution to the Company's shareholders is recognized as a liability in the Group's consolidated financial statements in the period in which the dividends are approved by the Company's shareholders.

(s) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(t) Defeasance of long-term liabilities

Where long-term liabilities have been defeased by the placement of security deposits, those liabilities and deposits (and income and charge arising therefrom) are netted off in order to reflect the overall commercial effect of the arrangements. Such netting off has been effected where a right is held by the Group to insist on net settlement of the liability and deposit including in all situations of default and where that right is assured beyond doubt.

(u) Deferred benefits and gains

In connection with the acquisitions or leases of certain aircraft and engines, the Group receives various credits. Such credits are deferred until the aircraft and engines are delivered, at which time they are either applied as a reduction of the cost of acquiring the aircraft and engines, resulting in a reduction of future depreciation, or amortised as a reduction of rental expense for aircraft and engines under leases.

(v) Income tax

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the financial year, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilized, are recognized. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilized.

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2 Significant accounting policies (continued)**(v) Income tax (continued)**

The limited exception to the recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future and it is probable that future taxable profit will be available against which the temporary difference can be utilized.

The amount of deferred tax recognized is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the financial year and are expected to apply when related deferred tax asset is realized or the deferred tax liability is settled. Deferred tax assets and liabilities are not discounted.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the Group intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously; or
- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:
 - the same taxable entity; or
 - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realize the current tax assets and settle the current tax liabilities on a net basis or realize and settle simultaneously.

(w) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognized in income statement as follows:

(i) Passenger, cargo and mail revenues

Passenger revenue is recognized at the fair value of the consideration received when the transportation is provided or when an unused ticket expires rather than a ticket is sold. Ticket sales for transportation not yet provided are included in current liabilities as sales in advance of carriage.

Cargo and mail revenues are recognized when the transportation is provided.

Revenues from airline-related business are recognized when services are rendered.

Revenue is stated net of sales tax.

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2 Significant accounting policies (continued)

(w) Revenue recognition (continued)

(ii) Frequent flyer revenue

The Group maintains two frequent flyer award programmes, namely, the China Southern Airlines Sky Pearl Club and the Xiamen Airlines' Egret Card Frequent Flyer Programme, which provide travel and other awards to members based on accumulated mileages.

Amount received in relation to mileage earning flights is allocated, based on fair value, between the flight and mileages earned by members of the Group's frequent flyer award programmes. The value attributed to the awarded mileages is deferred as a liability, within deferred revenue, until the mileages are redeemed or expired.

Amount received from third parties for the issue of mileages under the frequent flyer award programmes is also deferred as a liability, within deferred revenue.

As members of the frequent flyer award programmes redeem mileages for an award, revenue is recorded in income statement. Revenue in relation to flight awards is recognized when the transportation is provided. Revenue in relation to non-flight rewards is recognized at the point of redemption where non-flight rewards are selected.

(iii) Operating rental income

Receivable under operating leases is recognized in income statement in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognized in income statement as an integral part of the aggregate net lease payments receivables. Contingent rentals are recognized as income in the accounting period in which they are earned.

(iv) Dividends

– Dividend income from unlisted investments is recognized when the shareholder's right to receive payment is established.

– Dividend income from listed investments is recognized when the share price of the investment goes ex-dividend.

(v) Government grants are recognized in consolidated balance sheet initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognized as revenue in income statement on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are deducted from the carrying amount of the asset and consequently are effectively recognized in income statement over the useful life of the asset by way of reduced depreciation expense.

(vi) Interest income is recognized as it accrues using the effective interest method.

(x) Traffic commissions

Traffic commissions are expensed in income statement when the transportation is provided and the related revenue is recognized. Traffic commissions for transportation not yet provided are recorded on the consolidated balance sheet as prepaid expense.

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2 Significant accounting policies (continued)**(y) Maintenance and overhaul costs**

Routine maintenance, repairs and overhauls are charged to income statement as and when incurred.

In respect of owned and finance leased aircraft, components within the aircraft subject to replacement during major overhauls are depreciated over the average expected life between major overhauls. When each major overhaul is performed, its cost is recognized in the carrying amount of property, plant and equipment and is depreciated over the estimated period between major overhauls. Any remaining carrying amount of cost of previous major overhaul is derecognized and charged to income statement.

In respect of aircraft held under operating leases, the Group has responsibility to fulfil certain return conditions under relevant lease agreements. In order to fulfil these return conditions, major overhauls are required to be conducted on a regular basis. Accordingly, estimated costs of major overhauls are accrued and charged to income statement over the estimated period between overhauls. After the aircraft has completed its last overhaul cycle prior to being returned, expected cost of overhaul to be incurred at the end of the lease is estimated and accrued over the remaining period of the lease. Differences between the estimated costs and the actual costs of overhauls are charged to income statement in the period when the overhaul is performed.

(z) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use are interrupted or complete.

(aa) Employee benefits**(i) Short term employee benefits and contributions to defined contribution retirement schemes**

Salaries, annual bonuses and contributions to defined contribution retirement schemes are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(ii) Termination benefits

Termination benefits are recognized when, and only when, the Group demonstrably commits itself to terminate employment or to provide benefits as a result of voluntary redundancy by having a detailed formal plan which is without realistic possibility of withdrawal.

(iii) Share-based payment

The fair value of the amount payable to employee in respect of share appreciation rights ("SARs"), which are settled in cash, is recognized as an expense with a corresponding increase in liabilities, over the vesting period. The liability is remeasured at each reporting date and at settlement date. Any changes in the fair value of the liability are recognized as staff cost in the consolidated income statement.

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(Expressed in Renminbi unless otherwise indicated)

2 Significant accounting policies (continued)**(ab) Translation of foreign currencies**

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Renminbi, which is the Company's functional and the Group's presentation currency.

Foreign currencies transactions during the year are translated into Renminbi at the applicable rates of exchange quoted by the People's Bank of China ("PBOC") prevailing at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated into Renminbi at the PBOC exchange rates prevailing at the end of the financial year. Exchange gains and losses are recognized in income statement.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated into Renminbi at the PBOC exchange rates prevailing at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated into Renminbi at the PBOC exchange rates prevailing at the dates the fair value was determined.

(ac) Related parties

(a) A person, or a close member of that person's family, is related to the Group if that person:

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of the key management personnel of the Group or the Group's parent.

(b) An entity is related to the Group if any of the following conditions applies:

- (i) The entity and the Group are members of the same Group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- (iii) Both entities are joint ventures of the same third party.
- (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- (v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.
- (vi) The entity is controlled or jointly controlled by a person identified in (a).
- (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

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2 Significant accounting policies (continued)**(ad) Segmental information**

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management, who is the chief operating decision maker, for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

3 Accounting estimates and judgements

The Groups' financial position and results of operations are sensitive to accounting methods, assumptions and estimates that underlie the preparation of the financial statements. The Group bases the assumptions and estimates on historical experience and on various other assumptions that the Group believes to be reasonable and which form the basis for making judgements about matters that are not readily apparent from other sources. On an ongoing basis, management evaluates its estimates. Actual results may differ from those estimates as facts, circumstances and conditions change.

The selection of critical accounting policies, the judgements and other uncertainties affecting application of those policies and the sensitivity of reported results to changes in condition and assumptions are factors to be considered when reviewing the financial statements. In addition to the assumptions and estimates regarding provision for early retirement benefits and fair value measurements of financial instruments disclosed in Note 43 and Note 4(g) respectively, the Group believes the following critical accounting policies also involve the most significant judgements and estimates used in the preparation of the financial statements.

(a) Accounting estimates**(i) Impairment of trade receivables**

Trade receivables are recognized initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the assets is reduced through the use of an allowance account, and the amount of the loss is recognized in the income statement. When a trade receivable is uncollectible, it is written off against the provision account for trade receivables. Subsequent recoveries of amounts previously written off are credited in the income statement.

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3 Accounting estimates and judgements (continued)

(a) Accounting estimates (continued)

(ii) Impairment of long-lived assets

If circumstances indicate that the carrying amount of a long-lived asset may not be recoverable, the asset may be considered “impaired”, and an impairment loss may be recognized in accordance with IAS36, Impairment of Assets. The carrying amounts of long-lived assets are reviewed periodically in order to assess whether the recoverable amounts have declined below the carrying amounts. These assets are tested for impairment whenever events or changes in circumstances indicate that their recorded carrying amounts may not be recoverable. When such a decline has occurred, the carrying amount is reduced to the recoverable amount. The recoverable amount is the greater of the fair value less costs to sell and value in use. In determining the value in use, expected cash flows generated by the asset are discounted to their present value, which requires significant judgement relating to the level of traffic revenue and the amount of operating costs. The Group uses all readily available information in determining an amount that is a reasonable approximation of recoverable amount, including estimates based on reasonable and supportable assumptions for projections of traffic revenue and amount of operating costs.

(iii) Depreciation

Property, plant and equipment are depreciated on a straight-line basis over the estimated useful lives, after taking into account the estimated residual value. The Group reviews the estimated useful lives of assets annually in order to determine the amount of depreciation expense to be recorded during any financial year. The useful lives are based on the Group’s historical experience with similar assets and take into account anticipated technological changes. The depreciation expense for future periods is adjusted if there are significant changes from previous estimates.

(iv) Provision for major overhauls

Provision for the cost of major overhauls to fulfil certain return condition for airframes and engines under operating leases is accrued and charged to the income statement over the estimated overhaul period. This requires estimation of the expected overhaul cycle and overhaul cost, which are based on the historical experience of actual cost incurred for overhauls of airframes and engines of the same or similar types. Different estimates could significantly affect the estimated provision and the results of operations.

(v) Frequent flyer revenue

The amount of revenue attributable to the mileages earned by the members of the Group’s frequent flyer award programmes is estimated based on the fair value of the mileages awarded and the expected redemption rate. The fair value of the mileages awarded is estimated by reference to external sales. The expected redemption rate was estimated based on historical experience, anticipated redemption pattern and the frequent flyer programme design.

(vi) Provision for consumable spare parts and maintenance materials

Provision for consumable spare parts and maintenance materials is made based on the difference between the carrying amount and the net realisable value. The net realisable value is estimated based on current market condition, historical experience and Company’s future operation plan for the consumable spare parts and maintenance materials. The net realisable value may be adjusted significantly due to the change of market condition and the future plan for the consumable spare parts and maintenance materials.

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3 Accounting estimates and judgements (continued)**(a) Accounting estimates (continued)****(vii) Income tax**

Significant judgment is required in determining the provision for income tax. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognizes liabilities for anticipated tax audit issues based on estimates of whether additional tax will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the year in which such determination is made.

(b) Accounting judgements**(i) Retirement benefits**

According to IAS 19, an entity shall account not only for its legal obligation under the formal terms of a defined benefit plan, but also for any constructive obligation that arises from the entity's informal practices where the entity has no realistic alternative but to pay the employee benefits. The Company believes the payments of welfare subsidy to those retirees who retired before the establishment of Pension Scheme (as defined in Note 49 (a)) are discretionary and have not created a legal or constructive obligation. Such payments are made according to the Group's business performance, and can be suspended at any time (Note 14).

4 Financial risk management and fair values

The Group is exposed to liquidity, interest rate, currency, credit risks and commodity jet fuel price risk in the normal course of business. The Group's overall risk management programme focuses on the unpredictability of financial market seeks to minimize the adverse effects on the Group's financial performance. The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Liquidity risk

As at December 31, 2015, the Group's current liabilities exceeded its current assets by RMB51,422 million. For the year ended December 31, 2015, the Group recorded a net cash inflow from operating activities of RMB23,734 million, a net cash outflow from investing activities of RMB6,931 million and a net cash outflow from financing activities of RMB27,695 million, which in total resulted in a net decrease in cash and cash equivalents of RMB10,892 million

The Group is dependent on its ability to maintain adequate cash inflow from operations, its ability to maintain existing external financing, and its ability to obtain new external financing to meet its debt obligations as they fall due and to meet its committed future capital expenditures. As at December 31, 2015, the Group had banking facilities with several PRC banks and financial institutions for providing bank financing up to approximately RMB173,739 million (2014: RMB187,133 million), of which approximately RMB131,021 million (2014: RMB126,703 million) was unutilised. The Directors of the Company believe that sufficient financing will be available to the Group when and where needed.

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4 Financial risk management and fair values (continued)**(a) Liquidity risk (continued)**

The Directors of the Company have carried out a detailed review of the cash flow forecast of the Group for the twelve months ending December 31, 2016. Based on such forecast, the Directors have determined that adequate liquidity exists to finance the working capital, capital expenditure requirements and dividend payments of the Group during that period. In preparing the cash flow forecast, the Directors have considered historical cash requirements of the Group as well as other key factors, including the availability of the above-mentioned bank facilities, which may impact the operations of the Group during the next twelve-month period. The Directors of the Company are of the opinion that the assumptions and sensitivities which are included in the cash flow forecast are reasonable. However, as with all assumptions in regard to future events, these are subject to inherent limitations and uncertainties and some or all of these assumptions may not be realized.

As at December 31, 2015, the contractual maturities at the end of financial years of the Group's borrowings and obligations under finance leases are disclosed in Notes 35, 36 respectively.

(b) Interest rate risk

The interest rates and maturity information of the Group's borrowings and obligations under finance leases are disclosed in Note 35 and Note 36, respectively. Majority of the Group's borrowing are at floating interest rates which expose the Group to cash flow interest rate risk. Borrowings at fixed interest rates expose the Group to fair value interest risk. The Group has entered into interest rate swap contracts to mitigate its cash flow and fair value interest rate risk.

Based on the various scenarios, the Group manages its cash flow interest rate risk by using floating-to-fixed interest rate swaps. Such interest rate swaps have the economic effect of converting borrowings or obligations under finance leases from floating rates to fixed rates. Generally, the Group raises long-term borrowings or obligations under finance leases at floating rates and swaps them into fixed rates that are lower than those available if the Group borrowed at fixed rates directly. Under the interest rate swaps, the Group agrees with other parties to exchange, at specified intervals (primarily quarterly), the difference between fixed contract rates and floating-rate interest amounts calculated by reference to the agreed notional amounts.

At December 31, 2015, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would have decreased/increased the Group's profit after tax and retained profits by approximately RMB416 million (2014: RMB569 million; 2013: RMB443 million). Other components of consolidated equity would not be affected (2014 and 2013: Nil) by the changes in interest rates.

The sensitivity analysis above indicates the instantaneous change in the Group's profit after tax and retained profits and other components of consolidated equity that would arise assuming that the change in interest rates had occurred at the end of the reporting period and had been applied to re-measure those financial instruments held by the Group which expose the Group to fair value interest rate risk at the end of the reporting period. In respect of the exposure to cash flow interest rate risk arising from floating rate non-derivative instruments held by the Group at the end of the reporting period, the impact on the Group's profit after tax (and retained profits) and other components of consolidated equity is estimated as an annualised impact on interest expense or income of such a change in interest rates. This analysis is performed on the same basis as that for 2014 and 2013.

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4 Financial risk management and fair values (continued)**(c) Foreign currency risk**

Renminbi is not freely convertible into foreign currencies. All foreign exchange transactions involving Renminbi must take place either through the PBOC or other institutions authorised to buy and sell foreign exchange or at a swap centre.

The Group has significant exposure to foreign currency risk as substantially all of the Group's obligations under finance leases (Note 36), borrowings (Note 35) and operating lease commitments (Note 47(b)) are denominated in foreign currencies, principally US dollars, Euro and Japanese Yen. Depreciation or appreciation of Renminbi against foreign currencies affects the Group's results significantly because the Group's foreign currency liabilities generally exceed its foreign currency assets.

The following table indicates the instantaneous change in Group's profit after tax and retained profits that would arise if foreign exchange rates to which the Group has significant exposure at the beginning of the financial year had changed at that date, assuming all other risk variables remained constant.

	2015		2014		2013	
	Appreciation /(depreciation) of Renminbi against foreign currency	Increase /(decrease) on profit after tax and retained profits RMB million	Appreciation/ (depreciation) of Renminbi against foreign currency	Increase /(decrease) on profit after tax and retained profits RMB million	Appreciation/ (depreciation) of Renminbi against foreign currency	Increase/ (decrease) on profit after tax and retained profits RMB million
United States Dollars	1% (1)%	453 (453)	1% (1)%	767 (767)	1% (1)%	654 (654)
Euro	1% (1)%	38 (38)	- -	- -	- -	- -
Singapore Dollars	- -	- -	2% (2)%	6 (6)	2% (2)%	7 (7)
Japanese Yen	10% (10)%	135 (135)	10% (10)%	145 (145)	10% (10)%	177 (177)

Results of the analysis as presented in the above table represent an aggregation of the instantaneous effects on each of the Group entities' profit after tax and retained profits measured in the respective functional currencies, translated into Renminbi at the exchange rate ruling at the end of the financial year for presentation purposes.

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to re-measure those financial instruments, borrowings, and lease obligations held by the Group which expose the Group to foreign currency risk at the end of the financial year, including inter-company payables and receivables within the Group which are denominated in a currency other than the functional currencies of the lender or the borrower. The analysis excludes differences that would result from the translation of the financial statements of foreign operations into the Group's presentation currency. The analysis is performed on the same basis for 2014 and 2013.

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4 Financial risk management and fair values (continued)**(d) Credit risk**

The Group's credit risk is primarily attributable to cash and cash equivalents, trade receivables and the guarantees on personal bank loans provided to the Group's pilot trainees.

Substantially all of the Group's cash and cash equivalents are deposited with major reputable PRC financial institutions, which management believes are of high credit quality.

A significant portion of the Group's air tickets are sold by agents participating in the Billing and Settlement Plan ("BSP"), a clearing scheme between airlines and sales agents organised by International Air Transportation Association. The use of the BSP reduces credit risk to the Group. As at December 31, 2015, the balance due from BSP agents amounted to RMB1,054 million (2014: RMB990 million). The credit risk exposure to BSP and the remaining trade receivables balance are monitored by the Group on an ongoing basis and the allowance for impairment of doubtful debts is within management's expectations. Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade receivables is set out in Note 32.

The Company and its subsidiary, Xiamen Airlines, entered into agreements with their pilot trainees and certain banks to provide guarantees on personal bank loans amounting to RMB627 million (December 31, 2014: RMB646 million) that can be drawn by the pilot trainees to finance their respective flight training expenses. As at December 31, 2015, total personal bank loans of RMB454 million (December 31, 2014: RMB486 million), under these guarantees, were drawn down from the banks. During the year, the Group has paid RMB4 million (2014: RMB2 million) to the banks due to the default of payments of certain pilot trainees.

(e) Jet fuel price risk

The Group's results of operations may be significantly affected by fluctuations in fuel prices since the jet fuel expenses are a significant cost for the Group. A reasonable possible increase/decrease of 10% (2014 and 2013:10%) in jet fuel price, with volume of fuel consumed and all other variables held constant, would have increased/decreased the fuel costs by approximately RMB2,627 million (2014: RMB3,773 million; 2013: RMB3,554 million). The sensitivity analysis indicates the instantaneous change in the Group's fuel cost that would arise assuming that the change in fuel price had occurred at the beginning of the financial year.

(f) Capital management

The Group's primary objectives in managing capital are to safeguard the Group's ability to continue as a going concern, and to generate sufficient profit to maintain growth and provide returns to its shareholders, by securing access to finance at a reasonable cost.

The Group manages the amount of capital in proportion to risk and manages its debt portfolio in conjunction with projected financing requirements. The Group monitors capital on the basis of the debt ratio, which is calculated as total liabilities divided by total assets.

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements. The Group's debt ratio was 73% at December 31, 2015 (2014: 77%).

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4 Financial risk management and fair values (continued)**(g) Fair value****(i) Financial instruments carried at fair value**

The following table presents the carrying value of financial instruments measured at fair value at the end of financial period across the three levels of the fair value hierarchy defined in IFRS 7, Financial Instruments: Disclosures, with the fair value of each financial instrument categorised in its entirety based on the lowest level of input that is significant to that fair value measurement. The levels are defined as follows:

- Level 1 (highest level): fair values measured using quoted prices (unadjusted) in active markets for identical financial instruments
- Level 2: fair values measured using quoted prices in active markets for similar financial instruments, or using valuation techniques in which all significant inputs are directly or indirectly based on observable market data
- Level 3 (lowest level): fair values measured using valuation techniques in which any significant input is not based on observable market data

The following table presents the Group's financial assets that are measured at fair value at December 31, 2015.

2015	Level 1 RMB million	Level 2 RMB million	Level 3 RMB million	Total RMB million
Assets				
Available-for-sale equity securities:				
-Listed	104	-	-	104
Derivative financial instruments				
-Interest rate swap	-	13	-	13
Total	104	13	-	117
2014				
Assets				
Available-for-sale equity securities:				
-Listed	104	-	-	104

During the years ended December 31, 2015 and 2014, there were no significant transfers between instruments in Level 1 and Level 2.

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4 Financial risk management and fair values (continued)**(g) Fair value (continued)****(i) Financial instruments carried at fair value (continued)****(a) Financial instruments in level 1**

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date without any deduction for transaction costs. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1. Instruments included in level 1 comprise primarily A share equity investments classified as trading securities or available-for-sale.

(b) Financial instruments in level 2

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

(ii) Financial instruments not carried at fair value

(a) Other investments in equity securities represent unlisted equity securities of companies established in the PRC. There is no quoted market price for such equity securities and accordingly a reasonable estimate of the fair value could not be measured reliably. Accordingly, they are recognized in the consolidated balance sheet at cost less impairment losses.

(b) All other financial instruments, including amounts due from/to related companies, trade and other receivables, trade and other payables, borrowings and obligation under finance leases are carried at amounts not materially different from their fair values as at December 31, 2015 and December 31, 2014.

5 Traffic revenue

	2015	2014	2013
	RMB million	RMB million	RMB million
Passenger	94,677	84,740	76,687
Cargo and mail	6,122	5,842	4,935
Fuel Surcharge Income	6,300	13,746	13,062
	<u>107,099</u>	<u>104,328</u>	<u>94,684</u>

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6 Segmental information**(a) Business segments**

The Group's network passenger, cargo and mail transportation are managed as a single business unit. The Group's chief operating decision maker ("CODM"), which is the senior executive management, makes resource allocation decisions based on route profitability, which considers aircraft type and route economics. The objective in making resource allocation decisions is to optimise consolidated financial results. Therefore, based on the way the Group manages the network passenger and cargo operations, and the manner in which resource allocation decisions are made, the Group has only one reportable operating segment for financial reporting purposes, reported as the "airline transportation operations".

Other operating segments consist primarily of business segments of hotel and tour operation, ground services, cargo handling and other miscellaneous services. These other operating segments are combined and reported as "other segments".

Inter-segment sales are based on prices set on an arm's length basis.

For the purposes of assessing segment performance and allocating resources between segments, the Group's CODM monitors the results, assets and liabilities attributable to each reportable segment based on financial results prepared under the People's Republic of China Accounting Standards for Business Enterprises ("PRC GAAP"). As such, the amount of each material reconciling item from the Group's reportable segment revenue, profit before tax, assets and liabilities arising from different accounting policies are set out in Note 6(c).

Information regarding the Group's reportable segments as provided to the Group's CODM for the purposes of resource allocation and assessment of segment performance is set out below.

The segment results of the Group for the year ended December 31, 2015 are as follows:

	Airline transportation operations RMB million	Other segments RMB million	Elimination RMB million	Unallocated* RMB million	Total RMB million
Revenue from external customers	110,067	1,400	-	-	111,467
Inter-segment sales	114	1,528	(1,642)	-	-
Reportable segment revenue	110,181	2,928	(1,642)	-	111,467
Reportable segment profit before taxation	5,480	279	-	582	6,341
Reportable segment profit after taxation	4,199	205	-	582	4,986
Other segment information					
Income tax	1,281	74	-	-	1,355
Interest income	244	9	-	-	253
Interest expense	2,156	32	-	-	2,188
Depreciation and amortisation	11,915	97	-	-	12,012
Impairment loss	105	3	-	-	108
Share of associates' results	-	-	-	462	462
Share of joint ventures' results	-	-	-	107	107
Non-current assets additions during the year	24,242	98	-	-	24,340

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6 Segment reporting (continued)

(a) Business segments (continued)

The segment results of the Group for the year ended December 31, 2014 are as follows:

	Airline transportation operations RMB million	Other segments RMB million	Elimination RMB million	Unallocated* RMB million	Total RMB million
Revenue from external customers	107,790	523	-	-	108,313
Inter-segment sales	-	1,364	(1,364)	-	-
Reportable segment revenue	107,790	1,887	(1,364)	-	108,313
Reportable segment profit before taxation	2,422	257	-	416	3,095
Reportable segment profit after taxation	1,800	202	-	416	2,418
Other segment information					
Income tax	622	55	-	-	677
Interest income	369	7	-	-	376
Interest expense	2,155	38	-	-	2,193
Depreciation and amortisation	10,915	88	-	-	11,003
Impairment loss	205	-	-	-	205
Share of associates' results	-	-	-	263	263
Share of joint ventures' results	-	-	-	140	140
Non-current assets additions during the year	29,523	98	-	-	29,621

The segment results of the Group for the year ended December 31, 2013 are as follows:

	Airline transportation operations RMB million	Other segments RMB million	Elimination RMB million	Unallocated* RMB million	Total RMB million
Revenue from external customers	97,659	471	-	-	98,130
Inter-segment sales	-	1,147	(1,147)	-	-
Reportable segment revenue	97,659	1,618	(1,147)	-	98,130
Reportable segment profit before taxation	2,796	123	-	431	3,350
Reportable segment profit after taxation	2,118	100	-	431	2,649
Other segment information					
Income tax	678	23	-	-	701
Interest income	300	7	-	-	307
Interest expense	1,611	40	-	-	1,651
Depreciation and amortisation	9,425	80	-	-	9,505
Impairment loss	567	1	-	-	568
Share of associates' results	-	-	-	296	296
Share of joint ventures' results	-	-	-	96	96
Non-current assets additions during the year	28,780	82	-	-	28,862

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6 Segment reporting (continued)**(a) Business segments (continued)**

The segment assets and liabilities of the Group as at December 31, 2015 and December 31, 2014 are as follows:

	Airline transportation operations RMB million	Other segments RMB million	Elimination RMB million	Unallocated* RMB million	Total RMB million
As at December 31, 2015					
Reportable segment assets	180,753	2,795	(1,004)	3,706	186,250
Reportable segment liabilities	<u>136,391</u>	<u>1,290</u>	<u>(1,004)</u>	<u>-</u>	<u>136,677</u>
As at December 31, 2014					
Reportable segment assets	184,661	2,427	(568)	3,177	189,697
Reportable segment liabilities	<u>144,782</u>	<u>1,209</u>	<u>(568)</u>	<u>-</u>	<u>145,423</u>

* Unallocated assets primarily include investments in associates and joint ventures, available-for-sale financial assets, derivative financial instruments and other investments in equity securities. Unallocated results primarily include the share of results of associates and joint ventures, dividend income from available-for-sales financial assets and other investments in equity securities.

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

The Group's revenues by geographical segment are analyzed based on the following criteria:

- (i) Traffic revenues from services within the PRC (excluding Hong Kong Special Administrative Region, Macau Special Administrative Region and Taiwan ("Hong Kong, Macau and Taiwan")), is classified as domestic operations. Traffic revenue from inbound and outbound services between overseas markets, excluding Hong Kong, Macau and Taiwan, is classified as international operations revenues.
- (ii) Revenues from commission income, hotel and tour operation, ground services, cargo handling and other miscellaneous services are classified on the basis of where the services are performed.

	2015 RMB million	2014 RMB million	2013 RMB million
Domestic	82,981	82,764	76,828
International	25,872	22,952	19,053
Hong Kong, Macau and Taiwan	<u>2,614</u>	<u>2,597</u>	<u>2,249</u>
	<u>111,467</u>	<u>108,313</u>	<u>98,130</u>

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

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6 Segment reporting (continued)**(c) Reconciliation of reportable segment revenues, profit before income tax, assets and liabilities to the consolidated figures as reported in the consolidated financial statement.**

	Note	2015 RMB million	2014 RMB million	2013 RMB million
Revenue				
Reportable segment revenues		111,467	108,313	98,130
Reclassification of expired sales in advance of carriage	(i)	459	459	684
Reclassification of sales tax	(ii)	(274)	(188)	(267)
Consolidated revenues		<u>111,652</u>	<u>108,584</u>	<u>98,547</u>
Profit before income tax				
Reportable segment profit before taxation		6,341	3,095	3,350
Capitalization of exchange difference of specific loans	(iii)	(222)	(28)	133
Government grants	(iv)	1	1	3
Others		(2)	(2)	(2)
Consolidated profit before income tax		<u>6,118</u>	<u>3,066</u>	<u>3,484</u>
Assets				
Reportable segment assets			186,250	189,697
Capitalization of exchange difference of specific loans	(iii)		101	323
Government grants	(iv)		(342)	(259)
Others			(20)	(73)
Consolidated total assets			<u>185,989</u>	<u>189,688</u>
Liabilities				
Reportable segment liabilities			136,677	145,423
Government grants	(iv)		(312)	(228)
Consolidated total liabilities			<u>136,365</u>	<u>145,195</u>

Notes:

- (i) In accordance with the PRC GAAP, expired sales in advance of carriage are recorded under non-operating income. Under IFRSs, such income is recognized as other operating income.
- (ii) In accordance with the PRC GAAP, sales tax is separately disclosed rather than deducted from revenue under IFRSs.

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6 Segment reporting (continued)**(c) Reconciliation of reportable segment revenue, profit before income tax, assets and liabilities to the consolidated figures as reported in the consolidated financial statement. (continued)**

- (iii) In accordance with the PRC GAAP, exchange difference arising on translation of specific loans and related interest denominated in a foreign currency is capitalized as part of the cost of qualifying assets. Under IFRSs, such exchange difference is recognized in income statement unless the exchange difference represents an adjustment to interest.
- (iv) In accordance with the PRC GAAP, special funds such as investment grants allocated by the government, if clearly defined on official documents as part of “capital reserve”, are credited to capital reserve. Otherwise, government grants related to assets are recognized as deferred income and amortised to profit or loss on a straight line basis over the useful life of the related assets. Under IFRSs, government grants relating to purchase of fixed assets are deducted from the cost of the related fixed assets.

7 Other operating revenue

	2015 RMB million	2014 RMB million	2013 RMB million
Commission income	1,545	1,335	1,040
Expired sales in advance of carriage	459	459	684
Hotel and tour operation income	621	508	565
General aviation income	490	576	484
Ground services income	345	293	349
Air catering income	239	272	226
Cargo handling income	230	236	176
Rental income	182	156	137
Others	442	421	202
	<u>4,553</u>	<u>4,256</u>	<u>3,863</u>

8 Flight operation expenses

	2015 RMB million	2014 RMB million	2013 RMB million
Jet fuel costs	26,274	37,728	35,538
Flight personnel payroll and welfare	8,070	6,803	5,799
Aircraft operating lease charges	6,153	5,383	4,767
Air catering expenses	2,680	2,497	2,295
Civil Aviation Development Fund	2,482	2,279	2,036
Training expenses	1,003	1,003	784
Aircraft insurance	168	202	194
Others	3,582	3,006	2,597
	<u>50,412</u>	<u>58,901</u>	<u>54,010</u>

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9 Maintenance expenses

	2015 RMB million	2014 RMB million	2013 RMB million
Aviation repair and maintenance charges	7,396	5,525	5,334
Staff payroll and welfare	2,131	1,966	1,712
Maintenance materials	880	813	759
	<u>10,407</u>	<u>8,304</u>	<u>7,805</u>

10 Aircraft and transportation service expenses

	2015 RMB million	2014 RMB million	2013 RMB million
Landing and navigation fees	11,510	10,496	9,510
Ground service and other charges	6,398	5,906	5,581
	<u>17,908</u>	<u>16,402</u>	<u>15,091</u>

11 Promotion and selling expenses

	2015 RMB million	2014 RMB million	2013 RMB million
Sales commissions	3,150	4,263	4,356
Ticket office expenses	2,605	2,465	2,303
Computer reservation services	605	542	526
Advertising and promotion	122	116	118
Others	494	455	451
	<u>6,976</u>	<u>7,841</u>	<u>7,754</u>

12 General and administrative expenses

	2015 RMB million	2014 RMB million	2013 RMB million
General corporate expenses	2,325	2,195	2,334
Auditors' remuneration	15	18	16
- Audit services	15	18	16
- Non-audit services	-	-	-
Other taxes and levies	124	124	120
	<u>2,464</u>	<u>2,337</u>	<u>2,470</u>

13 Depreciation and amortisation

	2015 RMB million	2014 RMB million	2013 RMB million
Depreciation			
- Owned assets	7,082	8,021	6,861
- Assets acquired under finance leases	4,684	2,768	2,477
Amortisation of deferred benefits and gains	(148)	(156)	(146)
Other amortisation	227	195	155
	<u>11,845</u>	<u>10,828</u>	<u>9,347</u>

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14 Staff costs

	2015	2014	2013
	RMB million	RMB million	RMB million
Salaries, wages and welfare	16,636	14,667	12,938
Contribution to retirement schemes	1,726	1,554	1,324
Other retirement welfare subsidy	177	167	175
Early retirement benefits (Note 43)	3	7	12
	<u>18,542</u>	<u>16,395</u>	<u>14,449</u>

Staff costs relating to flight operations and maintenance are also included in the respective total amounts disclosed separately in Note 8 to Note 9 above.

Details of staff costs arising from cash-settled share appreciation rights are disclosed in Note 49(c). Such costs have been included in “salaries, wages and welfare” above.

15 Other net income

	2015	2014	2013
	RMB million	RMB million	RMB million
Government grants (Note)	2,331	1,700	1,155
Gain/ (losses) on disposal of property, plant and equipment, net			
– Aircraft and spare engines	414	344	(8)
– Other property, plant and equipment	(102)	(77)	(70)
Others	635	223	166
	<u>3,278</u>	<u>2,190</u>	<u>1,243</u>

Note:

Government grants mainly represent (i) subsidies based on certain amount of tax paid granted by governments to the Group; (ii) subsidies granted by various local governments to encourage the Group to operate certain routes to cities where these governments are located. The government grants are recognized when fulfilling the requirements and when cash is received.

There are no unfulfilled conditions and other contingencies related to subsidies that have been recognized during the year ended December 31, 2015.

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16 Interest expense

	2015	2014	2013
	RMB million	RMB million	RMB million
Interest on borrowings	1,320	1,628	1,275
Interest relating to obligations under finance leases	1,248	978	692
Interest relating to provision for early retirement benefits(Note 43)	2	4	5
Less: interest expense capitalized (Note)	(382)	(417)	(321)
	<u>2,188</u>	<u>2,193</u>	<u>1,651</u>

Note:

The weighted average interest rate used for interest capitalisation was 2.77% per annum in 2015 (2014: 2.37%; 2013: 2.50%).

17 Other non-operating income

	2015	2014	2013
	RMB million	RMB million	RMB million
Interest income on wealth management products	-	-	25
Gain recognized on acquisition of a subsidiary	-	26	-
	<u>-</u>	<u>26</u>	<u>25</u>

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18 Income tax**(a) Income tax expense in the consolidated income statement**

	2015 RMB million	2014 RMB million	2013 RMB million
PRC income tax			
– Provision for the year	1,700	430	705
– Over-provision in prior year	(41)	(29)	(31)
	<u>1,659</u>	<u>401</u>	<u>674</u>
Deferred tax (Note 29)			
Origination and reversal of temporary differences	(359)	267	60
Tax expense	<u>1,300</u>	<u>668</u>	<u>734</u>

In respect of majority of the Group's airline operation outside mainland China, the Group has either obtained exemptions from overseas taxation pursuant to the bilateral aviation agreements between the overseas governments and the PRC government, or has sustained tax losses in those overseas jurisdictions. Accordingly, no provision for overseas tax has been made for overseas airlines operation in the current and prior years.

Under the Corporate Income Tax Law of the PRC, the Company and majority of its subsidiaries are subject to PRC income tax at 25% (2014: 25%). Certain subsidiaries of the Company are subject to preferential income tax rate at 15% according to the preferential tax policy in locations, where those subsidiaries are located.

(b) Reconciliation between actual tax expense and calculated tax based on accounting profit at applicable tax rates

	2015 RMB million	2014 RMB million	2013 RMB million
Profit before taxation	<u>6,118</u>	<u>3,066</u>	<u>3,484</u>
Notional tax on profit before taxation, calculated at the rates applicable to profits in the tax jurisdictions concerned (Note)	1,482	738	863
Adjustments for tax effect of:			
Non-deductible expenses	3	11	19
Share of results of associates and joint ventures	(144)	(104)	(108)
Unused tax losses and deductible temporary differences for which no deferred tax assets were recognized	23	63	32
Utilisation of unused tax losses and deductible temporary differences for which no deferred tax assets were recognized in prior years	(18)	(11)	(41)
Over-provision in prior year	(41)	(29)	(31)
Others	(5)	-	-
Tax expense	<u>1,300</u>	<u>668</u>	<u>734</u>

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18 Income tax (continued)

(b) Reconciliation between actual tax expense and calculated tax based on accounting profit at applicable tax rates (continued)

Note:

The headquarters of the Company and its branches are taxed at rate at 25% (2014 and 2013: 25%). The subsidiaries of the Group are taxed at rates ranging from 15% to 25% (2014 and 2013: 15% to 25%).

19 Earnings per share

The calculation of basic earnings per share for the year ended December 31, 2015 is based on the profit attributable to equity shareholders of the Company of RMB3,736 million (2014: RMB1,777 million; 2013: RMB1,986 million) and the weighted average of 9,817,567,000 shares in issue during the year (2014 and 2013: 9,817,567,000 shares).

The amounts of diluted earnings per share are the same as basic earnings per share as there were no dilutive potential ordinary shares in existence for the year ended December 31, 2015 and 2014.

20 Property, plant and equipment, net

	Investment properties RMB million	Buildings RMB million	Aircraft		Other flight equipment including rotables RMB million	Machinery, equipment and vehicles RMB million	Total RMB million
			Owned RMB million	Acquired under finance leases RMB million			
Cost:							
At January 1, 2014	681	8,672	88,864	58,318	17,477	5,346	179,358
Additions	-	151	726	8,521	821	608	10,827
Transfer from construction in progress (Note 21)	1	444	382	11,546	957	133	13,463
Transfer to buildings upon cease of lease intention	(99)	99	-	-	-	-	-
Transfer to lease prepayments upon cease of lease intention	(21)	-	-	-	-	-	(21)
Transfer to investment properties upon lease out	84	(84)	-	-	-	-	-
Acquisition of a subsidiary	-	-	539	1,931	261	23	2,754
Disposals	-	(77)	(5,390)	(443)	(946)	(227)	(7,083)
At December 31, 2014	<u>646</u>	<u>9,205</u>	<u>85,121</u>	<u>79,873</u>	<u>18,570</u>	<u>5,883</u>	<u>199,298</u>
At January 1, 2015	646	9,205	85,121	79,873	18,570	5,883	199,298
Additions	-	138	1,564	5,901	660	353	8,616
Transfer from construction in progress (Note 21)	-	849	1,777	8,174	896	103	11,799
Transfer from lease prepayments	6	-	-	-	-	-	6
Transfer to buildings upon cease of lease intention	(8)	8	-	-	-	-	-
Transfer to investment properties upon lease out	88	(88)	-	-	-	-	-
Reclassification on exercise of purchase option	-	-	6,700	(6,700)	-	-	-
Disposals	(2)	(38)	(1,454)	(416)	(1,156)	(230)	(3,296)
At December 31, 2015	<u>730</u>	<u>10,074</u>	<u>93,708</u>	<u>86,832</u>	<u>18,970</u>	<u>6,109</u>	<u>216,423</u>

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20 Property, plant and equipment, net (continued)

			Aircraft				
	Investment properties	Buildings	Owned	Acquired under finance leases	Other flight equipment including rotables	Machinery, equipment and vehicles	Total
	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million
Accumulated depreciation and impairment losses:							
At January 1, 2014	173	2,794	32,812	10,240	10,216	3,346	59,581
Depreciation charge for the year	21	292	6,095	2,768	1,063	550	10,789
Transfer to buildings upon cease of lease intention	(22)	22	-	-	-	-	-
Transfer to lease prepayments upon cease of lease intention	(4)	-	-	-	-	-	(4)
Transfer to investment properties upon lease out	19	(19)	-	-	-	-	-
Disposals	-	(61)	(3,966)	(429)	(701)	(211)	(5,368)
Provision for impairment loss (Note 20(d))	-	-	176	-	39	-	215
Impairment losses written off on disposal (Note 20(c))	-	-	(317)	-	(51)	-	(368)
At December 31, 2014	<u>187</u>	<u>3,028</u>	<u>34,800</u>	<u>12,579</u>	<u>10,566</u>	<u>3,685</u>	<u>64,845</u>
At January 1, 2015	187	3,028	34,800	12,579	10,566	3,685	64,845
Depreciation charge for the year	19	351	5,089	4,684	1,104	519	11,766
Transfer to buildings upon cease of lease intention	(2)	2	-	-	-	-	-
Transfer to investment properties upon lease out	18	(18)	-	-	-	-	-
Transfer from lease prepayments	2	-	-	-	-	-	2
Reclassification on exercise of purchase options	-	-	2,301	(2,301)	-	-	-
Disposals	(1)	(14)	(1,315)	(416)	(1,087)	(191)	(3,024)
Provision for impairment loss (Note 20(d))	-	-	15	40	35	-	90
Impairment losses written off on disposal (Note 20(c))	-	-	(108)	-	(18)	-	(126)
At December 31, 2015	<u>223</u>	<u>3,349</u>	<u>40,782</u>	<u>14,586</u>	<u>10,600</u>	<u>4,013</u>	<u>73,553</u>
Net book value							
At December 31, 2015	<u>507</u>	<u>6,725</u>	<u>52,926</u>	<u>72,246</u>	<u>8,370</u>	<u>2,096</u>	<u>142,870</u>
At December 31, 2014	<u>459</u>	<u>6,177</u>	<u>50,321</u>	<u>67,294</u>	<u>8,004</u>	<u>2,198</u>	<u>134,453</u>

- (a) As at December 31, 2015, the accumulated impairment provision of aircraft and flight equipment of the Group is RMB1,570 million and RMB125 million respectively (2014: RMB1,623 million and RMB108 million respectively).
- (b) As at December 31, 2015, certain aircraft and other flight equipment of the Group with an aggregate carrying value of approximately RMB88,060 million (2014: RMB99,119 million) were mortgaged under certain loans or certain lease agreements (Notes 35 and 36).
- (c) During the year ended December 31, 2015, 2 Boeing 757-200 aircraft against which impairment provision had been provided in previous years were disposed of and the impairment provision of RMB108 million for these aircraft was written off on disposal.
- (d) As at December 31, 2015, the Group reviewed the recoverable amounts of the aircrafts and related assets and made an additional impairment provision of RMB55 million for 5 EMB 145 aircraft and 2 EMB 190 aircraft against which impairment provision had been provided in previous years. The estimates of recoverable amounts were based on the greater of the assets' fair value less costs to sell and the value in use. The fair value was determined by reference to the recent observable market prices for the aircraft fleet and flight equipment.

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20 Property, plant and equipment, net (continued)

- (e) As at December 31, 2015 and up to the date of approval of these financial statements, the Group is in the process of applying for the property title certificates in respect of the properties located in Guangzhou (including Guangzhou Baiyun International Airport), Xiamen, Heilongjiang, Jilin, Dalian, Guangxi, Hunan, Beijing, Shanghai, Zhuhai, Shenzhen, Shenyang, Xi'an, Xinjiang, Henan, Chengdu, Guizhou, Hainan, Hubei, Sanya and Shantou, in which the Group has interests and for which such certificates have not been granted. As at December 31, 2015, carrying value of such properties of the Group amounted to RMB3,615 million (2014: RMB3,572 million). The Directors of the Company are of the opinion that the use of and the conduct of operating activities at the properties referred to above are not affected by the fact that the Group has not yet obtained the relevant property title certificates.
- (f) The Group leased out investment properties and certain flight training facilities under operating leases. The leases typically run for an initial period of one to fourteen years, with an option to renew the leases after that date at which time all terms are renegotiated. None of the leases includes contingent rentals. In this connection, rental income totalling RMB182 million (2014: RMB156 million) was received by the Group during the year in respect of the leases. Directors estimated the fair value of these investment properties approximate the carrying amount.

The properties are reclassified between investment properties and property, plant and equipment, upon the intention of commencement or cease of lease.

The Group's total future minimum lease income under non-cancellable operating leases are as follows:

	2015	2014
	RMB million	RMB million
Within 1 year	53	54
After 1 year but within 5 years	77	72
After 5 years	20	11
	<u>150</u>	<u>137</u>

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21 Construction in progress

	Advance payment for aircraft and flight equipment RMB million	Others RMB million	Total RMB million
At January 1, 2014	16,413	1,046	17,459
Additions	13,742	1,342	15,084
Acquisition of a subsidiary	484	2	486
Transferred to property, plant and equipment (Note 20)	(12,885)	(578)	(13,463)
Transfer to lease prepayments and other assets upon completion of development	-	(219)	(219)
At December 31, 2014	<u>17,754</u>	<u>1,593</u>	<u>19,347</u>
At January 1, 2015	17,754	1,593	19,347
Additions	13,671	1,287	14,958
Transferred to property, plant and equipment (Note 20)	(10,787)	(1,012)	(11,799)
Transferred to lease prepayments and other assets upon completion of development	-	(123)	(123)
Disposals	(2,938)	(12)	(2,950)
At December 31, 2015	<u>17,700</u>	<u>1,733</u>	<u>19,433</u>

22 Lease prepayments

Lease prepayments relate to the Group's land use rights. In 2015, the amount of amortisation charged to consolidated income statement was RMB64 million (2014: RMB61 million; 2013: RMB58 million).

A majority of the Group's properties are located in the PRC. The Group was formally granted the rights to use certain parcels of land in Guangzhou, Shenzhen, Zhuhai, Beihai, Changsha, Shantou, Haikou, Zhengzhou, Jilin, Guiyang and other PRC cities by the relevant PRC authorities for periods of 30 to 70 years, which expire between 2020 and 2073.

As at December 31, 2015 and up to the date of approval of these financial statements, the Group is in the process of applying for certain land use right certificates. As at December 31, 2015, carrying value of such land use rights of the Group amounted to RMB1,359 million (2014: RMB1,038 million). The Directors of the Company are of the opinion that the use of and the conduct of operating activities at the land use rights referred to above are not affected by the fact that the Group has not yet obtained the relevant land use right certificates.

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23 Subsidiaries

All the subsidiaries of the Company are unlisted. The following list contains only the particulars of subsidiaries which principally affect the results, assets or liabilities of the Group.

Name of company	Place of establishment/ operation	Registered capital	Proportion of ownership interest held by the Company	Principal activity
Henan Airlines Company Limited (“China Southern Henan Airlines”) (i)&(ii)	PRC	RMB6,000,000,000	60%	Airline transportation
Xiamen Airlines Company Limited (“Xiamen Airlines”) (ii)&(v)	PRC	RMB5,000,000,000	55%	Airline transportation
Chongqing Airlines Company Limited (ii)	PRC	RMB1,200,000,000	60%	Airline transportation
Shantou Airlines Company Limited (ii)	PRC	RMB280,000,000	60%	Airline transportation
Xinjiang Civil Aviation Property Management Limited (ii)	PRC	RMB251,332,832	51.84%	Property management
Zhuhai Airlines Company Limited (ii)	PRC	RMB250,000,000	60%	Airline transportation
Guizhou Airlines Company Limited (“Guizhou Airlines”) (ii)	PRC	RMB650,000,000	60%	Airline transportation
Guangzhou Nanland Air Catering Company Limited (iii)	PRC	RMB120,000,000	55%	Air catering
Guangzhou Baiyun International Logistic Company Limited (ii)	PRC	RMB50,000,000	61%	Logistics operations
Beijing Southern Airlines Ground Services Company Limited (ii)	PRC	RMB18,000,000	100%	Airport ground services
China Southern Airlines Group Air Catering Company Limited (ii)	PRC	RMB10,200,000	100%	Air catering
Nan Lung International Freight Limited	Hong Kong	HKD3,270,000	51%	Freight services

(i) Pursuant to an agreement entered into in 2014 by the equity holders of China Southern Henan Airlines, a subsidiary of the Company, the equity holders of China Southern Henan Airlines agreed to further inject capital of RMB 2.8 billion into the company based on their equity percentage. The Company’s capital injection of RMB1.68 billion comprises of RMB1.33 billion in cash and RMB0.35 billion in the form of property, plant and equipment and lease prepayments. The non-controlling shareholder’s capital injection of RMB1.12 billion is in the form of cash contribution. As at 31 December 2015, the above capital injection was fully completed.

(ii) These subsidiaries are PRC limited liability companies.

(iii) This subsidiary is a Sino-foreign equity joint venture company established in the PRC.

(iv) Certain subsidiaries of the Group are PRC joint ventures which have limited terms pursuant to the PRC law.

(v) The Company held 51% equity interests in Xiamen Airlines since its incorporation. In December 2015, the Company acquired additional 4% equity interests in Xiamen Airlines from its non-controlling shareholders at a consideration of RMB 626 million.

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23 Subsidiaries (continued)

(a) Material non-controlling interests

As at 31 December 2015, the balance of total non-controlling interests is RMB10,579 million, of which RMB6,706 million is for Xiamen Airlines. The rest of non-controlling interests are not material.

Set out below are the summarised financial information for Xiamen Airlines that has non-controlling interests that are material to the Group.

Summarised balance sheet

	Xiamen Airlines	
	2015	2014
	RMB million	RMB million
Current		
Assets	2,435	6,397
Liabilities	(12,148)	(8,527)
Total current net liabilities	<u>(9,713)</u>	<u>(2,130)</u>
Non-current		
Assets	35,628	32,883
Liabilities	(11,336)	(17,579)
Total non-current net assets	<u>24,292</u>	<u>15,304</u>
Net assets	<u>14,579</u>	<u>13,174</u>

Summarised statement of comprehensive income

	Xiamen Airlines		
	2015	2014	2013
	RMB million	RMB million	RMB million
Revenue	<u>19,915</u>	<u>17,831</u>	<u>16,598</u>
Profit before income tax	1,576	993	1,750
Income tax expense	(406)	(238)	(438)
Post-tax profit from continuing operations	1,170	755	1,312
Other comprehensive (loss)/income	<u>(5)</u>	<u>32</u>	<u>(8)</u>
Total comprehensive income	<u>1,165</u>	<u>787</u>	<u>1,304</u>
Dividends paid to non-controlling interests	<u>-</u>	<u>3</u>	<u>74</u>

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23 Subsidiaries (continued)

(a) Material non-controlling interests (continued)

Summarised cash flows

	2015 RMB million	Xiamen Airlines 2014 RMB million	2013 RMB million
Cash generated from operating activities			
Cash generated from operations	5,035	2,660	3,152
Interest received	162	140	86
Interest paid	(312)	(377)	(209)
Income tax paid	(473)	(180)	(477)
Net cash generated from operating activities	4,412	2,243	2,552
Net cash used in investing activities	(3,521)	(4,866)	(4,171)
Net cash (used in)/generated from financing activities	(3,296)	1,850	1,833
Net (decrease)/increase in cash and cash equivalents	(2,405)	(773)	214
Cash and cash equivalents at beginning of year	3,036	3,809	3,595
Exchange gain on cash and cash equivalents	13	-	-
Cash and cash equivalents at end of year	644	3,036	3,809

The information above is the amount before inter-company eliminations.

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24 Interest in associates

2015
RMB million **2014**
RMB million

Share of net assets 1,995 1,583

All the Group's associates are unlisted without quoted market price. The particulars of the Group's principal associates as of December 31, 2015 are as follows:

	Place of establishment / operation	Group's effective interest	Proportion of ownership interest held by		Proportion of voting rights held by the Group	Principal activity
			The Company	Subsidiaries		
China Southern Group Finance Co.,Ltd ("SA Finance")	PRC	33.98%	21.09%	12.89%	33.98%	Provision of Airlines financial services
Sichuan Airlines Co.,Ltd ("Sichu Airlines")	PRC	39%	39%	-	39%	Airline transportation
Southern Airlines Culture and Meida Co., Ltd ("SACM")	PRC	40%	40%	-	40%	Advertising services

There is no associate that is individually material to the Group.

The Group has interests in a number of individually immaterial associates that are accounted for using the equity method. The aggregate financial information of these associates is summarized as following:

	2015 RMB million	2014 RMB million	2013 RMB million
Aggregate carrying amount of individually immaterial associates	1,995	1,583	1,305
Aggregate amounts of the Group's share of:			
Profit from continuing activities	460	261	294
Other comprehensive (loss)/income	(7)	21	(3)
Total comprehensive income	<u>453</u>	<u>282</u>	<u>291</u>

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25 Interest in joint ventures

	2015 RMB million	2014 RMB million
Share of net assets	1,440	1,338

All the Group's joint ventures are unlisted without quoted market price. The particulars of the Group's principal joint ventures as of December 31, 2015 are as follows:

	Place of establishment/ operation	Group's effective interest	Proportion of ownership interest held by		Proportion of voting rights held by the Group	Principal activity
			The Company	Subsidiaries		
Guangzhou Aircraft Maintenance Engineering Co.,Ltd ("GAMECO")	PRC	50%	50%	-	50%	Aircraft repair and maintenance services
Zhuhai Xiang Yi Aviation Technology Company Limited ("Zhuhai Xiang Yi")	PRC	51%	51%	-	50%	Flight simulation services
Guangzhou China Southern Zhongmian Dutyfree Store Co., Limited	PRC	50%	50%	-	50%	Sales of duty free goods in flight
China Southern West Australian Flying College Pty Ltd ("Flying College")	Australia	48.12%	48.12%	-	50%	Pilot training services

There is no joint venture that is individually material to the Group.

The Group has interest in a number of individually immaterial joint ventures that are accounted for using the equity method. The aggregate financial information of these joint ventures is summarized as following:

	2015 RMB million	2014 RMB million	2013 RMB million
Aggregate carrying amount of individually immaterial joint venture	1,440	1,338	1,197
Aggregate amounts of the Group's share of:			
Profit from continuing activities	108	140	96
Total comprehensive income	108	140	96

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26 Other investments in equity securities

	2015 RMB million	2014 RMB million
Unlisted equity securities, at cost	<u>136</u>	<u>136</u>

Dividend income from unlisted equity securities of the Group amounted to RMB10 million during the year ended December 31, 2015 (2014: RMB10 million; 2013: RMB11 million).

27 Available-for-sale financial assets

	2015 RMB million	2014 RMB million
Available-for-sale financial assets		
- Listed in the PRC	<u>104</u>	<u>104</u>
Quoted market value of listed securities	<u>104</u>	<u>104</u>

Dividend income from listed securities of the Group amounted to RMB3 million during the year ended December 31, 2015 (2014: RMB3 million, 2013: RMB3 million).

28 Derivative financial instruments

	2015 RMB million	2014 RMB million
Interest rate swaps	13	-

The Group uses interest rate swap to mitigate the risk of changes in market interest rates. At December 31, 2015, the fixed interest rates vary from 1.64% to 1.72%, and the main floating rates are LIBOR. As at December 31, 2015, the notional principal of the outstanding interest rate swap contracts at December 31, 2015 amounted to USD581 million.

29 Deferred tax assets/(liabilities)

(a) The analysis of deferred tax assets and deferred tax liabilities is as follows:

	2015 RMB million	2014 RMB million
Deferred tax assets		
- Deferred tax asset to be utilized after 12 months	525	390
- Deferred tax asset to be utilized within 12 months	<u>862</u>	<u>576</u>
	1,387	966
Deferred tax liabilities		
- Deferred tax liability to be realized after 12 months	<u>(938)</u>	<u>(873)</u>
Net deferred tax assets	<u>449</u>	<u>93</u>

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29 Deferred tax assets/(liabilities) (continued)

(b) Movements of net deferred tax assets are as follows:

	At the beginning of the year RMB million	(Charged)/ credited to income statement RMB million	Charged to other comprehensive income RMB million	At the end of the year RMB million
For the year ended December 31, 2015				
Deferred tax assets:				
Accrued expenses	561	190	-	751
Provision for major overhauls	296	176	-	472
Deferred revenue	76	6	-	82
Provision for impairment losses	235	(34)	-	201
Others	82	(20)	-	62
	<u>1,250</u>	<u>318</u>	<u>-</u>	<u>1,568</u>
Deferred tax liabilities:				
Provision for major overhauls	(363)	(21)	-	(384)
Depreciation allowances under tax in excess of the related depreciation under accounting	(689)	2	-	(687)
Change in fair value of derivative financial instruments	-	-	(3)	(3)
Change in fair value of available-for-sale equity securities	(20)	-	-	(20)
Others	(85)	60	-	(25)
	<u>(1,157)</u>	<u>41</u>	<u>(3)</u>	<u>(1,119)</u>
Net deferred tax assets	<u>93</u>	<u>359</u>	<u>(3)</u>	<u>449</u>

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29 Deferred tax assets/(liabilities) (continued)

(b) Movements of net deferred tax assets are as follows: (continued)

	At the beginning of the year RMB million	(Charged)/ credited to income statement RMB million	Charged to other comprehensive income RMB million	At the end of the year RMB million
For the year ended December 31, 2014				
Deferred tax assets:				
Accrued expenses	847	(286)	-	561
Provision for major overhauls	173	123	-	296
Deferred revenue	75	1	-	76
Provision for impairment losses	393	(158)	-	235
Others	69	13	-	82
	<u>1,557</u>	<u>(307)</u>	<u>-</u>	<u>1,250</u>
Deferred tax liabilities:				
Provision for major overhauls	(363)	-	-	(363)
Depreciation allowances under tax in excess of the related depreciation under accounting	(707)	18	-	(689)
Change in fair value of available-for-sale equity securities	(9)	-	(11)	(20)
Others	(107)	22	-	(85)
	<u>(1,186)</u>	<u>40</u>	<u>(11)</u>	<u>(1,157)</u>
Net deferred tax assets	<u>371</u>	<u>(267)</u>	<u>(11)</u>	<u>93</u>

(c) Deferred tax assets not recognized

At December 31, 2015, the Group's deductible temporary differences amounting to RMB371 million (2014: RMB272 million) have not been recognized as deferred tax assets as it was determined by management that it is not probable that future taxable profits will be available for these deductible temporary differences to reverse in the foreseeable future.

Tax losses in the PRC are available for carrying forward to set off future assessable income for a maximum period of five years. At December 31, 2015, the Group's unused tax losses of RMB843 million (2014: RMB970 million) have not been recognized as deferred tax assets, as it was determined by management that it is not probable that future taxable profits against which the losses can be utilized will be available before they expire. The expiry dates of unrecognized unused tax losses are analyzed as follows:

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29 Deferred tax assets/(liabilities) (continued)

(c) Deferred tax assets not recognized (continued)

	2015 RMB million	2014 RMB million
Expiring in:		
2015	-	95
2016	230	230
2017	200	201
2018	214	250
2019	194	194
2020	5	-
	<u>843</u>	<u>970</u>

30 Other assets

	Prepayment for exclusive use right of an airport terminal RMB million	Software RMB million	Leasehold improvement RMB million	Others RMB million	Total RMB million
At January 1, 2014	260	174	91	64	589
Additions	-	18	37	8	63
Acquisition of a subsidiary	-	5	-	290	295
Transferred from					
construction in progress	-	63	45	-	108
Disposal	-	(1)	-	-	(1)
Amortization for the year	(10)	(72)	(36)	(16)	(134)
At December 31, 2014	<u>250</u>	<u>187</u>	<u>137</u>	<u>346</u>	<u>920</u>
At January 1, 2015	250	187	137	346	920
Additions	-	29	3	7	39
Transferred from					
construction in progress	-	106	17	-	123
Disposal	-	-	-	(31)	(31)
Amortization for the year	(10)	(75)	(39)	(39)	(163)
At December 31, 2015	<u>240</u>	<u>247</u>	<u>118</u>	<u>283</u>	<u>888</u>

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31 Inventories

	2015 RMB million	2014 RMB million
Consumable spare parts and maintenance materials	1,519	1,587
Other supplies	197	178
	<u>1,716</u>	<u>1,765</u>
Less: impairment	(110)	(104)
	<u>1,606</u>	<u>1,661</u>

Impairment of inventory is shown as below:

	2015 RMB million	2014 RMB million
At January 1	104	305
Provision for impairment of inventories	13	-
Provision for impairment written back	-	(22)
Provision written off in relation to disposal of inventories	(7)	(179)
At December 31	<u>110</u>	<u>104</u>

32 Trade receivables

	2015 RMB million	2014 RMB million
Trade receivables	2,613	2,716
Less: bad-debt provision	(33)	(33)
	<u>2,580</u>	<u>2,683</u>

(a) Ageing analysis

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

	2015 RMB million	2014 RMB million
Within 1 month	2,157	2,133
More than 1 month but less than 3 months	383	535
More than 3 months but less than 12 months	30	25
More than 1 year	43	23
	<u>2,613</u>	<u>2,716</u>
Less: bad-debt provision	(33)	(33)
	<u>2,580</u>	<u>2,683</u>

All of the trade receivables are expected to be recovered within one year.

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32 Trade receivables (continued)**(b) Impairment of trade receivables**

- (i) Impairment loss in respect of trade receivables is recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade receivables directly (Note 2(k)).

The movements in the allowance for doubtful debts during the year are as follows:

	2015 RMB million	2014 RMB million
At January 1	33	27
Impairment loss recognized	4	12
Impairment loss written back	-	(2)
Uncollectible amounts written off	(4)	(4)
At December 31	<u>33</u>	<u>33</u>

- (ii) As of December 31, 2015, trade receivables of RMB47 million (2014: RMB5 million) were past due but not impaired. These relate to a number of independent customers for whom there is no significant financial difficulty and based on past experience, the overdue amounts can be recovered.

The ageing analysis of these trade receivables is as follows:

	2015 RMB million	2014 RMB million
3 to 12 months	19	5
Over 12 months	28	-
	<u>47</u>	<u>5</u>

- (iii) As of December 31, 2015, trade receivables of RMB48 million (2014: RMB43 million) were impaired. The amount of the provision was RMB33 million as of December 31, 2015 (2014: RMB33 million). The individually impaired receivables mainly relate to customers, which are in unexpectedly difficult economic situations. It was assessed that a portion of the receivables is expected to be recovered. The ageing of these receivables is as follows:

	2015 RMB million	2014 RMB million
3 to 12 months	30	20
Over 12 months	18	23
	<u>48</u>	<u>43</u>

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32 Trade receivables (continued)

(c) Trade receivables that are not impaired

The ageing analysis of trade receivables that are neither individually nor collectively considered to be impaired is as follows:

	2015 RMB million	2014 RMB million
Neither past due nor impaired	2,518	2,668

Trade receivables that were neither past due nor impaired relate to customers for whom there was no recent history of default.

(d) Trade receivables by currencies

The carrying amounts of the Group's trade receivables are denominated in the following currencies:

	2015 RMB million	2014 RMB million
Renminbi	2,016	2,231
US dollar	218	118
Euro	129	134
Australian dollar	49	36
Taiwan dollar	33	30
UK pound	28	38
Other currencies	140	129
	<u>2,613</u>	<u>2,716</u>

As at December 31, 2015, the fair value of trade receivables approximate its carrying amount.

33 Other receivables

	2015 RMB million	2014 RMB million
VAT recoverable	1,596	1,562
Rebate receivables on aircraft acquisitions	901	1,018
Term deposit (Note)	761	2,454
Deposits for aircraft purchase	-	239
Interest receivables	66	126
Other rental deposits	119	73
Others	583	695
Subtotal	4,026	6,167
Less: impairment	(2)	(3)
	<u>4,024</u>	<u>6,164</u>
Less: non-current portion of term deposit recognized as non-current assets (Note)	(304)	(300)
Current portion of other receivables	<u>3,720</u>	<u>5,864</u>

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33 Other receivables (continued)

Note:

As at December 31, 2015, the balance represents the term deposit amounting to RMB761 million at bank with maturity over 3 months (2014: RMB2,454 million). Term deposit with maturity over 1 years amounting to RMB304 million is classified as non-current asset(2014: RMB300 million). The weighted average annualized interest rate of term deposits as of December 31, 2015 is 3.26% (2014: 3.06%).

As at December 31, 2015, the fair value of other receivables approximates its carrying amount.

34 Cash and cash equivalents**(a) Cash and cash equivalents comprise:**

	2015 RMB million	2014 RMB million
Deposits in banks and other financial institution	98	4,445
Cash at bank and in hand	4,462	10,969
Cash and cash equivalents in the statement of balance sheet	<u>4,560</u>	<u>15,414</u>

As at December 31, 2015, the Group's deposits with SA Finance, this is a qualified financial institution amounted to RMB2,934 million (2014: RMB4,264 million) (Note 48(d)(ii)).

As at December 31, 2015, the fair value of cash and cash equivalents approximate its carrying amount.

The carrying amounts of the Group's cash and cash equivalents are denominated in the following currencies:

	2015 RMB million	2014 RMB million
Renminbi	3,756	13,649
US dollar	587	1,296
Euro	69	136
Japanese Yen	15	5
Hong Kong Dollars	12	60
Others	121	268
	<u>4,560</u>	<u>15,414</u>

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34 Cash and cash equivalents (continued)**(b) Reconciliation of profit before income tax to cash generated from operating activities:**

	Note	2015 RMB million	2014 RMB million	2013 RMB million
Profit before income tax		6,118	3,066	3,484
Depreciation charges	13	11,766	10,789	9,338
Other amortisation	13	227	195	155
Amortisation of deferred benefits and gains	13	(148)	(156)	(146)
Impairment losses on property, plant, equipment	21	90	215	536
Share of profits of associates	24	(460)	(261)	(294)
Share of profits of joint ventures	25	(108)	(140)	(96)
(Gain)/losses on sale of property, plant and equipment, net and lease prepayments	15	(312)	(267)	78
Other non-operating income	17	-	(26)	(25)
Interest income		(253)	(376)	(307)
Interest expense	16	2,188	2,193	1,651
Dividend income from other investments in equity securities and available-for-sale financial assets	26 & 27	(13)	(13)	(14)
Exchange losses/(gain), net		5,516	292	(2,903)
Decrease in inventories		55	15	61
Decrease/(increase) in trade receivables		103	(391)	(321)
Decrease/(increase) in other receivables		418	108	(959)
Increase in prepaid expenses and other current assets		(184)	(203)	(205)
(Decrease)/increase in net amounts due to related companies		(153)	(154)	118
Increase/(decrease) in trade payables		843	45	(418)
Increase in sales in advance of carriage		1,030	261	961
Increase in accrued expenses		695	308	648
(Decrease)/increase in other liabilities		(277)	369	200
(Decrease)/increase in deferred revenue		(75)	(410)	463
Increase/(decrease) in provision for major overhauls		630	244	(421)
Decrease in provision for early retirement benefits		(20)	(28)	(31)
Increase/(decrease) in deferred benefits and gains		181	151	(7)
Cash generated from operating activities		<u>27,857</u>	<u>15,826</u>	<u>11,546</u>

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35 Borrowings

(a) As at December 31, 2015, borrowings are analyzed as follows:

	2015 RMB million	2014 RMB million
Non-current		
Long-term bank borrowings		
– secured(Note (i)(iii))	7,819	19,846
– unsecured	5,065	22,220
	<u>12,884</u>	<u>42,066</u>
Corporate Bond		
–unsecured(Note (iv))	3,000	-
	<u>15,884</u>	<u>42,066</u>
Current		
Current portion of long-term bank borrowings		
– secured(Note (i)(ii)(iii))	1,696	3,834
– unsecured	823	6,902
Short-term bank borrowings		
– secured(Note (ii))	-	232
– unsecured	19,483	7,011
Ultra short-term financing bills		
– unsecured(Note (v))	8,000	3,000
	<u>30,002</u>	<u>20,979</u>
Total borrowings	<u><u>45,886</u></u>	<u><u>63,045</u></u>
The borrowings are repayable:		
Within one year	30,002	20,979
In the second year	6,774	17,226
In the third to fifth year inclusive	8,381	19,991
After the fifth year	729	4,849
Total borrowings	<u><u>45,886</u></u>	<u><u>63,045</u></u>

Notes:

- (i) As at December 31, 2015, borrowings of the Group totalling RMB9,100 million (2014: RMB22,946 million) were secured by mortgages over certain of the Group's aircraft and other flight equipment with aggregate carrying amounts of RMB15,814 million (2014: RMB31,825 million).
- (ii) As at December 31, 2015, none of the borrowings of the Group (2014: RMB532 million) were secured by pledged bank deposits (2014: RMB324 million).
- (iii) As at December 31, 2015, borrowings of the Group amounting to RMB415 million (2014: RMB434 million) was secured by land use rights of RMB66 million (2014: RMB68 million) and investment property of RMB50 million(2014: RMB51 million).
- (iv) The Group issued corporate bonds with aggregate nominal value of RMB 3,000 million on 20 November 2015 at a bond rate of 3.63%. The corporate bonds mature in five years. The Company will be entitled at its option to adjust its bond rate and the investors will be entitled to request the Company to redeem all or a portion of the bonds after three years of the issue date.

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35 Borrowings (continued)

(a) As at December 31, 2015, borrowings are analyzed as follows: (continued)

- (v) The Group issued the first tranche of Ultra-short-term Financing Bills for the year 2015 with an amount of RMB 3,000 million on 19 November 2015 at a bond rate of 3.20%, with a maturity period of 270 days.

The Group issued the second tranche of Ultra-short-term Financing Bills for the year 2015 with an amount of RMB 2,000 million on 24 November 2015 at a bond rate of 3.04%, with a maturity period of 180 days.

The Group issued the third tranche of Ultra-short-term Financing Bills for the year 2015 with an amount of RMB 3,000 million on 30 November 2015 at a bond rate of 3.16%, with a maturity period of 268 days.

(b) As at December 31, 2015, the Group's weighted average interest rates on short-term borrowings were 3.66% per annum (2014: 3.30% per annum).

(c) Details of borrowings with original maturity over one year are as follows:

	2015 RMB million	2014 RMB million
Renminbi denominated loans		
Fixed interest rate at 1.20% per annum as at December 31, 2015, with maturities through 2027	20	226
Corporate Bond - Fixed bond rate at 3.63%	3,000	-
Floating interest rates 90%, 95%, 100% of benchmark interest rate (stipulated by PBOC) as at December 31, 2015, with maturities through 2022	783	570
United States Dollars denominated loans		
Fixed interest rates ranging from 1.89% to 3.30% per annum as at December 31, 2014	-	927
Floating interest rates ranging from one-month LIBOR + 1.20% to one-month LIBOR + 2.20% per annum as at December 31, 2015, with maturities through 2021	1,097	1,832
Floating interest rates ranging from three-month LIBOR + 0.59% to three-month LIBOR + 2.80% per annum as at December 31, 2015, with maturities through 2024	10,327	38,546
Floating interest rates at six-month LIBOR + 0.45% to six-month LIBOR + 2.55% per annum as at December 31, 2015, with maturities through 2022	3,176	10,701
	18,403	52,802
Less: loans due within one year classified as current liabilities	(2,519)	(10,736)
	<u>15,884</u>	<u>42,066</u>

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35 Borrowings (continued)

- (d) The remaining contractual maturities at the end of the financial year of the Group's borrowings, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates, or if floating, based on rates current at the end of the financial year) and the earliest date the Group can be required to pay, are as follows:

	2015 RMB million	2014 RMB million
Contractual undiscounted cash flows		
Within 1 year	30,789	22,293
After 1 year but within 2 years	7,110	18,098
After 2 years but within 5 years	8,700	20,758
After 5 years	744	5,040
	<u>47,343</u>	<u>66,189</u>

- (e) The carrying amounts of the borrowings are denominated in the following currencies:

	2015 RMB million	2014 RMB million
Renminbi	30,145	4,444
US Dollars	15,110	58,601
Euro	631	-
	<u>45,886</u>	<u>63,045</u>

The Group has significant borrowings balances as well as obligations under finance leases (Note 36) which are denominated in US dollars as at December 31, 2015. The net exchange loss of RMB5,953 million (2014: net exchange loss of RMB292 million; 2013: net exchange gain RMB2,903 million) recorded by the Group was mainly attributable to the exchange loss/gain arising from translation of borrowings balances and finance lease obligations denominated in US dollars.

- (f) As at December 31, 2015, loans to the Group from SA finance amounted to RMB105 million (2014: RMB105 million) (Note 48(d)(i)).
- (g) As at December 31, 2015, the fair value of borrowings approximate their carrying amount. The fair value is within level 2 of the fair value hierarchy.

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36 Obligations under finance leases

The Group has commitments under finance lease agreements in respect of aircraft and related equipment. The majority of these leases have terms of 10 to 12 years expiring during the years 2016 to 2027. The Group has made careful assessment on the classification of leased aircraft pursuant to IAS 17 and believes all leased aircraft classified as finance lease meet one or more of the criteria as set out in IAS 17 that would lead to a lease being classified as a finance lease (i.e. the lease transfers ownership of the asset to the lessee by the end of the lease term; the lessee has the option to purchase the asset at a price that is expected to be sufficiently lower than the fair value at the date the option becomes exercisable for it to be reasonably certain, at the inception of the lease, that the option will be exercised; at the inception of the lease the present value of the minimum lease payments amounts to at least substantially all of the fair value of the leased asset).

As at December 31, 2015, future payments under these finance leases are as follows:

	2015			2014		
	Present value of the minimum lease payments RMB million	Total minimum lease payments RMB million	Future interest RMB million	Present value of the minimum lease payments RMB million	Total minimum lease payments RMB million	Interest RMB million
Within 1 year	6,416	7,864	1,448	5,992	7,312	1,320
After 1 year but within 2 years	7,369	8,613	1,244	5,487	6,643	1,156
After 2 years but within 5 years	16,818	19,515	2,697	15,781	18,277	2,496
After 5 years	25,221	26,731	1,510	22,651	24,345	1,694
	55,824	62,723	6,899	49,911	56,577	6,666
Less: balance due within one year classified as current liabilities	(6,416)			(5,992)		
	<u>49,408</u>			<u>43,919</u>		

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36 Obligations under finance leases (continued)

Details of obligations under finance leases are as follows:

	2015 RMB million	2014 RMB million
United States Dollars denominated obligations		
Fixed interest rates ranging from 2.09% to 6.01% per annum as at December 31, 2015	9,570	4,176
Floating interest rates ranging from three-month LIBOR + 0.18% to three-month LIBOR + 3.30% per annum as at December 31, 2015	21,168	25,819
Floating interest rates ranging from six-month LIBOR + 0.03% to six-month LIBOR + 3.30% per annum as at December 31, 2015	16,744	16,797
Singapore Dollars denominated obligations		
Floating interest rate at six-month SIBOR + 1.44% per annum as at December 31, 2015	368	418
Japanese Yen denominated obligations		
Floating interest rate at three-month TIBOR + 0.75% to three-month LIBOR + 1.90% per annum as at December 31, 2015	1,524	1,610
Floating interest rate at six-month TIBOR + 3.00% per annum as at December 31, 2015	325	331
Renminbi denominated obligations		
Floating interest rate at 130 % of five-year RMB loan benchmark interest rate announced by the PBOC per annum as at December 31, 2015	369	438
Floating interest rate at 100 % of five-year RMB loan benchmark interest rate announced by the PBOC per annum as at December 31, 2015	242	322
Floating interest rate at 95 % of five-year RMB loan benchmark interest rate announced by the PBOC per annum as at December 31, 2015	435	-
Floating interest rate at three-month CHN HIBOR + 0.38%	551	-
Euro denominated obligations		
Floating interest rate ranging from three-month EURIBOR + 0.32% to three-month EURIBOR + 2.70% per annum as at December 31, 2015	2,951	-
Floating interest rate ranging from six-month EURIBOR + 1.45% to six-month EURIBOR + 1.80% per annum as at December 31, 2015	1,577	-
	<u>55,824</u>	<u>49,911</u>

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36 Obligations under finance leases (continued)

Charges over the assets concerned and relevant insurance policies are provided to the lessors as collateral and security. As at December 31, 2015, certain of the Group's aircraft with carrying amounts of RMB72,246 million (2014: RMB67,294 million) secured finance lease obligations totaling RMB55,824 million (2014: RMB49,911 million).

As at December 31, 2015, the fair value of obligation under finance leases approximate their carrying amount. The fair value is within level 2 of the fair value hierarchy.

37 Trade payables

	2015 RMB million	2014 RMB million
Within 1 month	735	755
More than 1 month but less than 3 months	504	633
More than 3 months but less than 6 months	843	107
More than 6 months but less than 1 year	314	76
More than 1 year	104	86
	<u>2,500</u>	<u>1,657</u>

As at December 31, 2015, the fair value of trade payable approximate their carrying amounts.

The carrying amounts of the Group's trade payable are denominated in the following currencies:

	2015 RMB million	2014 RMB million
Renminbi	2,418	1,558
US Dollars	69	86
Others	13	13
	<u>2,500</u>	<u>1,657</u>

38 Deferred revenue

Deferred revenue represents the unredeemed credits under the frequent flyer award programme.

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39 Amounts due from/to related companies

(a) Amounts due from related companies

	Note	2015 RMB million	2014 RMB million
CSAHC and its affiliates		21	78
Associates		226	284
Joint ventures		86	124
	48(c)	<u>333</u>	<u>486</u>

The amounts due from related companies are unsecured, interest free and have no fixed terms of repayment. They are expected to be recovered within one year.

(b) Amounts due to related companies

	Note	2015 RMB million	2014 RMB million
CSAHC and its affiliates		59	144
A joint venture of CSAHC		18	112
An associate		13	13
Joint ventures		60	119
Other related company		2	70
	48(c)	<u>152</u>	<u>458</u>

The amounts due to related companies are unsecured, interest free and have no fixed terms of repayment. They are expected to be settled within one year.

40 Accrued expenses

	2015 RMB million	2014 RMB million
Repairs and maintenance	5,179	3,518
Jet fuel costs	1,179	1,814
Salaries and welfare	2,434	2,385
Landing and navigation fees	2,003	2,240
Computer reservation services	340	338
Provision for major overhauls (Note 42)	470	112
Interest expense	385	471
Air catering expenses	307	311
Provision for early retirement benefits (Note 43)	12	20
Others	772	913
	<u>13,081</u>	<u>12,122</u>

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41 Other liabilities

	2015 RMB million	2014 RMB million
Civil Aviation Development Fund and airport tax payable	1,335	1,379
Payable for purchase of property, plant and equipment	767	703
Sales agent deposits	384	418
Other taxes payable	395	397
Deposit received for chartered flights	103	188
Payable due to the former shareholder of a subsidiary (Note (a))	658	758
Others	1,516	1,478
	<u>5,158</u>	<u>5,321</u>

Note:

(a) Balance represented a loan of a subsidiary acquired by the Group in 2014 due to its former shareholder, which was interest-free previously and has started to bear interest with an annual rate of 6% since March 1, 2015. As at December 31, 2015, the fair value of the balance approximate their carrying amount.

42 Provision for major overhauls

Details of provision for major overhauls in respect of aircraft held under operating leases are as follows:

	2015 RMB million	2014 RMB million
At January 1	1,735	1,491
Additional provision	823	682
Utilisation	(193)	(438)
At December 31	2,365	1,735
Less: current portion (Note 40)	(470)	(112)
	<u>1,895</u>	<u>1,623</u>

43 Provision for early retirement benefits

Details of provision for early retirement benefits in respect of obligations to early retired employees are as follows:

	2015 RMB million	2014 RMB million
At January 1	45	73
Provision for the year (Note 14)	3	7
Financial cost (Note 16)	2	4
Payments made during the year	(25)	(39)
At December 31	25	45
Less: current portion (Note 40)	(12)	(20)
	<u>13</u>	<u>25</u>

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43 Provision for early retirement benefits (continued)

The Group has implemented an early retirement plan for certain employees. The benefits of the early retirement plan are calculated based on factors including the remaining number of years of service from the date of early retirement to the normal retirement date and the salary amount on the date of early retirement of the employees. The present value of the future cash flows expected to be required to settle the obligations is recognized as provision for early retirement benefits.

44 Deferred benefits and gains

	2015 RMB million	2014 RMB million
Leases rebates (Note (i))	145	184
Maintenance rebates (Note (ii))	455	367
Gains relating to sale and leaseback (Note (iii))	77	103
Government grants	190	177
Others	19	22
	<u>886</u>	<u>853</u>

Notes:

- (i) The Company was granted rebates by the lessors under certain lease arrangements when it fulfilled certain requirements. The rebates are deferred and amortised using the straight line method over the remaining lease terms.
- (ii) The Company was granted rebates by the engine suppliers under certain arrangements when it fulfilled certain requirements. The rebates are deferred and amortised using the straight line method over the beneficial period.
- (iii) The Company entered into sale and leaseback transactions with certain third parties under operating leases. The gains are deferred and amortised over the lease terms of the aircraft.

45 Share capital

	2015 RMB million	2014 RMB million
Registered, issued and paid up capital:		
4,039,228,665 domestic state-owned shares of RMB1.00 each (2014: 4,208,586,278 shares of RMB1.00 each)	4,039	4,209
2,983,421,335 A shares of RMB1.00 each (2014: 2,814,063,722 shares of RMB1.00 each)	2,984	2,814
2,794,917,000 H shares of RMB1.00 each (2014: 2,794,917,000 shares of RMB1.00 each)	2,795	2,795
	<u>9,818</u>	<u>9,818</u>

All the domestic state-owned, H and A shares rank pari passu in all material respects.

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46 Reserves

	2015 RMB million	2014 RMB million
Share premium		
At January 1 and December 31	14,131	14,131
Fair value reserve		
At January 1	44	22
Change in fair value of available-for-sale equity securities	1	22
Change in fair value of derivative financial instruments	10	-
At December 31	55	44
Statutory and discretionary surplus reserve		
At January 1	1,306	1,169
Appropriations to reserves (Note (a))	246	137
At December 31	1,552	1,306
Other reserve		
At January 1	180	167
Share of an associate's reserves movement	(5)	14
Acquisition of non-controlling interests in a subsidiary	(52)	(1)
At December 31	123	180
Retained profits		
At January 1	10,269	9,022
Profit for the year	3,736	1,777
Appropriations to reserves (Note (a))	(246)	(137)
Dividends approved in respect of the previous year	(393)	(393)
At December 31	13,366	10,269
Total	29,227	25,930

(a) Appropriations to reserves

According to the PRC Company Law and the Articles of Association of the Company and certain of its subsidiaries, the Company and the relevant subsidiaries are required to transfer 10% of their annual net profits after taxation, as determined under the PRC accounting rules and regulations, to a statutory surplus reserve until the reserve balance reaches 50% of the registered capital. The transfer to this reserve must be made before distribution of dividend to shareholders and when there are retained profits at the end of the financial year.

Statutory surplus reserve can be used to offset prior years' losses, if any, and may be converted into share capital by the issue of new shares to shareholders in proportion to their existing shareholding or by increasing the par value of the shares currently held by them, provided that the balance after such issue is not less than 25% of the registered capital.

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46 Reserves (continued)**(b) Dividends**

Dividends payable to equity shareholders of the Company attributable to the year

	2015 RMB million	2014 RMB million
Final dividend proposed after the end of the reporting year of RMB0.8 per 10 ordinary shares (2014: RMB0.4 per 10 ordinary shares) (inclusive of applicable tax)	<u>785</u>	<u>393</u>

A dividend in respect of the year ended December 31, 2015 of RMB0.8 per 10 shares (inclusive of applicable tax) (2014: RMB0.4 per 10 shares (inclusive of applicable tax)), amounting to a total dividend of RMB785 million (2014: RMB393 million), was proposed by the directors on March 30, 2016. The final dividend proposed after the end of the financial year has not been recognized as a liability at the end of the financial year.

47 Commitments**(a) Capital commitments**

Capital commitments outstanding at December 31, 2015 not provided for in the financial statements were as follows:

	2015 RMB million	2014 RMB million
Commitments in respect of aircraft and flight equipment		
– authorised and contracted for	<u>83,427</u>	<u>59,467</u>
Investment commitments		
– authorised and contracted for		
– capital contributions for acquisition of interests in associates	34	70
– share of capital commitments of a joint venture	<u>56</u>	<u>52</u>
	<u>90</u>	<u>122</u>
– authorised but not contracted for		
– share of capital commitments of a joint venture	<u>41</u>	-
	<u>131</u>	<u>122</u>
Commitments for other property, plant and equipment		
– authorised and contracted for	2,550	1,512
– authorised but not contracted for	<u>4,183</u>	<u>3,610</u>
	<u>6,733</u>	<u>5,122</u>
	<u>90,291</u>	<u>64,711</u>

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47 Commitments (continued)**(a) Capital commitments (continued)**

As at December 31, 2015, the approximate total future payments, including estimated amounts for price escalation through anticipated delivery dates for aircraft and flight equipment are as follows:

	2015 RMB million	2014 RMB million
2015	-	18,146
2016	19,074	11,628
2017	22,359	10,081
2018	18,898	7,552
2019 and afterwards	23,096	12,060
	<u>83,427</u>	<u>59,467</u>

(b) Operating lease commitments

As at December 31, 2015, the total future minimum lease payments under non-cancellable operating leases in respect of properties, aircraft and flight equipment are as follows:

	2015 RMB million	2014 RMB million
Payments due		
Within 1 year	6,560	5,072
After 1 year but within 5 years	18,582	15,496
After 5 years	10,967	8,230
	<u>36,109</u>	<u>28,798</u>

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48 Material related party transactions

(a) Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors as disclosed in Note 54, is as follows:

	2015 RMB thousand	2014 RMB thousand	2013 RMB thousand
Salaries, wages and welfare	8,907	13,013	12,412
Retirement scheme contributions	1,868	2,359	2,074
	<u>10,775</u>	<u>15,372</u>	<u>14,486</u>
	2015 RMB thousand	2014 RMB thousand	2013 RMB thousand
Directors and supervisors (Note 54(a))	2,471	3,241	3,108
Senior management	8,304	12,131	11,378
	<u>10,775</u>	<u>15,372</u>	<u>14,486</u>

Total remuneration is included in "staff costs" (Note 14).

(b) Transactions with CSAHC and its affiliates (the "CSAHC Group"), associates, joint ventures and other related company of the Group

The Group provided or received various operational services to or by the CSAHC Group, associates, joint ventures and other related company of the Group during the normal course of its business.

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48 Material related party transactions (continued)**(b) Transactions with CSAHC and its affiliates (the “CSAHC Group”), associates, joint ventures and other related company of the Group (continued)**

Details of the significant transactions carried out by the Group are as follows:

	Note	2015 RMB million	2014 RMB million	2013 RMB million
Income received from the CSAHC Group				
Charter flight and pallet income	(i)	19	32	107
Air catering supplies income	(ii)	1	1	-
Cargo handling income	(i)	1	-	1
Aircraft material sales	(iii)	1	-	-
Expenses paid to the CSAHC Group				
Repairing charges	(iii)	1,324	780	796
Lease charges for land and buildings	(iv)	193	173	169
Handling charges	(v)	114	119	121
Property management fee	(vi)	73	61	63
Air catering supplies expenses	(ii)	100	89	84
Cargo handling charges	(i)	109	46	33
Commission expenses	(i)	98	8	19
Printing expenses	(vii)	4	4	-
Construction supervision expenses	(xx)	2	-	-
Expenses paid to joint ventures and associates				
Repairing charges	(viii)	1,714	1,335	1,783
Flight simulation service charges	(ix)	324	316	270
Training expenses	(x)	112	169	120
Ground service expenses	(xi)	119	111	14
Air catering supplies	(xii)	108	102	-
Advertising expenses	(xiii)	67	75	77
Commission expense	(xiv)	1	29	-
Maintenance material purchase expenses	(viii)	29	24	-
Intercom rental expenses	(xxi)	2	-	-
Rental expense	(xxii)	1	-	-
Income received from joint ventures and associates				
Entrustment income for advertising media business	(xiii)	21	34	32
Rental income	(ix)	37	33	31
Commission income	(xv)	17	40	12
Repairing income	(xiv)	12	17	14
Air catering supplies	(xiv)	23	10	18
Ground service income	(xvi)	8	8	7
Air ticket Income	(xv)	1	2	-
Maintenance material sales revenue	(xvii)	1	2	-
Air catering supplies income	(xii)	1	1	-
Income received from other related company				
Air tickets income	(xviii)	10	12	12

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48 Material related party transactions (continued)**(b) Transactions with CSAHC and its affiliates (the “CSAHC Group”), associates, joint ventures and other related company of the Group (continued)**

	Note	2015 RMB million	2014 RMB million	2013 RMB million
Expenses paid to other related company				
Computer reservation services	(xix)	515	435	444
Advertising expenses	(xviii)	-	20	10

- (i) China Southern Air Holding Ground Services Co.,Ltd (“CSA Groud Services”), a wholly- owned subsidiary of CSAHC, purchases cargo spaces and charter flights from the Group. In addition, cargo handling income/charges are earned/payable by the Group in respect of the cargo handling services with CSA Ground Services.

Commission is earned by CSA Ground Services in connection with the air tickets sold by them on behalf of the Group. Commission is calculated based on the rates stipulated by the CAAC and International Air Transportation Association.

- (ii) Shenzhen Air Catering Company Limited (“SZ Catering”) became a related party of the Group since its Chairman, Mr. Yuan Xin An was appointed as a non-executive Director of the Company in November 2011.

Air catering supplies income/expenses are earned/payable by the group in respect of certain in-flight meals and related services with SZ catering.

- (iii) MTU Maintenance Zhuhai Co., Ltd, a joint venture of CSAHC, provides comprehensive maintenance services to the Group

- (iv) The Group leases certain land and buildings in the PRC from CSAHC. The amount represents rental payments for land and buildings paid or payable to CSAHC.

- (v) The Group acquires aircraft, flight equipment and other airline-related facilities through Southern Airlines (Group) Import and Export Trading Company Limited (“SAIETC”), a wholly-owned subsidiary of CSAHC, and pays handling charges to SAIETC.

- (vi) Guangzhou China Southern Airlines Property Management Company Limited, a subsidiary of CSAHC, provides property management services to the Group.

- (vii) Printing Plant of China Nothern Airlines Vestibule School provides printing services for the Group.

- (viii) Guangzhou Aircraft Maintenance Engineering Company Limited (“GAMECO”) and Shenyang Northern Aircraft Maintenance Limited, joint ventures of the Group, provide comprehensive maintenance services to the Group.

The Group purchases maintenance material from GAMECO.

- (ix) Zhuhai Xiang Yi Aviation Technology Company Limited (“Zhuhai Xiang Yi”), a joint venture of the Group, provides flight simulation services to the Group.

In addition, the Group leased certain flight training facilities and buildings to Zhuhai Xiang Yi under operating lease agreements.

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48 Material related party transactions (continued)

(b) Transactions with CSAHC and its affiliates (the “CSAHC Group”), associates, joint ventures and other related company of the Group (continued)

- (x) China Southern West Australian Flying College Pty Limited (“Flying College”), a joint venture of the Group, provides training services to the Group.
- (xi) Beijing Aviation Ground Services Co.,Ltd., and Shenyang Konggang Logistic Co. Ltd., associates of the Group provide ground service to the group .
- (xii) Air catering supplies income/expenses are earned/payable by the Group in respect of certain in-flight meals and related services with Beijing Airport Inflight Kitchen Co.,Ltd., which is an associate of the Group.
- (xiii) SACM, an associate of the Group, provides advertising services to the Group.
In addition, Xiamen Airlines provides certain media resources to Xiamen Airlines Culture and Media Co., Ltd., a subsidiary of SACM.
- (xiv) Sichuan Airlines, an associate of the Group, provides commission service to the Group. The charge is determined according to the market price.
In addition, The Company provides aircraft maintenance services to Sichuan Airlines. The Group provides air catering services and repairing services to Sichuan Airlines.
- (xv) The Group provides certain website resources to SA Finance for the sales of air insurance to passengers and provides commission service to Sichuan Airlines.
In addition, the Group sells tickets to SA Finance as a gift to passengers for the sales of insurance.
- (xvi) The Group provides ground services to Shenyang Konggang Logistic and Sichuan Airlines.
- (xvii) The Group sells maintenance materials to Shenyang Northern Aircraft Maintenance Ltd., which is a joint venture of the Group.
- (xviii) Phoenix Satellite Television Holdings Limited ("the Phoenix Group") is a related party of the Group as the board chairman of the Phoenix Group was appointed as a non-executive director of the Group. It provides advertising services to the Group.
In addition, the Group Sells tickets to the Phoenix Group on market price.
- (xix) China Travel Sky Holding Company is a related party of the Group as a director of the Group was appointed as the director of China Travel Sky Holding Company. It provides computer reservation services to the Group.
- (xx) CSA Construction Supervision Co. Ltd., an associate of the CSAHC, provides supervision services to the Group.
- (xxi) Guangzhou Tuokang Communication Technology Co. Ltd. , an associate of the Group, provides intercom rental services to the Group.
- (xxii) Shenyang Konggang Logistic Co. Ltd., an associate of the Group, provides facilities and buildings to the Group under operating lease agreement.

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48 Material related party transactions (continued)**(c) Balances with the CSAHC Group, associates, joint ventures and other related company of the Group**

Details of amounts due from/to the CSAHC Group, associates, joint ventures and other related company of the Group:

	Note	2015 RMB million	2014 RMB million
Receivables:			
The CSAHC Group		21	78
Associates		226	284
Joint ventures		86	124
	39(a)	<u>333</u>	<u>486</u>
	Note	2015 RMB million	2014 RMB million
Payables:			
The CSAHC Group		77	256
Associates		13	13
Joint ventures		60	119
Other related company		2	70
	39(b)	<u>152</u>	<u>458</u>
		2015 RMB million	2014 RMB million
Accrued expenses:			
The CSAHC Group		571	451
Associates		97	92
Joint ventures		931	836
Other related company		282	269
		<u>1,881</u>	<u>1,648</u>

The amounts due from/to the CSAHC Group, associates, joint ventures and other related company of the Group are unsecured, interest free and have no fixed terms of repayment.

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48 Material related party transactions (continued)**(d) Loans from and deposits placed with related parties****(i) Loans from related parties**

At December 31, 2015, loans from SA Finance to the Group amounted to RMB105 million (2014: RMB105 million).

In 2015, CSAHC, SA Finance and the Group entered into an entrusted loan agreement, pursuant to which, CSAHC, as the lender, entrusted SA Finance to lend RMB105 million to the Group from April 27, 2015 to April 27, 2016. The interest rate is 90% of benchmark interest rate stipulated by PBOC per annum.

The unsecured loans are repayable as follows:

	Note	2015 RMB million	2014 RMB million
Within 1 year		105	105
	35(f)	<u>105</u>	<u>105</u>

Interest expense paid on such loans amounted to RMB4 million (2014: RMB11 million; 2013: RMB28 million) and the interest rates ranged from 3.92% to 4.14% per annum during the year ended December 31, 2015(2014: 5.04% to 5.70% per annum; 2013: 5.54% to 5.84% per annum).

(ii) Deposits placed with SA Finance

At December 31, 2015 the Group's deposits with SA Finance are presented in the table below. The applicable interest rates are determined in accordance with the rates published by the PBOC.

	Note	2015 RMB million	2014 RMB million
Deposits placed with SA Finance	34	<u>2,934</u>	<u>4,264</u>

Interest income received on such deposits amounted to RMB70 million during the year ended December 31, 2015 (2014: RMB68 million; 2013: RMB66 million).

(e) Commitments to CSAHC

At December 31, 2015, the Group had operating lease commitments to CSAHC in respect of lease payments for land and buildings of RMB320 million (2014: RMB207 million).

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49 Employee benefits plan**(a) Retirement benefits**

Employees of the Group participate in several defined contribution retirement schemes organised separately by the PRC municipal and provincial governments in regions where the major operations of the Group are located. The Group is required to contribute to these schemes at rates ranging from 13% to 21% (2014: 11% to 21%; 2013: 10% to 22%) of salary costs including certain allowances. A member of the retirement schemes is entitled to pension benefits from the Local Labour and Social Security Bureau upon his/her retirement. The retirement benefit obligations of all retired staff of the Group are assumed by these schemes. The Group, as its sole discretion, had made certain welfare subsidy payments to these retirees.

In 2014, the Company and its major subsidiaries joined a new defined contribution retirement scheme ("Pension Scheme") that was implemented by CSAHC. The annual contribution to the Pension Scheme is based on a fixed specified percentage of prior year's annual wage. There will be no further obligation beyond the annual contribution according to the Pension Scheme. The total contribution into the Pension Scheme in 2015 was approximately RMB438,000,000.

(b) Housing benefits

The Group contributes on a monthly basis to housing funds organised by municipal and provincial governments based on certain percentages of the salaries of employees. The Group's liability in respect of these funds is limited to the contributions payable in each year.

In addition to the housing funds, certain employees of the Group are eligible to one of the following housing benefit schemes:

- (i) Pursuant to a staff housing benefit scheme effective on September 2002, the Group agreed to pay lump sum housing allowances to certain employees who have not received quarters from CSAHC or the Group according to the relevant PRC housing reform policy. An employee who leaves the Company prior to the end of the vesting benefit period is required to pay back a portion of the lump sum housing benefits determined on a pro rata basis of the vesting benefit period. The Group has the right to effect a charge on the employee's house and to enforce repayment through the sale of the house in the event of default in repayment. Any remaining shortfall is charged to income statement. The amount was fully amortised in 2012.
- (ii) The Group also pays cash housing subsidies on a monthly basis to eligible employees. The monthly cash housing subsidies are charged to income statement.

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49 Employee benefits plan (continued)**(c) Share Appreciation Rights Scheme**

On November 30, 2011, the Company's General Meeting approved the "H Share Appreciation Rights Scheme of China Southern Airlines Company Limited" and "Initial Grant under the H Share Appreciation Rights Scheme of China Southern Airlines Company Limited" ("the Scheme").

Under the Scheme, 24,660,000 units of SARs were granted to 118 employees of the Group at the exercise price of HKD3.92 per unit in December 2011. No shares will be issued under the Scheme and each SAR is notionally linked to one existing H share of the Company. Upon exercise of the SARs, a recipient will receive an amount of cash equal to the difference between the market share price of the relevant H share and the exercise price.

The SARs will have an exercise period of six years from the date of grant. Upon the satisfaction of certain performance conditions after the second, third and fourth anniversary of the date of grant, each one third of the SARs will become exercisable.

A dividend of RMB0.2 (equivalent to HKD0.25) (inclusive of applicable tax), a dividend of RMB 0.05 (equivalent to HKD0.06) (inclusive of applicable tax), a dividend of RMB0.04 (equivalent to HKD0.05) (inclusive of applicable tax) and a dividend of RMB0.04 (equivalent to HKD0.05) (inclusive of applicable tax) per share was approved by the Company's General Meeting on May 31, 2012, June 18, 2013, June 26, 2014 and 30 June, 2015 respectively (Note 46(b)), therefore, the exercise price for the SARs was adjusted to HKD3.51 per share in accordance with the predetermined formula stipulated in the Scheme.

The fair value of the liability for SARs is measured using the Black-Scholes option pricing model. The risk free rate, expected dividend yield and expected volatility of the share price are used as the inputs into the model. As at 31 December 2015, 24,660,000 units of SARs granted by the Company have all expired and correspondingly, the liability for SARs was RMB0.

50 Supplementary information to the consolidated cash flow statement**Non-cash transactions-acquisition of aircraft**

During the year ended December 31, 2015, aircraft acquired under finance leases amounted to RMB11,251 million (2014: RMB19,163 million; 2013: RMB17,268 million).

51 Contingent liabilities

- (a) The Group leased certain properties and buildings from CSAHC which located in Guangzhou, Wuhan and Haikou, etc. However, to the knowledge of the Group, such properties and buildings lack adequate documentation evidencing CSAHC's rights thereto.

Pursuant to the indemnification agreement dated May 22, 1997 between the Group and CSAHC, CSAHC has agreed to indemnify the Group against any loss or damage arising from any challenge of the Group's right to use such properties and buildings.

In addition, as disclosed in notes 21 and 23, the Group is applying title certificates for certain of the Group's properties and land use rights certificates for certain properties and parcels of land. The Company is of the opinion that the use of and the conduct of operating activities at these properties and these parcels of land are not affected by the fact that the Group has not yet obtained the relevant certificates.

Notes to the consolidated financial statements

(Prepared in accordance with International Financial Reporting Standards)

(Expressed in Renminbi unless otherwise indicated)

51 Contingent liabilities (continued)

- (b) The Company and its subsidiary, Xiamen Airlines, entered into agreements with their pilot trainees and certain banks to provide guarantees on personal bank loans amounting to RMB627 million (December 31, 2014: RMB646 million) that can be drawn by the pilot trainees to finance their respective flight training expenses. As at December 31, 2015, total personal bank loans of RMB454 million (December 31, 2014: RMB486 million), under these guarantees, were drawn down from the banks. During the year, the Group paid RMB4 million (2014: RMB2 million) to the banks due to the default of payments of certain pilot trainees.
- (c) The Company is engaged in International Court of Arbitration proceedings ("ICC arbitration proceedings") in London against a lessor SASOF TR-81 AVIATION IRELAND LIMITED, arising out of the redelivery of two Boeing 737 aircraft. The lessor has made various claims of approximately USD13 million in the arbitration proceedings relating to the redelivery condition of the aircraft, and the Company has counterclaimed against the lessor for the recovery of approximately USD9.8 million. The hearing in the ICC arbitration proceedings commenced in London on March 7, 2016 and will conclude on April 19, 2016, and the award of the Arbitral Tribunal is awaited. As of the date of this report, the Company cannot reasonably predict the result and potential financial impact of this pending arbitration, if any. Therefore, no additional provision has been made against this pending arbitration.
- (d) With regard to the investigation of the Company's former chairman as a result of suspected severe disciplinary violation of Communist Party rules and regulations, management of the Company and the internal audit of the Company under the direction of the Audit Committee, have carried out a robust assessment by taking into consideration the fact that the former chairman was a non-executive director and has not been involved in the operation of the Company. Based on the work carried out, we have not identified any possible material misstatements of the financial statements or impact on the internal control over financial reporting caused by the incident.

52 Immediate and ultimate controlling party

As at December 31, 2015, the Directors of the Company consider the immediate parent and ultimate controlling party of the Group to be CSAHC, a state-owned enterprise established in the PRC. CSAHC does not produce financial statements available for public use.

53 Subsequent events

- (a) On February 2, 2016, the Company entered into the "Equity Transfer Agreement between China Southern Airlines Company Limited and China Southern Air Holding Company in relation to transfer of 100% equity interest in Southern Airlines (Group) Import and Export Trading Company" with CSAHC, the controlling shareholder of the Company, pursuant to which the Company agreed to acquire 100% equity interest in Southern Airlines (Group) Import and Export Trading Company at a consideration of RMB400,570,400.
- (b) On March 7, 2016, the Group has completed the issuance of the 2016 Corporate Bonds (Frist Tranche) with nominal value of RMB5 billion for a term of three years and at nominal interest rate of 2.97%.
- (c) On March 8, 2016, the Board approved that, Xiamen Airlines shall make an application to the National Association of Financial Market Institutional Investors for the registration and issuance of ultra-short-term financing bills with the aggregate maximum principal amount of RMB10 billion. The term of this issuance shall be no more than one year. The issuance of ultra-short-term financing is subject to the registration with the National Association of Financial Market Institutional Investors.

Notes to the consolidated financial statements

(Prepared in accordance with International Financial Reporting Standards)

(Expressed in Renminbi unless otherwise indicated)

54 Remuneration of directors, supervisors and senior management**(a) Directors' and supervisors' remuneration**

Details of directors' and supervisors' remuneration for the year ended December 31, 2015 are set out below:

Name	Directors' fees RMB thousand	Salaries, wages and welfare RMB thousand	Retirement scheme contributions RMB thousand	Total RMB thousand
Non-executive directors				
Wang Quan Hua (Note (i) & (ii))	-	-	-	-
Yuan Xin An (Note (i))	-	-	-	-
Yang Li Hua (Note (i))	-	-	-	-
Executive directors				
Tan Wan Geng (Note (i))	-	-	-	-
Zhang Zi Fang (Note (i))	-	-	-	-
Li Shao Bin	-	636	137	773
Supervisors				
Pan Fu (Note (i))	-	-	-	-
Li Jia Shi	-	636	139	775
Zhang Wei (Note (i))	-	-	-	-
Yang Yi Hua	-	240	92	332
Wu De Ming	-	451	140	591
Independent non-executive directors				
Ning Xiang Dong	150	-	-	150
Liu Chang Le	150	-	-	150
Tan Jin Song	150	-	-	150
Wei Jin Cai (Note (iii))	75	-	-	75
Guo Wei (Note (iv))	75	-	-	75
Jiao Shu Ge (Note (iv))	75	-	-	75
	<u>675</u>	<u>1,963</u>	<u>508</u>	<u>3,146</u>

Notes to the consolidated financial statements

(Prepared in accordance with International Financial Reporting Standards)

(Expressed in Renminbi unless otherwise indicated)

54 Remuneration of directors, supervisors and senior management (continued)**(a) Directors' and supervisors' remuneration (continued)**

Details of directors' and supervisors' remuneration for the year ended December 31, 2014 are set out below:

Name	Directors' fees RMB thousand	Salaries, wages and welfare RMB thousand	Retirement scheme contributions RMB thousand	Total RMB thousand
Non-executive directors				
Wang Quan Hua(Note (i) & (ii))	-	-	-	-
Yuan Xin An (Note (i))	-	-	-	-
Yang Li Hua (Note (i))	-	-	-	-
Executive directors				
Tan Wan Geng (Note (i))	-	-	-	-
Zhang Zi Fang (Note (i))	-	-	-	-
Li Shao Bin	-	636	130	766
Supervisors				
Pan Fu (Note (i))	-	-	-	-
Li Jia Shi	-	636	132	768
Zhang Wei (Note (i))	-	-	-	-
Yang Yi Hua	-	294	140	434
Wu De Ming	-	367	140	507
Independent non-executive directors				
Wei Jin Cai (Note (iii))	150	-	-	150
Ning Xiang Dong	150	-	-	150
Liu Chang Le	150	-	-	150
Tan Jin Song	150	-	-	150
	<u>600</u>	<u>1,933</u>	<u>542</u>	<u>3,075</u>

Notes to the consolidated financial statements

(Prepared in accordance with International Financial Reporting Standards)

(Expressed in Renminbi unless otherwise indicated)

54 Remuneration of directors, supervisors and senior management (continued)**(a) Directors' and supervisors' remuneration (continued)**

Details of directors' and supervisors' remuneration for the year ended December 31, 2013 are set out below:

Name	Directors' fees RMB thousand	Salaries, wages and welfare RMB thousand	Retirement scheme contributions RMB thousand	Total RMB thousand
Non-executive directors				
Wang Quan Hua (Note (i) & (ii))	-	-	-	-
Yuan Xin An (Note (i))	-	-	-	-
Yang Li Hua (Note (i))	-	-	-	-
Executive directors				
Tan Wan Geng (Note (i))	-	-	-	-
Zhang Zi Fang (Note (i))	-	-	-	-
Li Shao Bin	-	639	120	759
Supervisors				
Pan Fu (Note (i))	-	-	-	-
Li Jia Shi	-	636	120	756
Zhang Wei (Note (i))	-	-	-	-
Yang Yi Hua	-	291	122	413
Liang Zhong Gao	-	300	122	422
Wu De Ming	-	-	-	-
Independent non-executive directors				
Gong Hua Zhang	150	-	-	150
Wei Jin Cai (Note (iii))	150	-	-	150
Ning Xiang Dong	150	-	-	150
Liu Chang Le	150	-	-	150
Tan Jin Song	-	-	-	-
	<u>600</u>	<u>1,866</u>	<u>484</u>	<u>2,950</u>

Save as disclosed above, the Company's non-executive director, Mr. Si Xian Min resigned on January 15, 2016. For the years ended December 31, 2015, 2014 and 2013, Mr. Si Xian Min did not receive any remuneration for his service in the capacity of the non-executive director of the Company. He also held management positions in CSAHC and his salary were borne by CSAHC.

The Company's executive director, Mr. Xu Jie Bo resigned on January 5, 2015. For the year ended December 31, 2014, Mr. Xu Jie Bo's total remuneration was RMB766 thousand, including salaries, wages and welfare of RMB636 thousand and retirement scheme of RMB130 thousand. For the year ended December 31, 2013, Mr. Xu Jie Bo's total remuneration was RMB757 thousand, including salaries, wages and welfare of RMB636 thousand and retirement scheme of RMB121 thousand.

Notes to the consolidated financial statements

(Prepared in accordance with International Financial Reporting Standards)

(Expressed in Renminbi unless otherwise indicated)

54 Remuneration of directors, supervisors and senior management (continued)

(a) Directors' and supervisors' remuneration (continued)

Notes:

- (i) These directors or supervisors did not receive any remuneration for their services in the capacity of the directors or supervisors of the Company. They also held management positions in CSAHC and their salaries were borne by CSAHC.
- (ii) Resigned on 25 March 2015.
- (iii) Resigned on 30 June 2015.
- (iv) Appointed on 30 June 2015.

PURCHASE AGREEMENT NUMBER PA-03807

between

THE BOEING COMPANY

and

XIAMEN AIRLINES

Relating to Boeing Model 737-8 Aircraft

XIA-PA-03807

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""[***]" This information is subject to confidential treatment and has been omitted and filed separately with the commission"

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Purchase Agreement No. PA-03807

between

THE BOEING COMPANY

and

XIAMEN AIRLINES

This Purchase Agreement No. PA-03807 between The Boeing Company, a Delaware corporation, (**Boeing**) and Xiamen Airlines, a Chinese corporation, (**Customer**) relating to the purchase and sale of Model 737-8 aircraft together with all tables, exhibits, supplemental exhibits, letter agreements and other attachments thereto, if any, (**Purchase Agreement**) incorporates the terms and conditions (except as specifically set forth below) of the Aircraft General Terms Agreement dated as of November 10, 2003, between the parties, identified as AGTA-XIA (**AGTA**).

1. Quantity, Model and Description.

The aircraft to be delivered to Customer will be designated as Model 737-8 aircraft (**Aircraft**). Boeing will manufacture and sell to Customer Aircraft conforming to the configuration described in Exhibit A in the quantities listed in Table 1 to the Purchase Agreement.

2. Delivery Schedule.

The scheduled months of delivery of the Aircraft are listed in the attached Table 1. Exhibit B describes certain responsibilities for both Customer and Boeing in order to accomplish the delivery of the Aircraft.

3. Price.

3.1 Aircraft Basic Price. The Aircraft Basic Price is listed in Table 1 and is subject to escalation in accordance with the terms of this Purchase Agreement.

3.2 Advance Payment Base Prices. The Advance Payment Base Prices listed in Table 1 were calculated using the Model 737-8 aircraft Airframe Price and average optional features price as of the date of this Purchase Agreement escalated at a rate of [***] per year to the scheduled delivery year.

4. Payment.

4.1 Boeing acknowledges receipt of a deposit in the amount shown in Table 1 for each Aircraft (**Deposit**).

4.2 The standard advance payment schedule for the Model 737-8 aircraft requires Customer to make certain advance payments, expressed in a percentage of the Advance Payment Base Price of each Aircraft beginning with a payment of [*****], less the Deposit, on the effective date of the Purchase Agreement for the Aircraft. Additional advance payments for each Aircraft are due as specified in and on the first (1st) business day of the months listed in the attached Table 1.

BOEING PROPRIETARY

""[***]" This information is subject to confidential treatment and has been omitted and filed separately with the commission"

4.3 For any Aircraft whose scheduled month of delivery is less than thirty (30) months after the date of this Purchase Agreement, the total amount of advance payments due for payment upon signing of this Purchase Agreement will include all advance payments which are past due in accordance with the standard advance payment schedule set forth in paragraph 4.2 above.

4.4 Customer will pay the balance of the Aircraft Price of each Aircraft at delivery.

5. Additional Terms.

5.1 Aircraft Information Table. Table 1 consolidates information contained in Articles 1, 2, 3 and 4 with respect to (i) quantity of Aircraft, (ii) applicable Detail or Configuration Specification, (iii) month and year of scheduled deliveries, (iv) Aircraft Basic Price, (v) applicable escalation factors and (vi) Advance Payment Base Prices and advance payments and their schedules.

5.2 Escalation Adjustment/Airframe and Optional Features. Supplemental Exhibit AE1 contains the applicable airframe and optional features escalation formula.

5.3 Buyer Furnished Equipment Variables. Supplemental Exhibit BFE1 contains supplier selection dates, on dock dates and other variables applicable to the Aircraft.

5.4 Customer Support Variables. Information, training, services and other things furnished by Boeing in support of introduction of the Aircraft into Customer's fleet are described in Supplemental Exhibit CS1. The level of support to be provided under Supplemental Exhibit CS1 (**Entitlements**) assumes that at the time of delivery of Customer's first (1st) Aircraft under the Purchase Agreement, Customer has not taken possession of a Model 737-7, 737-8, or 737-9 aircraft whether such Model 737-7, 737-8, or 737-9 aircraft was purchased, leased or otherwise obtained by Customer from Boeing or another party. If prior to the delivery of Customer's first (1st) Aircraft under this Purchase Agreement, Customer has taken possession of a Model 737-7, 737-8, or 737-9 aircraft and thereby previously received the level of support as is described in Supplemental Exhibit CS1 to this Purchase Agreement, Boeing will revise the Entitlements to reflect the level of support normally provided by Boeing to operators already operating such aircraft. Under no circumstances under the Purchase Agreement or any other agreement will Boeing provide the Entitlements more than once to support Customer's operation of Model 737-7, 737-8, or 737-9 aircraft.

5.5 Engine Escalation Variables. Supplemental Exhibit EE1 describes the applicable engine escalation formula and contains the engine warranty and the engine patent indemnity for the Aircraft.

5.6 Service Life Policy Component Variables. Supplemental Exhibit SLP1 lists the SLP Components covered by the Service Life Policy for the Aircraft.

5.7 Public Announcement. Boeing reserves the right to make a public announcement regarding Customer's purchase of the Aircraft upon approval of Boeing's press release by Customer's public relations department or other authorized representative.

""[***]" This information is subject to confidential treatment and has been omitted and filed separately with the commission"

5.8 Negotiated Agreement; Entire Agreement. This Purchase Agreement, including the provisions of Article 8.2 of the AGTA relating to insurance, and Article 11 of Part 2 of Exhibit C of the AGTA relating to DISCLAIMER AND RELEASE and EXCLUSION OF CONSEQUENTIAL AND OTHER DAMAGES, has been the subject of discussion and negotiation and is understood by the parties; the Aircraft Price and other agreements of the parties stated in this Purchase Agreement were arrived at in consideration of such provisions. This Purchase Agreement, including the AGTA, contains the entire agreement between the parties and supersedes all previous proposals, understandings, commitments or representations whatsoever, oral or written, and may be changed only in writing signed by authorized representatives of the parties.

AGREED AND ACCEPTED this

Date

THE BOEING COMPANY

XIAMEN AIRLINES

Signature

Signature

Printed name

Printed name

Attorney-in-Fact
Title

Title

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AIRCRAFT CONFIGURATION

between

THE BOEING COMPANY

and

XIAMEN AIRLINES

Exhibit A to Purchase Agreement Number PA-03807

XIA-PA-03807
Exhibit A

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Exhibit A
AIRCRAFT CONFIGURATION
relating to
BOEING MODEL 737-8 AIRCRAFT

The content of this Exhibit A will be defined pursuant to the provisions of letter agreement no. XIA-PA-03807-LA-1301951 "Open Matters" to the Purchase Agreement.

XIA-PA-03807
Exhibit A

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BOEING PROPRIETARY

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AIRCRAFT DELIVERY REQUIREMENTS AND RESPONSIBILITIES

between

THE BOEING COMPANY

and

XIAMEN AIRLINES

Exhibit B to Purchase Agreement Number PA-03807

XIA-PA-03807
Exhibit B

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BOEING PROPRIETARY

""[***]" This information is subject to confidential treatment and has been omitted and filed separately with the commission"

Exhibit B

AIRCRAFT DELIVERY REQUIREMENTS AND RESPONSIBILITIES

relating to

BOEING MODEL 737-8 AIRCRAFT

Both Boeing and Customer have certain documentation and approval responsibilities at various times during the construction cycle of Customer's Aircraft that are critical to making the delivery of each Aircraft a positive experience for both parties. This Exhibit B documents those responsibilities and indicates recommended completion deadlines for the actions to be accomplished.

1. Government Documentation Requirements.

Certain actions are required to be taken by Customer in advance of the scheduled delivery month of each Aircraft with respect to obtaining certain government issued documentation.

1.1 Airworthiness and Registration Documents. Not later than [*****] of each Aircraft, Customer will notify Boeing of the registration number to be painted on the side of the Aircraft. In addition, and not later than [*****] of each Aircraft, Customer will, by letter to the regulatory authority having jurisdiction, authorize the temporary use of such registration numbers by Boeing during the pre-delivery testing of the Aircraft.

Customer is responsible for furnishing any Temporary or Permanent Registration Certificates required by any governmental authority having jurisdiction to be displayed aboard the Aircraft after delivery.

1.2 Certificate of Sanitary Construction.

1.2.1 U.S. Registered Aircraft. Boeing will obtain from the United States Public Health Service, a United States Certificate of Sanitary Construction to be displayed aboard each Aircraft after delivery to Customer. The above Boeing obligation only applies to commercial passenger-configured aircraft.

1.2.2 Non-U.S. Registered Aircraft. If Customer requires a United States Certificate of Sanitary Construction at the time of delivery of the Aircraft, Customer will give written notice thereof to Boeing at least [*****]. Boeing will then use commercially reasonable efforts to obtain the Certificate from the United States Public Health Service and present it to Customer at the time of Aircraft delivery. The above Boeing obligation only applies to commercial passenger-configured aircraft.

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Exhibit B

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BOEING PROPRIETARY

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1.3 Customs Documentation.

1.3.1 Import Documentation. If the Aircraft is intended to be exported from the United States, Customer must notify Boeing not later than [*****] of each Aircraft of any documentation required by the customs authorities or by any other agency of the country of import.

1.3.2 General Declaration - U.S. If the Aircraft is intended to be exported from the United States, Boeing will prepare Customs Form 7507, General Declaration, for execution by U.S. Customs immediately prior to the ferry flight of the Aircraft. For this purpose, Customer will furnish to Boeing not later than [*****] all information required by U.S. Customs and Border Protection, including without limitation (i) a complete crew and passenger list identifying the names, birth dates, passport numbers and passport expiration dates of all crew and passengers and (ii) a complete ferry flight itinerary, including point of exit from the United States for the Aircraft.

If Customer intends, during the ferry flight of an Aircraft, to land at a U.S. airport after clearing Customs at delivery, Customer must notify Boeing not later than [*****] of such intention. If Boeing receives such notification, Boeing will provide to Customer the documents constituting a Customs permit to proceed, allowing such Aircraft to depart after any such landing. Sufficient copies of completed Form 7507, along with passenger manifest, will be furnished to Customer to cover U.S. stops scheduled for the ferry flight.

1.3.3 Export Declaration - U.S. If the Aircraft is intended to be exported from the United States following delivery, and (i) Customer is a non-U.S. customer, Boeing will file an export declaration electronically with U.S. Customs and Border Protection (**CBP**), or (ii) Customer is a U.S. customer, it is the responsibility of the U.S. customer, as the exporter of record, to file the export declaration with CBP.

2. Insurance Certificates.

Unless provided earlier, Customer will provide to Boeing not later than [*****] [*****] of the first Aircraft, a copy of the requisite annual insurance certificate in accordance with the requirements of Article 8 of the AGTA.

3. Notice of Flyaway Configuration.

Not later than [*****] of the Aircraft, Customer will provide to Boeing a configuration letter stating the requested "flyaway configuration" of the Aircraft for its ferry flight. This configuration letter should include:

- (i) the name of the company which is to furnish fuel for the ferry flight and any scheduled post-delivery flight training, the method of payment for such fuel, and fuel load for the ferry flight;
- (ii) the cargo to be loaded and where it is to be stowed on board the Aircraft, the address where cargo is to be shipped after flyaway and notification of any hazardous materials requiring special handling;

""[***]" This information is subject to confidential treatment and has been omitted and filed separately with the commission"

- (iii) any BFE equipment to be removed prior to flyaway and returned to Boeing BFE stores for installation on Customer's subsequent Aircraft;
- (iv) a complete list of names and citizenship of each crew member and non-revenue passenger who will be aboard the ferry flight; and
- (v) a complete ferry flight itinerary.

4. Delivery Actions By Boeing.

4.1 Schedule of Inspections. All FAA, Boeing, Customer and, if required, U.S. Customs Bureau inspections will be scheduled by Boeing for completion prior to delivery or departure of the Aircraft. Customer will be informed of such schedules.

4.2 Schedule of Demonstration Flights. All FAA and Customer demonstration flights will be scheduled by Boeing for completion prior to delivery of the Aircraft.

4.3 Schedule for Customer's Flight Crew. Boeing will inform Customer of the date that a flight crew is required for acceptance routines associated with delivery of the Aircraft.

4.4 Fuel Provided by Boeing. Boeing will provide to Customer, without charge, the amount of fuel shown in U.S. gallons in the table below for the model of Aircraft being delivered and full capacity of engine oil at the time of delivery or prior to the ferry flight of the Aircraft.

<u>Aircraft Model</u>	<u>Fuel Provided</u>
737	[****]

4.5 Flight Crew and Passenger Consumables. Boeing will provide reasonable quantities of food, coat hangers, towels, toilet tissue, drinking cups and soap for the first segment of the ferry flight for the Aircraft.

4.6 Delivery Papers, Documents and Data. Boeing will have available at the time of delivery of the Aircraft certain delivery papers, documents and data for execution and delivery. If title for the Aircraft will be transferred to Customer through a Boeing subsidiary and if the Aircraft will be registered with the FAA, Boeing will pre-position in Oklahoma City, Oklahoma, for filing with the FAA at the time of delivery of the Aircraft an executed original Form 8050-2, Aircraft Bill of Sale, indicating transfer of title to the Aircraft from Boeing's subsidiary to Customer.

4.7 Delegation of Authority. If specifically requested in advance by Customer, Boeing will present a certified copy of a Resolution of Boeing's Board of Directors, designating and authorizing certain persons to act on its behalf in connection with delivery of the Aircraft.

5. Delivery Actions By Customer.

5.1 Aircraft Radio Station License. At delivery Customer will provide its Aircraft Radio Station License to be placed on board the Aircraft following delivery.

5.2 Aircraft Flight Log. At delivery Customer will provide the Aircraft Flight Log for the Aircraft.

""[***]" This information is subject to confidential treatment and has been omitted and filed separately with the commission"

5.3 Delegation of Authority. Customer will present to Boeing at delivery of the Aircraft an original or certified copy of Customer's Delegation of Authority designating and authorizing certain persons to act on its behalf in connection with delivery of the specified Aircraft.

5.4 TSA Waiver Approval. Customer may be required to have an approved Transportation Security Administration (TSA) waiver for the ferry flight depending upon the Customer's en-route stop(s) and destination unless the Customer already has a TSA approved security program in place. Customer is responsible for application for the TSA waiver and obtaining TSA approval. Customer will provide a copy of the approved TSA waiver to Boeing upon arrival at the Boeing delivery center.

5.5 Electronic Advance Passenger Information System. Should the ferry flight of an Aircraft leave the United States, the Department of Homeland Security office requires Customer to comply with the Electronic Advance Passenger Information System (eAPIS). Customer needs to establish their own account with US Customs and Border Protection in order to file for departure. A copy of the eAPIS forms is to be provided by Customer to Boeing upon arrival of Customer's acceptance team at the Boeing delivery center.

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Exhibit B

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**ESCALATION ADJUSTMENT
AIRFRAME AND OPTIONAL FEATURES**

between

THE BOEING COMPANY

and

XIAMEN AIRLINES

**Supplemental Exhibit AE1
to Purchase Agreement Number PA-03807**

XIA-PA-03807
Supplemental Exhibit AE1

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**ESCALATION ADJUSTMENT
AIRFRAME AND OPTIONAL FEATURES**

relating to

BOEING MODEL 737-7, 737-8, and 737-9 AIRCRAFT

1. Formula.

Airframe and Optional Features price adjustments (**Airframe Price Adjustment**) are used to allow prices to be stated in current year dollars at the signing of this Purchase Agreement and to adjust the amount to be paid by Customer at delivery for the effects of economic fluctuation. The Airframe Price Adjustment will be determined at the time of Aircraft delivery in accordance with the following formula:

[*****]

Where:

P_a = Airframe Price Adjustment. (For Models 737-7, 737-8, 737-9, 747-8, 777-200LR, 777-F, and 777-300ER the Airframe Price includes the Engine Price at its basic thrust level.)

P = Airframe Price plus the price of the Optional Features (as set forth in Table 1 of this Purchase Agreement).

[*****
*****]

Where:

[***] is the base year airframe escalation index (as set forth in Table 1 of this Purchase Agreement);

[***] is a value determined using the U.S. Department of Labor, Bureau of Labor Statistics, Employment Cost Index for [*****] [*****], calculated by establishing a three-month arithmetic average value (expressed as a decimal and rounded to the nearest tenth) using the values for the 11th, 12th and 13th months prior to the month of scheduled delivery of the applicable Aircraft. As the Employment Cost Index values are only released on a quarterly basis, the value released for the first quarter will be used for the months of January, February, and March; the value released for the second quarter will be used for the months of April, May, and June; the value released for the third quarter will be used for the months of July, August, and September; the value released for the fourth quarter will be used for the months of October, November, and December.

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Supplemental Exhibit AE1

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[*****]
*****]

Where:

[**] is the base year index (as set forth in Table 1 of this Purchase Agreement); and

[**] is a value determined using the U.S. Department of Labor, Bureau of [*****] ID [*****], calculated as a three (3) month arithmetic average of the released monthly values (expressed as a decimal and rounded to the nearest tenth) using the values for the 11th, 12th, and 13th months prior to the month of scheduled delivery of the applicable Aircraft.

[*****]

Where:

N is the number of calendar months which have elapsed from the Airframe Price base year and month up to and including the month of delivery, both as shown in Table 1 of the Purchase Agreement. The entire calculation of [*****] will be rounded to 4 places, and the final value of B will be rounded to the nearest dollar.

As an example, for an Aircraft scheduled to be delivered in the month of July, the months of June, July, and August of the preceding year will be utilized in determining the value of [*****].

Note:

- (i) In determining the values of L and M, all calculations and resulting values will be expressed as a decimal rounded to the nearest thousandth.
- (ii) [**] is the numeric ratio attributed to labor in the Airframe Price Adjustment formula.
- (iii) [**] is the numeric ratio attributed to materials in the Airframe Price Adjustment formula.
- (iv) The denominators (base year indices) are the actual average values reported by the U.S. Department of Labor, Bureau of Labor Statistics. The actual average values are calculated as a three (3) month arithmetic average of the released monthly values (expressed as a decimal and rounded to the nearest tenth) using the values for the 11th, 12th and 13th months prior to the airframe base year. The applicable base year and corresponding denominator is provided by Boeing in Table 1 of this Purchase Agreement.
- (v) The final value of P_a will be rounded to the nearest dollar.

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(vi) The Airframe Price Adjustment will not be made if it will result in a decrease in the Aircraft Basic Price.

2. Values to be Utilized in the Event of Unavailability.

2.1 If the Bureau of Labor Statistics substantially revises the methodology used for the determination of the values to be used to determine the ECI and ICI values (in contrast to benchmark adjustments or other corrections of previously released values), or for any reason has not released values needed to determine the applicable Airframe Price Adjustment, the parties will, prior to the delivery of any such Aircraft, select a substitute from other Bureau of Labor Statistics data or similar data reported by non-governmental organizations. Such substitute will result in the same adjustment, insofar as possible, as would have been calculated utilizing the original values adjusted for fluctuation during the applicable time period. However, if within twenty-four (24) months after delivery of the Aircraft, the Bureau of Labor Statistics should resume releasing values for the months needed to determine the Airframe Price Adjustment; such values will be used to determine any increase or decrease in the Airframe Price Adjustment for the Aircraft from that determined at the time of delivery of the Aircraft.

2.2 Notwithstanding Article 2.1 above, if prior to the scheduled delivery month of an Aircraft the Bureau of Labor Statistics changes the base year for determination of the ECI and ICI values as defined above, such re-based values will be incorporated in the Airframe Price Adjustment calculation.

2.3 In the event escalation provisions are made non-enforceable or otherwise rendered void by any agency of the United States Government, the parties agree, to the extent they may lawfully do so, to equitably adjust the Aircraft Price of any affected Aircraft to reflect an allowance for increases or decreases consistent with the applicable provisions of paragraph 1 of this Supplemental Exhibit AE1 in labor compensation and material costs occurring since August of the year prior to the price base year shown in the Purchase Agreement.

2.4 If within twelve (12) months of Aircraft delivery, the published index values are revised due to an acknowledged error by the Bureau of Labor Statistics, the Airframe Price Adjustment will be re-calculated using the revised index values (this does not include those values noted as preliminary by the Bureau of Labor Statistics). A credit memorandum or supplemental invoice will be issued for the Airframe Price Adjustment difference. Interest charges will not apply for the period of original invoice to issuance of credit memorandum or supplemental invoice.

Note:

- (i) The values released by the Bureau of Labor Statistics and available to Boeing thirty (30) days prior to the first day of the scheduled delivery month of an Aircraft will be used to determine the ECI and ICI values for the applicable months (including those noted as preliminary by the Bureau of Labor Statistics) to calculate the Airframe Price Adjustment for the Aircraft invoice at the time of delivery. The values will be considered final and no Airframe Price Adjustments will be made after Aircraft delivery for

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any subsequent changes in published index values, subject always to paragraph 2.4 above.

- (ii) The maximum number of digits to the right of the decimal after rounding utilized in any part of the Airframe Price Adjustment equation will be 4, where rounding of the fourth digit will be increased to the next highest digit when the 5th digit is equal to five (5) or greater.

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BUYER FURNISHED EQUIPMENT VARIABLES

between

THE BOEING COMPANY

and

XIAMEN AIRLINES

**Supplemental Exhibit BFE1
to Purchase Agreement Number PA-03807**

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Supplemental Exhibit BFE1

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BUYER FURNISHED EQUIPMENT VARIABLES

relating to

BOEING MODEL 737-8 AIRCRAFT

This Supplemental Exhibit BFE1 contains supplier selection dates, on-dock dates and other requirements applicable to the Aircraft.

1. Supplier Selection.

Customer will:

Select and notify Boeing of the suppliers and part numbers of the following BFE items by the following dates:

737-8 Aircraft (Table 1)

Item	Date
Galley System	No later than 12 months prior to 1 st delivery**
Galley Inserts	No later than 12 months prior to 1 st delivery**
Seats (passenger)	No later than 14 months prior to 1 st delivery**
Overhead & Audio System	No later than 12 months prior to 1 st delivery**
In-Seat Video System	No later than 14 months prior to 1 st delivery**
Miscellaneous Emergency Equipment	No later than 12 months prior to 1 st delivery**
Cargo Handling Systems*	No later than 8 months prior to 1 st delivery**

*For a new certification, supplier requires notification [*****] prior to Cargo Handling System on-dock date.

**Actual supplier selection dates will be provided when monthly delivery positions are confirmed.

Customer will notify Boeing of the selected Galley System, Galley Inserts, Seats, and In-Seat Video System suppliers within [*****] after the above supplier selection dates and will use reasonable efforts to insure that such suppliers actively participate with Customer and Boeing in coordination actions including the Initial Technical Coordination Meeting (**ITCM**).

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2. On-dock Dates and Other Information.

On or before [*****], or earlier if possible, prior to first (1st) Aircraft delivery, Boeing will provide to Customer the BFE Requirements electronically through My Boeing Fleet (**MBF** in My Boeing Configuration (**MBC**)). These requirements may be periodically revised, setting forth the items, quantities, on-dock dates and shipping instructions and other requirements relating to the in-sequence installation of BFE. For planning purposes, preliminary BFE on-dock dates will be provided when monthly delivery positions are determined.

3. Additional Delivery Requirements - Import.

Customer will be the “**importer of record**” (as defined by the U.S. Customs and Border Protection) for all BFE imported into the United States, and as such, it has the responsibility to ensure all of Customer’s BFE shipments comply with U.S. Customs Service regulations. In the event Customer requests Boeing, in writing, to act as importer of record for Customer’s BFE, and Boeing agrees to such request, Customer is responsible for ensuring Boeing can comply with all U.S. Customs Import Regulations by making certain that, at the time of shipment, all BFE shipments comply with the requirements in the “International Shipment Routing Instructions”, including the Customs Trade Partnership Against Terrorism (**C-TPAT**), as set out on the Boeing website referenced below. Customer agrees to include the International Shipment Routing Instructions, including C-TPAT requirements, in each contract between Customer and BFE supplier.

http://www.boeing.com/companyoffices/doingbiz/supplier_portal/index_general.html

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CUSTOMER SUPPORT VARIABLES

between

THE BOEING COMPANY

and

XIAMEN AIRLINES

**Supplemental Exhibit CS1
to Purchase Agreement Number PA-03807**

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Supplemental Exhibit CS1

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CUSTOMER SUPPORT VARIABLES

relating to

BOEING MODEL 737-7, 737-8, and 737-9 AIRCRAFT

Customer and Boeing will conduct planning conferences approximately eighteen (18) months prior to delivery of the first Aircraft, or as mutually agreed, in order to develop and schedule a customized Customer Support Program to be furnished by Boeing in support of the Aircraft.

The customized Customer Services Program will be based upon and equivalent to the entitlements summarized below.

1. Maintenance Training.

- 1.1 [*****]
- 1.2 [*****]
- 1.3 [*****]
- 1.4 [*****]
- 1.5 [*****]

1.6 Training materials will be provided to each student. In addition, one set of training materials as used in Boeing's training program, including visual aids, Computer Based Training Courseware, instrument panel wall charts, text/graphics, video programs, etc. will be provided for use in Customer's own training program.

2. Flight Training.

2.1 Boeing will provide [*****] classroom course to acquaint up to [***] students [*****] with operational, systems and performance differences between Customer's newly-purchased Aircraft and an aircraft of the same model currently operated by Customer.

2.2 Training materials will be provided to each student. In addition, one set of training materials as used in Boeing's training program, including Computer Based Training Courseware, instrument panel wall charts, Flight Attendant Manuals, etc. will be provided for use in Customer's own training program.

3. Planning Assistance.

3.1 Maintenance Engineering. Notwithstanding anything in Exhibit B to the AGTA seemingly to the contrary, Boeing will provide the following Maintenance Engineering support:

3.1.1 Maintenance Planning Assistance. Upon request, Boeing will provide [*****] on-site visit to Customer's main base to assist with maintenance program development and to provide consulting related to maintenance planning.

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Consultation with Customer will be based on ground rules and requirements information provided in advance by Customer.

3.1.2 ETOPS Maintenance Planning Assistance. Upon request, Boeing will provide [*****] on site visit to Customer's main base to assist with the development of their ETOPS maintenance program and to provide consultation related to ETOPS maintenance planning. Consultation with Customer will be based on ground rules and requirements information provided in advance by the Customer.

3.1.3 GSE/Shops/Tooling Consulting. Upon request, Boeing will provide consulting and data for ground support equipment, maintenance tooling and requirements for maintenance shops. Consultation with Customer will be based on ground rules and requirements information provided in advance by Customer.

3.1.4 Maintenance Engineering Evaluation. Upon request, Boeing will provide [*****] on-site visit to Customer's main base to evaluate Customer's maintenance and engineering organization for conformance with industry best practices. The result of which will be documented by Boeing in a maintenance engineering evaluation presentation. Customer will be provided with a copy of the maintenance engineering evaluation presentation. Consultation with Customer will be based on ground rules and requirements information provided in advance by Customer.

3.2 Spares.

- (i) Recommended Spares Parts List (RSPL). A customized RSPL, data and documents will be provided to identify spare parts required for Customer's support program.
- (ii) Illustrated Parts Catalog (IPC). A customized IPC in accordance with ATA 100 will be provided.
- (iii) Provisioning Training. Provisioning training will be provided for Customer's personnel at Boeing's facilities, where documentation and technical expertise are available. Training is focused on the initial provisioning process and calculations reflected in the Boeing RSPL.
- (iv) Spares Provisioning Conference. A provisioning conference will be conducted, normally at Boeing's facilities where technical data and personnel are available.

4. Technical Data and Documents.

The following will be provided in mutually agreed formats and quantities:

4.1 Flight Operations.

- Airplane Flight Manual
- Operations Manual
- Quick Reference Handbook
- Weight and Balance Manual
- Dispatch Deviation Procedures Guide
- Flight Crew Training Manual

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Performance Engineer's Manual
Fault Reporting Manual
FMC Supplemental Data Document
Operational Performance Software
ETOPS Guide Vol. III

4.2 Maintenance.

Aircraft Maintenance Manual
Wiring Diagram Manual
Systems Schematics Manual
Fault Isolation Manual
Structural Repair Manual
Overhaul/Component Maintenance Manual
Standard Overhaul Practices Manual
Standard Wiring Practices Manual
Non-Destructive Test Manual
Service Bulletins and Index
Corrosion Prevention Manual
Fuel Measuring Stick Calibration Document
Power Plant Buildup Manual
Combined Index
Significant Service Item Summary
All Operators Letters
Structural Item Interim Advisory and Index
Service Letters and Index
Maintenance Tips
Production Management Data Base (**PMDB**)
Electrical Connectors Options Document

4.3 Maintenance Planning.

Maintenance Planning Data Document
Maintenance Task Cards and Index
Maintenance Inspection Intervals Report

4.4 Spares.

Illustrated Parts Catalog
Standards Books

4.5 Facilities and Equipment Planning.

Facilities and Equipment Planning Document
Special Tool & Ground Handling Equipment Drawings & Index
Supplementary Tooling Documentation
Illustrated Tool and Equipment Manual
Aircraft Recovery Document
Airplane Characteristics for Airport Planning Document
Aircraft Rescue and Firefighting Document

Engine Handling Document
Configuration, Maintenance and Procedures for ETOPS
ETOPS Guide Vols. I & II

4.6 Supplier Technical Data.

Service Bulletins
Ground Support Equipment Data
Provisioning Information
Component Maintenance/Overhaul Manuals and Index
Publications Index
Product Support Supplier Directory

4.7 Fleet Statistical Data and Reporting

Fleet reliability views, charts, and reports

5. Aircraft Information.

5.1 **Aircraft Information** is defined as that data provided by Customer to Boeing which falls into one of the following categories: (i) aircraft operational information (including, but not limited to, flight hours, departures, schedule reliability, engine hours, number of aircraft, aircraft registries, landings, and daily utilization and schedule interruptions for Boeing model aircraft); (ii) summary and detailed shop findings data; (iii) line maintenance data; (iv) airplane message data, (v) scheduled maintenance data; (vi) service bulletin incorporation; and (vii) aircraft data generated or received by equipment installed on Customer's aircraft in analog or digital form including but not limited to information regarding the state, condition, performance, location, setting, or path of the aircraft and associated systems, sub-systems and components.

5.2 License Grant. To the extent Customer has or obtains rights to Aircraft Information, Customer grants to Boeing a perpetual, world-wide, non-exclusive license to use and disclose Aircraft Information and create derivatives thereof in Boeing data and information and products and services provided Customer identification information as originating from Customer is removed. Customer identification information may be retained as necessary for Boeing to provide products and services Customer has requested from Boeing or for Boeing to inform Customer of additional Boeing products and services. This grant is in addition to any other grants of rights in the agreements governing provision of such information to Boeing regardless of whether that information is identified as Aircraft Information in such agreement including any information submitted under the In Service Data Program (**ISDP**).

For purposes of this article, Boeing is defined as The Boeing Company and its wholly owned subsidiaries.

5.3 Customer will provide Aircraft Information to Boeing through an automated software feed necessary to support Fleet Statistical Analysis. Boeing will provide assistance to Customer under a separate agreement for mapping services to enable the automated software feed.

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**ENGINE ESCALATION,
ENGINE WARRANTY AND PATENT INDEMNITY**

between

THE BOEING COMPANY

and

XIAMEN AIRLINES

**Supplemental Exhibit EE1
to Purchase Agreement Number PA-03807**

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Supplemental Exhibit EE1

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**ENGINE ESCALATION
ENGINE WARRANTY AND PATENT INDEMNITY**

relating to

BOEING MODEL 737-7, 737-8, and 737-9 AIRCRAFT

1. Engine Escalation.

No separate engine escalation methodology is defined for the Model 737-7, 737-8, 737-9 aircraft. Pursuant to the AGTA, the engine prices for these Aircraft are included in and will be escalated in the same manner as the Airframe.

2. Engine Warranty And Product Support Plan.

Boeing has obtained from CFM International, Inc. (or CFM International, S.A., as the case may be) (CFM) the right to extend to Customer the provisions of CFM's warranty as set forth below (herein referred to as **Warranty**); subject, however, to Customer's acceptance of the conditions set forth herein. Accordingly, Boeing hereby extends to Customer and Customer hereby accepts the provisions of CFM's Warranty as hereinafter set forth, and such Warranty shall apply to the CFM-LEAP-1B type Engines (including all Modules and Parts thereof) installed in the Aircraft at the time of delivery or purchased from Boeing by Customer for support of the Aircraft except that, if Customer and CFM have executed, or hereafter execute, a General Terms Agreement, then the terms of that Agreement shall be substituted for and supersede the provisions of paragraphs 2.1 through 2.10 below and paragraphs 2.1 through 2.10 below shall be of no force or effect and neither Boeing nor CFM shall have any obligation arising therefrom. In consideration for Boeing's extension of the CFM Warranty to Customer, Customer hereby releases and discharges Boeing from any and all claims, obligations and liabilities whatsoever arising out of the purchase or use of such CFM-LEAP-1B type Engines and Customer hereby waives, releases and renounces all its rights in all such claims, obligations and liabilities. In addition, Customer hereby releases and discharges CFM from any and all claims, obligations and liabilities whatsoever arising out of the purchase or use of such CFM-LEAP-1B type Engines except as otherwise expressly assumed by CFM in such CFM Warranty or General Terms Agreement between Customer and CFM and Customer hereby waives, releases and renounces all its rights in all such claims, obligations and liabilities.

2.1 Title. CFM warrants that at the date of delivery, CFM has legal title to and good and lawful right to sell its CFM-LEAP type Engine and Products and furthermore warrants that such title is free and clear of all claims, liens and encumbrances of any nature whatsoever.

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2.2 Patents.

2.2.1 CFM shall handle all claims and defend any suit or proceeding brought against Customer insofar as based on a claim that any product or part furnished under this Agreement constitutes an infringement of any patent of the United States, and shall pay all damages and costs awarded therein against Customer. This paragraph shall not apply to any product or any part manufactured to Customer's design or to the aircraft manufacturer's design. As to such product or part, CFM assumes no liability for patent infringement.

2.2.2 CFM's liability hereunder is conditioned upon Customer promptly notifying CFM in writing and giving CFM authority, information and assistance (at CFM's expense) for the defense of any suit. In case said equipment or part is held in such suit to constitute infringement and the use of said equipment or part is enjoined, CFM shall expeditiously, at its own expense and at its option, either (i) procure for Customer the rights to continue using said product or part; (ii) replace the same with a satisfactory and non-infringing product or part; or (iii) modify the same so it becomes satisfactory and non-infringing. The foregoing shall constitute the sole remedy of Customer and the sole liability of CFM for patent infringement.

2.2.3 The above provisions also apply to products which are the same as those covered by this Agreement and are delivered to Customer as part of the installed equipment on CFM-LEAP-1B powered Aircraft.

2.3 Initial Warranty. CFM warrants that CFM-LEAP-1B Engine products will conform to CFM's applicable specifications and will be free from defects in material and workmanship prior to Customer's initial use of such products.

2.4 Warranty Pass-On.

2.4.1 If requested by Customer and agreed to by CFM in writing, CFM will extend warranty support for Engines sold by Customer to commercial airline operators, or to other aircraft operators. Such warranty support will be limited to the New Engine Warranty, New Parts Warranty, Ultimate Life Warranty and Campaign Change Warranty and will require such operator(s) to agree in writing to be bound by and comply with all the terms and conditions, including the limitations, applicable to such warranties.

2.4.2 Any warranties set forth herein shall not be transferable to a third party, merging company or an acquiring entity of Customer.

2.4.3 In the event Customer is merged with, or acquired by, another aircraft operator which has a general terms agreement with CFM, the Warranties as set forth herein shall apply to the Engines, Modules, and Parts.

2.5 New Engine Warranty.

2.5.1 CFM warrants each new Engine and Module against Failure for the initial [***] Flight Hours as follows:

(i) Parts Credit Allowance will be granted for any Failed Parts.

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- (ii) Labor Allowance for disassembly, reassembly, test and Parts repair of any new Engine Part will be granted for replacement of Failed Parts.
- (iii) Such Parts Credit Allowance, test and Labor Allowance will be: [*****] from new to [*****] Flight Hours and decreasing pro rata from [*****] at [*****] Flight Hours to [*****] at [*****]

2.5.2 As an alternative to the above allowances, CFM shall, upon request of Customer:

- (i) Arrange to have the failed Engines and Modules repaired, as appropriate, at a facility designated by CFM at no charge to Customer for the first at [*****] Flight Hours and at a charge to Customer increasing pro rata from [*****] of CFM's repair cost at [*****] Flight Hours to [*****] of such CFM repair costs at [*****] Flight Hours.
- (ii) Transportation to and from the designated facility shall be at Customer's expense.

2.6 New Parts Warranty. In addition to the warranty granted for new Engines and new Modules, CFM warrants Engine and Module Parts as follows:

2.6.1 During the first [*****] Flight Hours for such Parts and Expendable Parts, CFM will grant [*****] Parts Credit Allowance or Labor Allowance for repair labor for failed Parts.

2.6.2 CFM will grant a pro rata Parts Credit Allowance for Scrapped Parts decreasing from [*****] at [*****] Flight Hours Part Time to [*****] at the applicable hours designated in Table 1.

2.7 Ultimate Life Warranty.

2.7.1 CFM warrants Ultimate Life limits on the following Parts:

- (i) [*****]
- (ii) [*****]
- (iii) [*****]
- (iv) [*****]
- (v) [*****]
- (vi) [*****]
- (vii) [*****]

<p>""[***]" This information is subject to confidential treatment and has been omitted and filed separately with the commission"</p>

2.7.2 CFM will grant a pro rata Parts Credit Allowance decreasing from [*****] when new to [*****] Flight Hours or [*****] Flight Cycles, whichever comes earlier. Credit will be granted only when such Parts are permanently removed from service by a CFM or a U.S. and/or French Government imposed Ultimate Life limitation of less than [*****] Flight Hours or [*****] Flight Cycles.

2.8 Campaign Change Warranty.

2.8.1 A campaign change will be declared by CFM when a new Part design introduction, Part modification, Part Inspection, or premature replacement of an Engine or Module is required by a mandatory time compliance CFM Service Bulletin or FAA Airworthiness Directive. Campaign change may also be declared for CFM Service Bulletins requesting new Part introduction no later than the next Engine or Module shop visit. CFM will grant following Parts Credit Allowances:

Engines and Modules

- (i) [*****] for Parts in inventory or removed from service when new or with [*****] Flight Hours or less total Part Time.
- (ii) [*****] for Parts in inventory or removed from service with over [*****] Flight Hours since new, regardless of warranty status.

2.8.2 Labor Allowance - CFM will grant [*****] Labor Allowance for disassembly, reassembly, modification, testing, or Inspection of CFM supplied Engines, Modules, or Parts therefore when such action is required to comply with a mandatory time compliance CFM Service Bulletin or FAA Airworthiness Directive. A Labor Allowance will be granted by CFM for other CFM issued Service Bulletins if so specified in such Service Bulletins.

2.8.3 Life Controlled Rotating Parts retired by Ultimate Life limits including FAA and/or EASA Airworthiness Directive, are excluded from Campaign Change Warranty.

2.9 Limitations. THE PROVISIONS SET FORTH HEREIN ARE EXCLUSIVE AND ARE IN LIEU OF ALL OTHER WARRANTIES WHETHER WRITTEN, ORAL OR IMPLIED. THERE ARE NO IMPLIED WARRANTIES OF FITNESS OR MERCHANTABILITY. SAID PROVISIONS SET FORTH THE MAXIMUM LIABILITY OF CFM WITH RESPECT TO CLAIMS OF ANY KIND, INCLUDING NEGLIGENCE, ARISING OUT OF MANUFACTURE, SALE, POSSESSION, USE OR HANDLING OF THE PRODUCTS OR PARTS THEREOF OR THEREFORE, AND IN NO EVENT SHALL CFM'S LIABILITY TO CUSTOMER EXCEED THE PURCHASE PRICE OF THE PRODUCT GIVING RISE TO CUSTOMER'S CLAIM OR INCLUDE INCIDENTAL OR CONSEQUENTIAL DAMAGES.

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2.10 Indemnity and Contribution.

2.10.1 IN THE EVENT CUSTOMER ASSERTS A CLAIM AGAINST A THIRD PARTY FOR DAMAGES OF THE TYPE LIMITED OR EXCLUDED IN LIMITATIONS, PARAGRAPH 2.9. ABOVE, CUSTOMER SHALL INDEMNIFY AND HOLD CFM HARMLESS FROM AND AGAINST ANY CLAIM BY OR LIABILITY TO SUCH THIRD PARTY FOR CONTRIBUTION OR INDEMNITY, INCLUDING COSTS AND EXPENSES (INCLUDING ATTORNEYS' FEES) INCIDENT THERETO OR INCIDENT TO ESTABLISHING SUCCESSFULLY THE RIGHT TO INDEMNIFICATION UNDER THIS PROVISION. THIS INDEMNITY SHALL APPLY WHETHER OR NOT SUCH DAMAGES WERE OCCASIONED IN WHOLE OR IN PART BY THE FAULT OR NEGLIGENCE OF CFM, WHETHER ACTIVE, PASSIVE OR IMPUTED.

2.10.2 CUSTOMER SHALL INDEMNIFY AND HOLD CFM HARMLESS FROM ANY DAMAGE, LOSS, CLAIM, AND LIABILITY OF ANY KIND (INCLUDING EXPENSES OF LITIGATION AND ATTORNEYS' FEES) FOR PHYSICAL INJURY TO OR DEATH OF ANY PERSON, OR FOR PROPERTY DAMAGE OF ANY TYPE, ARISING OUT OF THE ALLEGED DEFECTIVE NATURE OF ANY PRODUCT OR SERVICE FURNISHED UNDER THIS AGREEMENT, TO THE EXTENT THAT THE PAYMENTS MADE OR REQUIRED TO BE MADE BY CFM EXCEED ITS ALLOCATED SHARE OF THE TOTAL FAULT OR LEGAL RESPONSIBILITY OF ALL PERSONS ALLEGED TO HAVE CAUSED SUCH DAMAGE, LOSS, CLAIM, OR LIABILITY BECAUSE OF A LIMITATION OF LIABILITY ASSERTED BY CUSTOMER OR BECAUSE CUSTOMER DID NOT APPEAR IN AN ACTION BROUGHT AGAINST CFM. CUSTOMER'S OBLIGATION TO INDEMNIFY CFM HEREUNDER SHALL BE APPLICABLE AT SUCH TIME AS CFM IS REQUIRED TO MAKE PAYMENT PURSUANT TO A FINAL JUDGEMENT IN AN ACTION OR PROCEEDING IN WHICH CFM WAS A PARTY, PERSONALLY APPEARED, AND HAD THE OPPORTUNITY TO DEFEND ITSELF. THIS INDEMNITY SHALL APPLY WHETHER OR NOT CUSTOMER'S LIABILITY IS OTHERWISE LIMITED.

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SERVICE LIFE POLICY COMPONENTS

between

THE BOEING COMPANY

and

XIAMEN AIRLINES

**Supplemental Exhibit SLP1
to Purchase Agreement Number PA-03807**

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Supplemental Exhibit SLP1

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SERVICE LIFE POLICY COMPONENTS

relating to

BOEING MODEL 737-7, 737-8, and 737-9 AIRCRAFT

This is the listing of SLP Components for the Aircraft which relate to Part 3, Boeing Service Life Policy of Exhibit C, Product Assurance Document to the AGTA and is included in the Purchase Agreement.

1. Wing.
 - (i) Upper and lower wing skins and stiffeners between the forward and rear wing spars.
 - (ii) Wing spar webs, chords and stiffeners.
 - (iii) Inspar wing ribs.
 - (iv) Inspar splice plates and fittings.
 - (v) Main landing gear support structure.
 - (vi) Wing center section lower beams, spanwise beams and floor beams, but not the seat tracks attached to floor beams.
 - (vii) Wing-to-body structural attachments.
 - (viii) Engine strut support fittings attached directly to wing primary structure.
 - (ix) Support structure in the wing for spoilers and spoiler actuators; for aileron hinges and reaction links; and for leading edge devices and trailing edge flaps.
 - (x) Trailing edge flap tracks and carriages.
 - (xi) Aileron leading edge device and trailing edge flap internal, fixed attachment and actuator support structure.
2. Body.
 - (i) External surface skins and doublers, longitudinal stiffeners, longerons and circumferential rings and frames between the forward pressure bulkhead and the vertical stabilizer rear spar bulkhead and structural support and enclosure for the APU but excluding all system components and related installation and connecting devices, insulation, lining, and decorative panels and related installation and connecting devices.
 - (ii) Window and windshield structure but excluding the windows and windshields.
 - (iii) Fixed attachment structure of the passenger doors, cargo doors and emergency exits, excluding door mechanisms and movable hinge components. Sills and frames around the body openings for the

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passenger doors, cargo doors and emergency exits, excluding scuff plates and pressure seals.

- (iv) Nose wheel well structure, including the wheel well walls, pressure deck, bulkheads, and gear support structure.
- (v) Main gear wheel well structure including pressure deck and landing gear beam support structure.
- (vi) Floor beams and support posts in the control cab and passenger cabin area, but excluding seat tracks.
- (vii) Forward and aft pressure bulkheads.
- (viii) Keel structure between the wing front spar bulkhead and the main gear wheel well aft bulkhead including splices.
- (ix) Wing front and rear spar support bulkheads, and vertical and horizontal stabilizer front and rear spar support bulkheads including terminal fittings but excluding all system components and related installation and connecting devices, insulation, lining, and decorative panels and related installation and connecting devices.
- (x) Support structure in the body for the stabilizer pivot and stabilizer screw.

3. Vertical Stabilizer.

- (i) External skins between front and rear spars.
- (ii) Front, rear and auxiliary spar chords, webs and stiffeners and attachment fittings.
- (iii) Inspar ribs.
- (iv) Rudder hinges and supporting ribs, excluding bearings.
- (v) Support structure in the vertical stabilizer for rudder hinges, reaction links and actuators.
- (vi) Rudder internal, fixed attachment and actuator support structure.

4. Horizontal Stabilizer.

- (i) External skins between front and rear spars.
- (ii) Front and rear spar chords, webs and stiffeners.
- (iii) Inspar ribs.
- (iv) Stabilizer center section including hinge and screw support structure.
- (v) Support structure in the horizontal stabilizer for the elevator hinges, reaction links and actuators.
- (vi) Elevator internal, fixed attachment and actuator support structure.

BOEING PROPRIETARY

""[***]" This information is subject to confidential treatment and has been omitted and filed separately with the commission"

5. Engine Strut.
 - (i) Strut external surface skin and doublers and stiffeners.
 - (ii) Internal strut chords, frames and bulkheads.
 - (iii) Strut to wing fittings and diagonal brace.
 - (iv) Engine mount support fittings attached directly to strut structure and including the engine-mounted support fittings.
6. Main Landing Gear.
 - (i) Outer cylinder.
 - (ii) Inner cylinder, including axles.
 - (iii) Upper and lower side struts, including spindles, universals and reaction links.
 - (iv) Drag strut.
 - (v) Orifice support tube.
 - (vi) Downlock links including spindles and universals.
 - (vii) Torsion links.
 - (viii) Bell crank.
 - (ix) Trunnion link.
 - (x) Actuator beam, support link and beam arm.
7. Nose Landing Gear.
 - (i) Outer cylinder.
 - (ii) Inner cylinder, including axles.
 - (iii) Orifice support tube.
 - (iv) Upper and lower drag strut, including lock links.
 - (v) Steering plates and steering collars.
 - (vi) Torsion links.

NOTE: The Service Life Policy does not cover any bearings, bolts, bushings, clamps, brackets, actuating mechanisms or latching mechanisms used in or on the SLP Components.

XIA-PA-03807
Supplemental Exhibit SLP1

Page 4

BOEING PROPRIETARY

""[***]" This information is subject to confidential treatment and has been omitted and filed separately with the commission"



XIA-PA-03807-LA-1301950

Xiamen Airlines
22 Dailiao Road
Xiamen, Fujian Province, 361006
People's Republic of China

Subject: AGTA Matters for Models 737-7, 737-8, and 737-9

Reference: Purchase Agreement No. PA-03807 (**Purchase Agreement**) between The Boeing Company (**Boeing**) and Xiamen Airlines (**Customer**) relating to Model 737-8 aircraft (**Aircraft**)

This letter agreement (**Letter Agreement**) amends and supplements the Purchase Agreement. All terms used but not defined in this Letter Agreement shall have the same meaning as in the Purchase Agreement.

1. AGTA Basic Articles.

1.1 Article 2.1.1, "Airframe Price," of the basic articles of the AGTA is revised to read as follows:

***Airframe Price** is defined as the price of the airframe for a specific model of aircraft described in a purchase agreement (for Models 737-600, 737-700, 737-800, 737-900, 737-7, 737-8, 737-9, 747-8, 777-200LR, and 777-300ER the Airframe Price includes the engine price at its basic thrust level).*

1.2 Article 2.1.3, "Engine Price" of the basic articles of the AGTA is revised to read as follows:

***Engine Price** is defined as the price set by the engine manufacturer for a specific engine to be installed on the model of aircraft described in a purchase agreement (not applicable to Models 737-600, 737-700, 737-800, 737-900, 737-7, 737-8, 737-9, 747-8, 777-200LR, and 777-300ER).*

1.3 Article 2.1.5, "Escalation Adjustment" of the basic articles of the AGTA is revised to read as follows:

***Escalation Adjustment** is defined as the price adjustment to the Airframe Price (which includes the basic engine price for Models 737-600, 737-700, 737-800, 737-900, 737-7, 737-8, 737-9, 747-8, 777-200LR, and 777-300ER) and the Optional Features Prices resulting from the calculation using the economic price formula contained in the Airframe and Optional Features Escalation Adjustment supplemental exhibit to the applicable purchase agreement. The price*

BOEING PROPRIETARY

""[***]" This information is subject to confidential treatment and has been omitted and filed separately with the commission"



adjustment to the Engine Price for all other models of aircraft will be calculated using the economic price formula in the Engine Escalation Adjustment supplemental exhibit to the applicable purchase agreement.

2. Appendices to the AGTA.

Appendix I, entitled "SAMPLE Insurance Certificate" the Combined Single Limit Bodily Injury and Property Damage: U.S. Dollars (\$) any one occurrence each Aircraft (with aggregates as applicable) is added for the 737-7, 737-8, and 737-9 aircraft in the amount of US \$550,000,000.

3. Exhibit C to the AGTA, "Product Assurance Document".

Part 2, Article 3.1, subsection (i), of Exhibit C of the AGTA is revised to read as follows:

for Boeing aircraft models 777F, 777-200, 777-300, 737-600, 737-700, 737-800, 737-900, 737-7, 737-8, 737-9, 787 or new aircraft models designed and manufactured with similar, new technology and for the model 747-8, the warranty period ends forty-eight (48) months after Delivery.

Very truly yours,

THE BOEING COMPANY

By _____
Its _____ Attorney-In-Fact _____

ACCEPTED AND AGREED TO this

Date: _____

XIAMEN AIRLINES

By _____
Its _____

XIA-PA-03807-LA-1301950
AGTA Matters

BOEING PROPRIETARY

""[***]" This information is subject to confidential treatment and has been omitted and filed separately with the commission"



The Boeing Company
P.O. Box 3707
Seattle, WA 98124-2207

XIA-PA-03807-LA-1301951

Xiamen Airlines
22 Dailiao Road
Xiamen, Fujian Province, 361006
People's Republic of China

Subject: Open Matters

Reference: Purchase Agreement No. PA-03807 (**Purchase Agreement**) between The Boeing Company (**Boeing**) and Xiamen Airlines (**Customer**) relating to Model 737-8 aircraft (**Aircraft**)

This letter agreement (**Letter Agreement**) amends and supplements the Purchase Agreement. All terms used but not defined in this Letter Agreement shall have the same meaning as in the Purchase Agreement.

Given the long period of time between Purchase Agreement signing and delivery of the first Aircraft and the continued development of the 737MAX program, certain elements have not yet been defined. In consideration, Boeing and Customer agree to work together as the 737MAX program develops as follows:

1. Aircraft Delivery Schedule.

1.1 The scheduled delivery positions for the Aircraft, as of the date of this Letter Agreement, are listed in Table 1 of the Purchase Agreement and provide the delivery schedule in nominal delivery months (**Nominal Delivery Month**), subject to plus or minus one month (**Three Month Delivery Window**). No later than [*****], Boeing will provide written notice with revised Table 1 of the scheduled delivery month for each Aircraft.

1.2 Prior to providing such notice described in Article 1.1, Boeing will work with Customer to attempt to accommodate Customer's requests regarding Aircraft quantities in certain periods and delivery months. Note that Customer prefers to avoid [*****]. Such notice provided by Boeing will constitute an amendment to the Table 1 of the Purchase Agreement. The amended Table 1 shall be the scheduled delivery positions for the purposes of applying all provisions of the Purchase Agreements, including without limitation the BFE on-dock dates, and the calculation of Escalation Adjustment, however, the amended Table 1 will not revise or change the Advance Payment Base Price for the Aircraft.

BOEING PROPRIETARY

""[***]" This information is subject to confidential treatment and has been omitted and filed separately with the commission"



2. Aircraft Configuration.

2.1 The initial configuration of Customer's Model 737-8 Aircraft has been defined by Boeing Model 737-8 Airplane Description Document No. [*****], as described in Article 1 and Exhibit A of the Purchase Agreement (**Initial Configuration**). Final configuration of the Aircraft (**Final Configuration**) will be completed using the then-current Boeing configuration documentation in accordance with the following schedule:

2.1.1 No later than [*****] prior to the first Aircraft's scheduled delivery, Boeing and Customer will discuss potential optional features and, within [*****] after that meeting, Boeing will provide Customer with a proposal for those optional features that can be incorporated into the Aircraft during production. Customer will then have sixty (60) days to accept or reject the optional features..

2.1.2 Within [*****] following Final Configuration, Boeing and Customer will execute a written amendment to the Purchase Agreement which will reflect the following:

2.1.2.1 Changes applicable to the basic Model 737-8 aircraft which are developed by Boeing between the date of signing of the Purchase Agreement and date of Final Configuration.

2.1.2.2 Incorporation into Exhibit A of the Purchase Agreement, by written amendment, those optional features which have been agreed to by Customer and Boeing (**Customer Configuration Changes**);

2.1.2.3 Revisions to the [*****] to reflect the effects, if any, on Aircraft performance resulting from the incorporation of the Customer Configuration Changes;

2.1.2.4 Revisions to the Supplemental Exhibit BFE1 to reflect the selection dates and on-dock dates of BFE;

2.1.2.5 Changes to the Optional Features Prices, and Aircraft Basic Price to adjust for the difference, if any, between the prices estimated in Table 1 of the Purchase Agreement for optional features reflected in the Aircraft Basic Price and the actual prices of the optional features reflected in the Customer Configuration Changes. Such changes will not result in a change to the Advance Payment Base Price provided in Table 1.

3. Customer Support Variables.

3.1 The initial customer support package contained in Supplemental Exhibit CS1 to the Purchase Agreement is predicated upon the 737NG customer support package. Boeing intends to further refine the customer support package for the 737MAX and will provide this revised package to Customer no later than twenty-four (24) months prior to the first month of the scheduled delivery year of the first Aircraft. The provision of such revised Supplemental Exhibit CS1 will constitute an amendment to the Purchase Agreement and will provide the Customer in aggregate such overall

""[***]" This information is subject to confidential treatment and has been omitted and filed separately with the commission"



Boeing support package that is equivalent to, or better than, the Supplemental Exhibit CS1 included in the Purchase Agreement as of the date of this Letter Agreement.

3.2 Additionally, Boeing will engage in discussions with Customer in conjunction with the providing of the updated Supplemental Exhibit CS1 to offer to Customer additional uniquely tailored customer support services beyond the scope of the Supplemental Exhibit CS1 that will further enhance the maintainability and operational efficiency of the Aircraft.

4. Other Letter Agreements.

Boeing and Customer acknowledge that as they work together to develop the 737MAX program and as Boeing refines the definition of the Aircraft and associated production processes, there may be a need to execute or amend letter agreements addressing on or more of the following:

4.1 Software. Additional provisions relating to software and software loading.

4.2 In-Flight Entertainment (IFE). Provisions relating to the terms under which Boeing may offer or install IFE in the Aircraft.

4.3 Buyer Furnished Equipment (BFE). Provisions relating to the terms under which Boeing may install and certify Customer's BFE in the Aircraft.

Very truly yours,

THE BOEING COMPANY

By _____

Its Attorney-In-Fact _____

ACCEPTED AND AGREED TO this

Date: _____

XIAMEN AIRLINES

By _____

Its _____

XIA-PA-03807-LA-1301951
Open Matters

BOEING PROPRIETARY

""[***]" This information is subject to confidential treatment and has been omitted and filed separately with the commission"



The Boeing Company
P.O. Box 3707
Seattle, WA 98124-2207

XIA-PA-03807-LA-1301952

Xiamen Airlines
22 Dailiao Road
Xiamen, Fujian Province, 361006
People's Republic of China

Subject: Boeing Purchase of Buyer Furnished Equipment

Reference: Purchase Agreement No. PA-03807 (**Purchase Agreement**) between The Boeing Company (**Boeing**) and Xiamen Airlines (**Customer**) relating to Model 737-8 aircraft (**Aircraft**)

This letter agreement (**Letter Agreement**) amends and supplements the Purchase Agreement. All terms used but not defined in this Letter Agreement shall have the same meaning as in the Purchase Agreement.

Customer will sell to Boeing the Buyer Furnished Equipment (**BFE**) listed in the Annex to Exhibit A to this Letter Agreement under the terms and conditions set forth below.

1. Customer will deliver to Boeing a bill of sale for the BFE conveying good title, free of any encumbrances, in the form of Exhibit A to this Letter Agreement (**BFE Bill of Sale**) approximately four weeks prior to delivery of the Aircraft.
2. The BFE purchase price will be the amount stated on the BFE Bill of Sale applicable to the Aircraft and will be reimbursed to Customer in the form of a miscellaneous credit memorandum on the Aircraft's final delivery invoice. Upon Customer's payment of the Aircraft's final delivery invoice Boeing will deliver a bill of sale for the BFE to Customer either (i) in the form of Exhibit B to this Letter Agreement, or (ii) included in the Aircraft bill of sale, at the election of Customer.
3. Customer will pay to Boeing a fee equal to [*****] of the BFE Purchase Price (**Fee**) which will cover currently-known taxes, duties or other charges of whatever nature imposed by any United States, Federal, State or local taxing authority, or any taxing authority outside the United States required to be paid by Boeing as a result of any sale, purchase, use, ownership, delivery, transfer, storage or other activity associated with any of the BFE purchased as part of this Letter Agreement.
4. The purchase price of the Aircraft will be increased by the amount paid by Boeing for the BFE as shown on the applicable BFE Bill of Sale plus any amounts which are identified at the time of Aircraft delivery to be due to Boeing from Customer pursuant to the provisions of Paragraph 3, above. The remainder of any charges due Boeing from Customer pursuant to Paragraph 3 will be payable to Boeing upon demand.

BOEING PROPRIETARY

""[***]" This information is subject to confidential treatment and has been omitted and filed separately with the commission"



5. Customer will indemnify and hold harmless Boeing from and against all claims, suits, actions, liabilities, damages, costs and expenses for any actual or alleged infringement of any patent issued or equivalent right under the laws of any country arising out of or in any way connected with any sale, purchase, use, ownership, delivery, transfer, storage or other activity associated with any of the BFE purchased as part of this Letter Agreement.

6. Customer will indemnify and hold harmless Boeing from and against all claims and liabilities, including costs and expenses (including attorneys' fees) incident thereto or incident to successfully establishing the right to indemnification, for injury to or death of any person or persons, including employees of Customer but not employees of Boeing, or for loss of or damage to any property, including any aircraft, arising out of or in any way connected with the performance by Boeing of services or other obligations under this Letter Agreement and whether or not arising in tort or occasioned in whole or in part by the negligence of Boeing.

7. Boeing makes no warranty other than warranty of such title to the BFE as has been transferred by Customer to Boeing pursuant to this Letter Agreement. The exclusion of liabilities and other provisions of the AGTA are applicable to this Letter Agreement.

8. For the purposes of this Letter Agreement, the term "Boeing" includes The Boeing Company, its divisions, subsidiaries, affiliates, the assignees of each, and their directors, officers, employees and agents.

Very truly yours,

THE BOEING COMPANY

By _____

Its _____ Attorney-In-Fact _____

ACCEPTED AND AGREED TO this

Date: _____

XIAMEN AIRLINES

By _____

Its _____

XIA-PA-03807-LA-1301952
Boeing Purchase of BFE

BOEING PROPRIETARY

""[***]" This information is subject to confidential treatment and has been omitted and filed separately with the commission"



Exhibit A

FULL WARRANTY BILL OF SALE

Xiamen Airlines (**Seller**) in consideration of the promise of The Boeing Company (**Buyer**) to pay to Seller + U.S. Dollars (\$) hereby sells to Buyer the goods described in the "Schedule of Buyer Furnished Equipment (BFE)" attached hereto (**BFE**). Such payment by Buyer will be made immediately after delivery to _____ of and payment for the Aircraft bearing Manufacturer's Serial No. _____ on which the BFE is installed.

Seller warrants to Buyer that it has good title to the BFE free and clear of all liens, encumbrances and rights of others; and that it will warrant and defend such title against all claims and demands whatsoever.

This Full Warranty Bill of Sale is delivered by Seller to Buyer in the State of _____, and shall be governed by the law of the State of Washington, exclusive of Washington's conflicts of laws principles.

XIAMEN AIRLINES

By: _____

Date: _____

Receipt of this Full Warranty Bill of Sale is hereby acknowledged by Buyer by its duly authorized representative.

THE BOEING COMPANY

By: _____

XIA-PA-03807-LA-1301952
Boeing Purchase of BFE

BOEING PROPRIETARY

""[***]" This information is subject to confidential treatment and has been omitted and filed separately with the commission"



EXAMPLE

SCHEDULE OF EQUIPMENT (BFE)

Applicable to

Model 737-8 Aircraft bearing

Manufacturer's Serial No. TBD

Document PED

Issued +

Revision of +

XIA-PA-03807-LA-1301952
Boeing Purchase of BFE

Page 4

BOEING PROPRIETARY

""[***]" This information is subject to confidential treatment and has been omitted and filed separately with the commission"



Exhibit B

BOEING BILL OF SALE

The Boeing Company (**Seller**) in consideration of the sum of + U.S. Dollars (\$) and other valuable consideration hereby sells to Xiamen Airlines (**Buyer**) the goods described in the Schedule of Equipment attached hereto (**BFE**).

Seller represents and warrants that it has such title to the BFE as was previously transferred to Seller by Buyer and that it hereby conveys such BFE and such title thereto to Buyer.

This Boeing Bill of Sale is delivered by Seller to Buyer in Seattle, Washington, and governed by the law of the State of Washington, U.S.A EXCLUSIVE OF WASHINGTON'S CONFLICTS OF LAWS PRINCIPLES.

THE BOEING COMPANY

By: _____

Receipt of this Full Warranty Bill of Sale is hereby acknowledged by Buyer by its duly authorized representative.

XIAMEN AIRLINES

By: _____

Date: _____

XIA-PA-03807-LA-1301952
Boeing Purchase of BFE

BOEING PROPRIETARY

""[***]" This information is subject to confidential treatment and has been omitted and filed separately with the commission"



EXAMPLE

SCHEDULE OF EQUIPMENT (BFE)

Applicable to

Model 737-8 Aircraft bearing

Manufacturer's Serial No. TBD

Document PED

Issued +

Revision of +

XIA-PA-03807-LA-1301952
Boeing Purchase of BFE

Page 6

BOEING PROPRIETARY

""[***]" This information is subject to confidential treatment and has been omitted and filed separately with the commission"



The Boeing Company
P.O. Box 3707
Seattle, WA 98124-2207

XIA-PA-03807-LA-1301953

Xiamen Airlines
22 Dailiao Road
Xiamen, Fujian Province, 361006
People's Republic of China

Subject: Government Approval Matters

Reference: Purchase Agreement No. PA-03807 (**Purchase Agreement**) between The Boeing Company (**Boeing**) and Xiamen Airlines (**Customer**) relating to Model 737-8 aircraft (**Aircraft**)

This letter agreement (**Letter Agreement**) amends and supplements the Purchase Agreement. All terms used but not defined in this Letter Agreement shall have the same meaning as in the Purchase Agreement.

1. Government Approval.

Boeing and Customer both acknowledge that it is necessary for Customer to obtain government approval to import the Aircraft into the People's Republic of China (**Government Approval**). Customer agrees to use best efforts to obtain Government Approval and notify Boeing promptly in writing as soon as approval has been obtained. In cooperation with Customer, Boeing shall provide reasonable assistance to Customer in preparing informational materials relating to the Purchase Agreement and the Aircraft which Customer advises are reasonably required for the Government Approval process. Customer shall advise Boeing as soon as practical of the specific assistance which Customer plans to request from Boeing.

2. Flexibility.

Boeing and Customer shall work together to ensure the delivery schedule and advance payments as specified in Table 1 and Paragraph 1 in Letter Agreement XIA-PA-03807-LA-1301961 are met. If Boeing has not received written notification from Customer that Government Approval has been obtained [*****] prior to Aircraft delivery and Customer is not current with advance payments for all Aircraft per the Purchase Agreement, then Boeing may, after consultation with Customer, take one or more of the actions set forth below for the Aircraft as it deems appropriate based on Boeing's production considerations and requirements, while expressly reserving all of Boeing's rights and remedies under law.

BOEING PROPRIETARY

""[***]" This information is subject to confidential treatment and has been omitted and filed separately with the commission"



2.1. Rescheduled Aircraft. Boeing may reschedule any or all of the Aircraft. Boeing will give Customer [*****] business days advance notice of any such Aircraft rescheduling, and will not reschedule Aircraft for which Customer is successful in obtaining Government Approval prior to the expiration of such [*****] business day notification period.

The following terms shall apply to the rescheduled Delivery Period Aircraft.

2.1.1. The Escalation Adjustment for each such rescheduled Aircraft will be calculated to the revised delivery month in accordance with the provisions of the Purchase Agreement.

2.1.2. Advance payments for each such rescheduled Aircraft will be calculated to the revised delivery month in accordance with the provisions of the Purchase Agreement.

2.1.3. The Advance Payment Base Price will be calculated to the revised delivery month in accordance with the provisions of the Purchase Agreement. The credit memoranda Boeing provides to the Customer which are noted as "subject to escalation" will be calculated to the revised delivery month in accordance with the provisions of the Purchase Agreement.

2.1.4. As any delivery reschedule contemplated by this Letter Agreement is a direct result of not obtaining Government Approval in a timely fashion, Boeing will retain all advance payments received for a particular Aircraft prior to the reschedule of that Aircraft and apply those payments towards the future advance payments for that same rescheduled Aircraft. In no case will Boeing pay interest on any advance payment amounts or early payment resulting from the reschedule of the relevant Aircraft.

2.2. Terminated Aircraft. Boeing may terminate the Aircraft by providing Customer with written notice of such termination and will promptly return to Customer, without interest, an amount equal to all advance payments paid by Customer for the terminated Aircraft.

3. Confidential Treatment.

Boeing and Customer understand that certain information contained in this Letter Agreement is considered to be confidential. The parties agree that they will treat this Letter Agreement and the information contained herein as confidential and will not, without the prior written consent of the other party, disclose this Letter Agreement or any information contained herein to any other person or entity.

XIA-PA-03807-LA-1301953
Government Approval Matters

BOEING PROPRIETARY

""[***]" This information is subject to confidential treatment and has been omitted and filed separately with the commission"



Very truly yours,

THE BOEING COMPANY

By _____

Its _____ Attorney-In-Fact

ACCEPTED AND AGREED TO this

Date: _____

XIAMEN AIRLINES

By _____

Its _____

XIA-PA-03807-LA-1301953
Government Approval Matters

BOEING PROPRIETARY

""[***]" This information is subject to confidential treatment and has been omitted and filed separately with the commission"



2. Interest.

In addition to the Liquidated Damages in Section 1, for each day of Non-Excusable Delay commencing [*****] after the Scheduled Delivery Month, Boeing will pay Customer interest calculated as follows (**Interest**):

The product of the daily interest rate (computed by dividing the interest rate in effect for each day by [*****], as the case may be) times the entire amount of advance payments received by Boeing for such Aircraft. The interest rate in effect for each day shall be computed using the [*****] [*****], effective the first (1st) business day of the calendar quarter and reset each calendar quarter.

Such interest will be calculated on a [*****] and paid in full at the same time as the Liquidated Damages.

3. [*****].

Customer will not have the right to refuse to accept delivery of any Aircraft because of a Non-Excusable Delay unless and until the aggregate duration of the Non-Excusable Delay for such Aircraft [*****] (**Non-Excusable Delay Period**). Within [*****] of receipt of written notice from Boeing that delivery of an Aircraft will be delayed beyond the Non-Excusable Delay Period, either party [*****] Purchase Agreement as to such Aircraft by written notice given to the other. If neither Party terminates the Purchase Agreement within said [*****], the Purchase Agreement will remain in effect for that Aircraft.

4. Return of Advance Payments.

If the Purchase Agreement is terminated with respect to any Aircraft for a Non-Excusable Delay, Boeing will, in addition to paying Liquidated Damages and Interest as described above, promptly repay to Customer the entire principal amount of the advance payments received by Boeing for such Aircraft.

5. Exclusive Remedies.

The remedies set forth in this Letter Agreement are Customer's exclusive remedies for a Non-Excusable Delay and are in lieu of all other damages, claims, and remedies of Customer arising at law or otherwise for any Non-Excusable Delay in the Aircraft delivery. Customer hereby waives and renounces all other claims and remedies arising at law or otherwise for any such Non-Excusable Delay.

6. Assignment.

Notwithstanding any other provisions of the Purchase Agreement, the rights and obligations described in this Letter Agreement are provided to Customer in consideration of Customer's becoming the operator of the Aircraft and cannot be assigned in whole or, in part.

""[***]" This information is subject to confidential treatment and has been omitted and filed separately with the commission"



7. Confidential Treatment.

The information contained herein represents confidential business information and has value precisely because it is not available generally or to other parties. Customer will limit the disclosure of its contents to employees of Customer with a need to know the contents for purposes of helping Customer perform its obligations under the Purchase Agreement and who understand they are not to disclose its contents to any other person or entity without the prior written consent of Boeing.

Very truly yours,

THE BOEING COMPANY

By _____

Its _____ Attorney-In-Fact

ACCEPTED AND AGREED TO this

Date: _____

XIAMEN AIRLINES

By _____

Its _____

XIA-PA-03807-LA-1301954
Liquidated Damages for Non-Excusable Delay

BOEING PROPRIETARY

""[***]" This information is subject to confidential treatment and has been omitted and filed separately with the commission"



The Boeing Company
P.O. Box 3707
Seattle, WA 98124-2207

XIA-PA-03807-LA-1301955

Xiamen Airlines
22 Dailiao Road
Xiamen, Fujian Province, 361006
People's Republic of China

Subject: Loading of Customer Software

Reference: Purchase Agreement No. PA-03807 (**Purchase Agreement**) between The Boeing Company (**Boeing**) and Xiamen Airlines (**Customer**) relating to Model 737-8 aircraft (**Aircraft**)

This letter agreement (**Letter Agreement**) amends and supplements the Purchase Agreement. All terms used but not defined in this Letter Agreement shall have the same meaning as in the Purchase Agreement.

1. Customer may request Boeing to install software owned by or licensed to Customer (**Software**) in the following systems in the Aircraft: (i) aircraft communications addressing and reporting system (**ACARS**), (ii) digital flight data acquisition unit (**DFDAU**), (iii) flight management system (**FMS**), (iv) cabin management system (**CMS**), (v) engine indication and crew alerting system (**ECAS**), (vi) airplane information management system (**AIMS**), (vii) satellite communications system (**SATCOM**), and (viii) In-Flight Entertainment (**IFE**).

2. For all Software described in Paragraph 1 above, other than Software to be installed in SATCOM and IFE, the Software is not part of the configuration of the Aircraft certified by the FAA and therefore cannot be installed prior to delivery. If requested by Customer, Boeing will install such Software after the transfer to Customer of title to the Aircraft, but before fly away.

3. The SATCOM Software is part of the configuration of the Aircraft and included in the type design. If requested by Customer, Boeing will install the SATCOM Software prior to transfer to Customer of title to the Aircraft.

4. For IFE Software, if requested by Customer, Boeing will make the Aircraft accessible to Customer and Customer's IFE Software supplier so that the supplier can install the Software after delivery of the Aircraft, but before fly away.

5. All Software which is installed by Boeing other than the SATCOM Software will be subject to the following conditions:

BOEING PROPRIETARY

""[***]" This information is subject to confidential treatment and has been omitted and filed separately with the commission"



- (i) Customer and Boeing agree that the Software is BFE for the purposes of Articles 3.1.3, 3.2, 3.4, 3.5, 3.10, 10 and 11 of Exhibit A, Buyer Furnished Equipment Provisions Document, to the AGTA and such articles apply to the installation of the Software.
- (ii) Customer and Boeing further agree that the installation of the Software is a service under Exhibit B, Customer Support Document, to the AGTA.
- (iii) Boeing makes no warranty as to the performance of such installation and Article 11 of Part 2 of Exhibit C of the AGTA, Disclaimer and Release; Exclusion of Liabilities and Article 8.2, Insurance, of the AGTA apply to the installation of the Software.

Very truly yours,

THE BOEING COMPANY

By _____

Its Attorney-In-Fact

ACCEPTED AND AGREED TO this

Date: _____

XIAMEN AIRLINES

By _____

Its _____

XIA-PA-03807-LA-1301955
Loading of Customer Software

BOEING PROPRIETARY

""[***]" This information is subject to confidential treatment and has been omitted and filed separately with the commission"



The Boeing Company
P.O. Box 3707
Seattle, WA 98124-2207

XIA-PA-03807-LA-1301956

Xiamen Airlines
22 Dailiao Road
Xiamen, Fujian Province, 361006
People's Republic of China

Subject: CASC Volume Agreement

Reference: Purchase Agreement No. PA-03807 (**Purchase Agreement**) between The Boeing Company (**Boeing**) and Xiamen Airlines (**Customer**) relating to Model 737-8 aircraft (**Aircraft**)

This letter agreement (**Letter Agreement**) amends and supplements the Purchase Agreement. All terms used but not defined in this Letter Agreement shall have the same meaning as in the Purchase Agreement.

1. Volume Agreement Option.

Boeing and Customer acknowledge that, in the future, Boeing may enter into a purchase agreement with [*****], or its successor organization, for Model 737 7, 737 8 and/or 737 9 aircraft (a "Volume Agreement"). If Boeing enters into a firm and unconditional Volume Agreement between the effective date of this Purchase Agreement and July 1, 2014, or any mutually agreed extension of this date, then Boeing will propose an amendment to letter agreements XIA-PA-0387-LA-1301968 "Special Escalation Program" and XIA PA 03807 LA 1301960 "Special Matters", if needed, for the Aircraft under the Purchase Agreement to ensure that Customer will not be disadvantaged on a net Airframe Price basis, after adding up all the credit memoranda and making any applicable base year price adjustments between this Purchase Agreement and the Volume Agreement. Customer reserves its right to accept such proposed amendments. No other terms and conditions of the Volume Agreement will apply to this Purchase Agreement.

2. Confidential Treatment.

Boeing and Customer understand that certain information contained in this Letter Agreement is considered to be confidential. The parties agree that they will treat this Letter Agreement and the information contained herein as confidential and will not,

BOEING PROPRIETARY

""[***]" This information is subject to confidential treatment and has been omitted and filed separately with the commission"



without the prior written consent of the other party, disclose this Letter Agreement or any information contained herein to any other person or entity except: (1) to those of their respective legal counsel, auditors, accountants, insurance brokers and other advisers who have a need to know the information for purposes of interpreting Customer's rights or interpreting or performing Customer's obligations under the Purchase Agreement, subject to such parties' written agreements that they will treat the information as confidential; (2) to a bank for the sole purpose of financing of the purchase of such Aircraft and subject to such bank's written agreement that it will treat the information as confidential; (3) as required by the rules of any stock market applicable to the parties on condition that the party wishing to make such disclosure shall first use reasonable efforts to seek relief from the risk of disclosure to competitors or others with whom either of the parties has business relations of information which might be detrimental to the interest of either of the parties; or (4) as may be required by applicable law.

Very truly yours,

THE BOEING COMPANY

By _____

Its Attorney-In-Fact

ACCEPTED AND AGREED TO this

Date: _____

XIAMEN AIRLINES

By _____

Its _____

XIA-PA-03807-LA-1301956
CASC Volume Agreement

BOEING PROPRIETARY

Page 2

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The Boeing Company
P.O. Box 3707
Seattle, WA 98124-2207

XIA-PA-03807-LA-1301957

Xiamen Airlines
22 Dailiao Road
Xiamen, Fujian Province, 361006
People's Republic of China

Subject: Promotional Support

Reference: Purchase Agreement No. PA-03807 (**Purchase Agreement**) between The Boeing Company (**Boeing**) and Xiamen Airlines (**Customer**) relating to Model 737-8 aircraft (**Aircraft**)

This letter agreement (**Letter Agreement**) amends and supplements the Purchase Agreement. All terms used but not defined in this Letter Agreement will have the same meaning as in the Purchase Agreement.

Boeing and Customer wish to enter into an agreement pursuant to which each party will contribute equally to promotional programs in support of the entry into service of the Aircraft as more specifically provided below.

1. Definitions.

1.1 **Commitment Limit** will have the meaning set forth in Article 2, below.

1.2 **Covered Aircraft** will mean those Aircraft identified on Table 1 to the Purchase Agreement as of the date of signing of this Letter Agreement.

1.3 **Performance Period** will mean the period beginning [*****] before the scheduled delivery month of the first Covered Aircraft and ending [*****] after the [*****].

1.4 **Promotional Support** will mean mutually agreed marketing and promotion programs that promote the entry into service of the Covered Aircraft such as marketing research, tourism development, corporate identity, direct marketing, videotape or still photography, planning, design and production of collateral materials, management of promotion programs, advertising campaigns or such other marketing and promotional activities as the parties may mutually agree.

1.5 **Qualifying Third Party Fees** will mean fees paid by Customer to third party providers for Promotional Support provided to Customer during the Performance Period.

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2. Commitment Limit.

As more particularly set forth in this Letter Agreement, Boeing agrees to provide Promotional Support to Customer during the Performance Period in a value not to exceed:

- (i) [*****] for the first Covered Aircraft delivered to Customer; and thereafter
- (ii) [*****] for each subsequent Covered Aircraft delivered to Customer.

3. Methods of Performance.

3.1 Subject to the Commitment Limit, Boeing will reimburse [*****] of Qualifying Third Party Fees provided that Customer provides Boeing copies of paid invoices for such Qualifying Third Party Fees no later than [*****] of the first (1st) Covered Aircraft.

3.2 Notwithstanding the above, at Customer's request and subject to a mutually agreed project, Boeing will provide certain Promotional Support during the Performance Period directly to Customer. The full value of such Boeing provided Promotional Support will be accounted for as part of the Commitment Limit and will correspondingly reduce the amount of Qualifying Third Party Fees that are subject to reimbursement pursuant to Article 3.1 above.

3.3 In the event Customer does not (i) utilize the full amount of the Commitment Limit within the Performance Period or (ii) submit its paid invoices for Qualifying Third Party Fees within the required time, as set forth in Article 3.1, Boeing will have no further obligation to Customer for such unused Commitment Limit or to reimburse Customer for such Qualifying Third Party Fees, respectively.

4. Project Approval.

Following the execution of this Letter Agreement, a Boeing Airline Marketing Services representative will meet with Customer's designated representative to review and approve the extent, selection, scheduling, and funds disbursement process for the Promotional Support to be provided pursuant to this Letter Agreement.

5. Assignment.

Notwithstanding any other provisions of the Purchase Agreement, the rights and obligations described in this Letter Agreement are provided to Customer in consideration of Customer's becoming the operator of the Aircraft and cannot be assigned in whole or, in part.

XIA-PA-03807-LA-1301957
Promotional Support

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6. Confidential Treatment.

The information contained herein represents confidential business information and has value precisely because it is not available generally or to other parties. Customer will limit the disclosure of its contents to employees of Customer with a need to know the contents for purposes of helping Customer perform its obligations under the Purchase Agreement and who understand they are not to disclose its contents to any other person or entity without the prior written consent of Boeing.

Very truly yours,

THE BOEING COMPANY

By _____

Its Attorney-In-Fact _____

ACCEPTED AND AGREED TO this

Date: _____

XIAMEN AIRLINES

By _____

Its _____

XIA-PA-03807-LA-1301957
Promotional Support

BOEING PROPRIETARY

""[***]" This information is subject to confidential treatment and has been omitted and filed separately with the commission"



The Boeing Company
P.O. Box 3707
Seattle, WA 98124-2207

XIA-PA-03807-LA-1301958

Xiamen Airlines
22 Dailiao Road
Xiamen, Fujian Province, 361006
People's Republic of China

Subject: Seller Purchased Equipment

Reference: Purchase Agreement No. PA-03807 (**Purchase Agreement**) between The Boeing Company (**Boeing**) and Xiamen Airlines (**Customer**) relating to Model 737-8 aircraft (**Aircraft**)

This letter agreement (**Letter Agreement**) amends and supplements the Purchase Agreement. All terms used but not defined in this Letter Agreement shall have the same meaning as in the Purchase Agreement.

1. General.

Seller Purchased Equipment (**SPE**) is BFE that Boeing purchases for Customer and that is identified as SPE in the Detail Specification for the Aircraft.

2. Customer Responsibilities.

2.1 Supplier Selection. Customer will select SPE suppliers from a list provided by Boeing for the commodities identified on such list and notify Boeing of the SPE suppliers in accordance with the supplier selection date(s) as set forth in Attachment A of this Letter Agreement. If Customer selects a seat, galley or galley insert supplier that is not on the Boeing offerable supplier list, such seat, galley or galley insert will, subject to Boeing approval, become BFE and the provisions of Exhibit A, Buyer Furnished Equipment Provisions Document, of the AGTA will apply.

2.2 Supplier Agreements. Customer will enter into initial agreements with the selected suppliers within ten (10) days of the supplier selection date(s) for the supplier to actively participate with Customer and Boeing in coordination actions including the Initial Technical Coordination Meeting (ITCM). Customer will enter into final agreements with selected suppliers for the following additional provisions in accordance with the supplier agreement date(s) within thirty (30) days of the ITCM or as otherwise identified by Boeing:

- (i) for emergency/miscellaneous equipment, providing standard supplier pricing, product support, warranty,

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spares, training and any additional support defined by Customer will be a direct pass through to Customer at time of Aircraft delivery;

- (ii) for seats, galleys, galley inserts, and in-flight entertainment and cabin communications systems (**IFE/CCS**), negotiating price directly with the suppliers, product support including spares support, warranty, training and any additional support defined by the Customer. Customer shall provide suppliers' pricing to Boeing and shall obtain suppliers' agreement to accept Boeing's purchase orders reflecting the Customer negotiated pricing.

2.3 Configuration Requirements. Customer is responsible for selecting equipment which is FAA certifiable at time of Aircraft delivery, or for obtaining waivers from the applicable regulatory agency for non-FAA certifiable equipment. Customer will meet with Boeing and the selected SPE suppliers in the ITCM and any other scheduled meetings in order to:

- (i) for emergency/miscellaneous equipment, provide to Boeing the selected part specification/Customer requirements;
- (ii) for in-flight entertainment and cabin communications systems (**IFE/CCS**), participate with Boeing in meetings with such suppliers to ensure that suppliers' functional system specifications meet Customer's and Boeing's respective requirements;
- (iii) for galleys, provide to Boeing the definitive galley configuration requirements, including identification of refrigeration requirements and fixed and removable insert equipment by quantity, manufacturer and part number not later than eight (8) weeks prior to galley supplier selection dates in Attachment A;
- (iv) for seats, Customer provide to Boeing the definitive seat configuration requirements not later than eight (8) weeks prior to seat supplier selection dates in Attachment A.

3. Boeing Responsibilities.

3.1 Supplier Selection

3.1.1 Bidder's List. For information purposes, Boeing will submit to Customer a bidder's list of existing suppliers of seats and galleys one hundred twenty (120) days prior to the supplier selection date(s) referred to in Paragraph 2 (i) above.

XIA-PA-03807-LA-1301958
Seller Purchased Equipment

BOEING PROPRIETARY

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3.1.2 Request for Quotation (RFQ). Approximately ninety (90) days prior to the supplier selection date(s), Boeing will issue its RFQ inviting potential bidders to submit bids for the galleys and seats within thirty (30) days of the selection date.

3.1.3 Bidders Summary. Not later than fifteen (15) days prior to the supplier selection date(s), Boeing will submit to Customer a summary of the bidders from which to choose a supplier for the galleys and seats. The summary is based on an evaluation of the bids submitted using price, weight, warranty and schedule as the criteria.

3.2 Additional Boeing responsibilities:

- (i) placing and managing the purchase orders with the suppliers;
- (ii) coordinating with the suppliers on technical issues;
- (iii) for seats, galleys, galley inserts and IFE/CCS confirming the agreed to pricing with both the Customer and supplier;
- (iv) for IFE/CCS providing Aircraft interface requirements to suppliers and assisting suppliers in the development of their IFE/CCS system specifications and approving such specifications;
- (v) ensuring that the delivered SPE complies with the part specification;
- (vi) obtaining certification of the Aircraft with the SPE installed;
- (vii) for miscellaneous/emergency equipment, obtaining standard supplier pricing, and obtaining for Customer copies of product support, warranty, spares, training, and any additional support documentation defined by the Customer which shall be provided to Customer prior to delivery of the Aircraft.

4. IFE/CCS Software.

IFE/CCS may contain software of the following two types:

4.1 Systems Software. The software required to operate and certify the IFE/CCS systems on the Aircraft is the Systems Software and is part of the IFE/CCS.

4.2 Customer's Software. The software accessible to the Aircraft passengers which controls Customer's specified optional features is Customer's Software and is not part of the IFE/CCS.

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Seller Purchased Equipment

BOEING PROPRIETARY

Page 3

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4.2.1 Customer is solely responsible for specifying Customer's Software functional and performance requirements and ensuring that Customer's Software meets such requirements. Customer and Customer's Software supplier will have total responsibility for the writing, certification, modification, revision, or correction of any of Customer's Software. Customer shall be responsible for and assumes all liability with respect to Customer's Software.

4.2.2 The omission of any Customer's Software or the lack of any functionality of Customer's Software will not be a valid condition for Customer's rejection of the Aircraft at the time of Aircraft delivery.

4.2.3 Boeing has no obligation to approve any documentation to support Customer's Software certification. Boeing will only review and operate Customer's Software if in Boeing's reasonable opinion such review and operation is necessary to certify the IFE/CCS system on the Aircraft.

4.2.4 Boeing shall not be responsible for obtaining FAA certification for Customer's Software.

5. Price.

5.1 Advance Payments. An estimated SPE price is included in the Advance Payment Base Prices shown in Table 1 for the purpose of establishing the advance payments for the Aircraft.

5.2 Aircraft Price. The Aircraft Price will be adjusted to reflect the actual costs charged to Boeing by the SPE suppliers and transportation charges.

6. Changes.

After Customer's acceptance of this Letter Agreement, any changes to SPE may only be made by and between Boeing and the SPE suppliers. Customer requested changes to the SPE after execution of this Letter Agreement shall be made by Customer in writing directly to Boeing for approval and for coordination by Boeing with the SPE supplier. Any such change to the configuration of the Aircraft shall be subject to price and offerability through Boeing's master change or other process for amendment of the Purchase Agreement.

7. Proprietary Rights.

Boeing's obligation to purchase SPE will not impose upon Boeing any obligation to compensate Customer or any supplier for any proprietary rights Customer may have in the design of the SPE.

8. Remedies.

8.1 If Customer does not perform its obligations as provided in this Letter Agreement or if supplier fails (for any reason other than a default by Boeing under the purchase order terms) to deliver conforming SPE per the schedule set forth in the purchase order, then, in addition to any other remedies which Boeing may have by contract or under law, Boeing may:

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Seller Purchased Equipment

BOEING PROPRIETARY

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8.1.1 revise the schedule delivery month of the Aircraft to accommodate the delay in delivery of the conforming SPE and base the calculation of the Escalation Adjustment on such revised delivery month;

8.1.2 deliver the Aircraft without installing the SPE;

8.1.3 substitute a comparable part and invoice Customer for the cost; and

8.1.4 increase the Aircraft Price by the amount of Boeing's additional costs attributable to such noncompliance, including but not limited to, disruption costs associated with out of sequence work by Boeing, any charges due to a supplier's failure to perform in accordance with an SPE program milestones as established by Boeing and agreed to by the supplier and particularly with respect to late delivery of such SPE.

8.2 Additionally, if delivery of SPE seats does not support the delivery of the Aircraft in its scheduled delivery month, Customer agrees that:

8.2.1 Boeing may elect to deliver the Aircraft and Customer will accept delivery of the Aircraft in the scheduled delivery month in a zero occupancy configuration:

8.2.1.1 if Boeing elects to deliver in a zero occupancy configuration, Boeing will provide Customer with a retrofit offer, including price and schedule, for a service bulletin and remote certification in support of the post delivery installation of the seats; and

8.2.2 Boeing may charge Customer for Boeing's additional costs attributable to, but not limited to, disruption costs associated with out of sequence work by Boeing and any charges due to late delivery of such seats.

8.3 If any issues arise as provided in Paragraph 8.1 or 8.2 above, Boeing will promptly notify Customer and work together in good faith with Customer and Customer's suppliers to explore possible solutions to help mitigate the impact to Customer of such issues.

9. Title and Risk of Loss.

Title and risk of loss of the SPE will remain with Boeing until the Aircraft is delivered to Customer.

10. Customer's Indemnification of Boeing.

Customer will indemnify and hold harmless Boeing from and against all claims and liabilities, including costs and expenses (including attorneys' fees) incident thereto or incident to successfully establishing the right to indemnification, for injury to or death of any person or persons, including employees of Customer but not employees of Boeing, or for loss of or damage to any property, including Aircraft, arising out of or in any way connected with any nonconformance or defect in any SPE and whether or not arising in tort or occasioned in whole or in part by the negligence of Boeing. This indemnity will not apply with respect to any nonconformance or defect caused solely by Boeing's installation of the SPE.

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Seller Purchased Equipment

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11. Definition.

For purposes of the above indemnity, the term **Boeing** includes The Boeing Company, its divisions, subsidiaries and affiliates, the assignees of each, and their directors, officers, employees and agents.

Very truly yours,

THE BOEING COMPANY

By _____

Its Attorney-In-Fact _____

ACCEPTED AND AGREED TO this

Date: _____

XIAMEN AIRLINES

By _____

Its _____

Attachment

XIA-PA-03807-LA-1301958
Seller Purchased Equipment

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Attachment

1. Supplier Selection.

Customer will:

- 1.1 Select and notify Boeing of the suppliers and part numbers of the following SPE items by the following dates:

737-8 Aircraft (Table 1)

Item	Date
Galley System	No later than 12 months prior to 1 st delivery**
Galley Inserts	No later than 12 months prior to 1 st delivery**
Seats (passenger)	No later than 14 months prior to 1 st delivery**
Overhead & Audio System	No later than 12 months prior to 1 st delivery**
In-Seat Video System	No later than 14 months prior to 1 st delivery**
Miscellaneous Emergency Equipment	No later than 12 months prior to 1 st delivery**
Cargo Handling Systems*	No later than 8 months prior to 1 st delivery**

*For a new certification, Customer will need to provide Supplier Selections two (2) months earlier than stated above.

**Actual supplier selection dates will be provided when monthly delivery positions are confirmed.

XIA-PA-03807-LA-1301958
Seller Purchased Equipment

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The Boeing Company
P.O. Box 3707
Seattle, WA 98124-2207

XIA-PA-03807-LA-1301959

Xiamen Airlines
22 Dailiao Road
Xiamen, Fujian Province, 361006
People's Republic of China

Subject: Spare Parts Initial Provisioning

Reference: (a) Purchase Agreement No.PA-03807 (**Purchase Agreement**) between The Boeing Company (**Boeing**) and Xiamen Airlines (**Customer**) relating to Model 737-8 aircraft (**Aircraft**)
b) Customer Services General Terms Agreement No. XIA (**CSGTA**) between Boeing and Customer

This letter agreement (**Letter Agreement**) is entered into on the date below and amends and supplements the CSGTA. All capitalized terms used but not defined in this Letter Agreement have the same meaning as in the CSGTA, except for "Aircraft" which will have the meaning as defined in the Purchase Agreement.

In order to define the process by which Boeing and Customer will (i) identify those Spare Parts and Standards critical to Customer's successful introduction of the Aircraft into service and its continued operation; (ii) place Orders under the provisions of the CSGTA as supplemented by the provisions of this Letter Agreement for those Spare Parts and Standards; and (iii) manage the return of certain of those Spare Parts which Customer does not use, the parties agree as follows.

1. Definitions.

1.1 **Provisioning Data** means the documentation provided by Boeing to Customer, including but not limited to the Recommended Spare Parts List (**RSPL**), identifying all Boeing initial provisioning requirements for the Aircraft.

1.2 **Provisioning Items** means the Spare Parts and Standards identified by Boeing as initial provisioning requirements in support of the Aircraft, excluding special tools and ground support equipment (**GSE**), engines and engine parts.

1.3 **Provisioning Products Guide** means the Boeing Manual D6-81834 entitled "**Spares Provisioning Products Guide**".

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2. Phased Provisioning.

2.1 Provisioning Products Guide. Prior to the initial provisioning meeting Boeing will furnish to Customer a copy of the Provisioning Products Guide.

2.2 Initial Provisioning Meeting. On or about twelve (12) months prior to delivery of the first Aircraft the parties will conduct an initial provisioning meeting, as applicable, where the procedures, schedules, and requirements for training will be established to accomplish phased provisioning of Spare Parts and Standards for the Aircraft in accordance with the Provisioning Products Guide. If the lead time from execution of the Purchase Agreement until delivery of the first Aircraft is less than twelve (12) months, the initial provisioning meeting will be established as soon as reasonably possible after execution of the Purchase Agreement.

2.3 Provisioning Data. During the initial provisioning meeting Customer will provide to Boeing the operational parameter information described in Chapter 6 of the Provisioning Products Guide. After review and acceptance by Boeing of such Customer information, Boeing will prepare the Provisioning Data. Such Provisioning Data will be furnished to Customer on or about ninety (90) days after Boeing finalizes the engineering drawings for the Aircraft. The Provisioning Data will be as complete as possible and will cover Provisioning Items selected by Boeing for review by Customer for initial provisioning of Spare Parts and Standards for the Aircraft. Boeing will furnish to Customer revisions to the Provisioning Data until approximately ninety (90) days following delivery of the last Aircraft or until the delivery configuration of each of the Aircraft is reflected in the Provisioning Data, whichever is later.

2.4 Buyer Furnished Equipment (BFE) Provisioning Data. Unless otherwise advised by Boeing, Customer will provide or insure its BFE suppliers provide to Boeing the BFE data in scope and format acceptable to Boeing, in accordance with the schedule established during the initial provisioning meeting.

3. Purchase from Boeing of Spare Parts and Standards as Initial Provisioning for the Aircraft.

3.1 Schedule. In accordance with schedules established during the initial provisioning meeting, Customer may place Orders for Provisioning Items and any GSE, special tools or engine spare parts which Customer determines it will initially require for maintenance, overhaul and servicing of the Aircraft and/or engines.

3.2 Prices of Initial Provisioning Spare Parts.

3.2.1 Boeing Spare Parts. The Provisioning Data will set forth the prices for those Provisioning Items other than items listed in Article 3.3 below that are Boeing Spare Parts, and such prices will be firm and remain in effect for ninety (90) days from the date the price is first quoted to Customer in the Provisioning Data.

3.2.2 Supplier Spare Parts. Boeing will provide estimated prices in the Provisioning Data for Provisioning Items other than items listed in Article 3.3 below that are Supplier Spare Parts. The price to Customer for any Supplier Spare Parts that are

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Provisioning Items or for any items ordered for initial provisioning of GSE, special tools manufactured by suppliers, or engine spare parts will be one hundred twelve percent (112%) of the supplier's list price for such items.

3.3 QEC Kits, Standards Kits, Raw Material Kits, Bulk Materials Kits and Service Bulletin Kits. In accordance with schedules established during the initial provisioning meeting, Boeing will furnish to Customer a listing of all components which could be included in the quick engine change (QEC) kits, Standards kits, raw material kits, bulk materials kits and service bulletin kits which may be purchased by Customer from Boeing. Customer will select, and provide to Boeing its desired content for the kits. Boeing will furnish to Customer as soon as practicable thereafter a statement setting forth a firm price for such kits. Customer will place Orders with Boeing for the kits in accordance with schedules established during the initial provisioning meeting.

4. Delivery.

For Spare Parts and Standards ordered by Customer in accordance with Article 3 of this Letter Agreement, Boeing will, insofar as reasonably possible, deliver to Customer such Spare Parts and Standards on dates reasonably calculated to conform to Customer's anticipated needs in view of the scheduled deliveries of the Aircraft. Customer and Boeing will agree upon the date to begin delivery of the provisioning Spare Parts and Standards ordered in accordance with this Letter Agreement. Where appropriate, Boeing will arrange for shipment of such Spare Parts and Standards which are manufactured by suppliers directly to Customer from the applicable supplier's facility. The routing and method of shipment for initial deliveries and all subsequent deliveries of such Spare Parts and Standards will be as established at the initial provisioning meeting and thereafter by mutual agreement.

5. Substitution for Obsolete Spare Parts.

5.1 Obligation to Substitute Pre-Delivery. In the event that, prior to delivery of the first Aircraft, any Spare Part purchased by Customer from Boeing in accordance with this Letter Agreement as initial provisioning for the Aircraft is rendered obsolete or unusable due to the redesign of the Aircraft or of any accessory, equipment or part thereof (other than a redesign at Customer's request) Boeing will deliver to Customer at no charge new and usable Spare Parts in substitution for such obsolete or unusable Spare Parts and, upon such delivery, Customer will return the obsolete or unusable Spare Parts to Boeing.

5.2 Delivery of Obsolete Spare Parts and Substitutes. Obsolete or unusable Spare Parts returned by Customer pursuant to this Article 5 will be delivered to Boeing at its Seattle Distribution Center or such other destination as Boeing may reasonably designate. Spare Parts substituted for such returned obsolete or unusable Spare Parts will be delivered to Customer in accordance with the CSGTA. Boeing will pay the freight charges for the shipment from Customer to Boeing of any such obsolete or unusable Spare Part and for the shipment from Boeing to Customer of any such substitute Spare Part.

""[***]" This information is subject to confidential treatment and has been omitted and filed separately with the commission"



6. Repurchase of Provisioning Items.

6.1 Obligation to Repurchase. During a period commencing one (1) year after delivery of the first Aircraft and ending five (5) years after such delivery, Boeing will, upon receipt of Customer's written request and subject to the exceptions in Article 6.2, repurchase unused and undamaged Provisioning Items which were peculiar to the Aircraft as compared to the delivery configuration of Model 737-8 aircraft previously purchased by Customer from Boeing and (i) were recommended by Boeing in the Provisioning Data as initial provisioning for the Aircraft, (ii) were purchased by Customer from Boeing, and (iii) are surplus to Customer's needs.

6.2 Exceptions. Boeing will not be obligated under Article 6.1 to repurchase any of the following: (i) quantities of Provisioning Items in excess of those quantities recommended by Boeing in the Provisioning Data for the Aircraft, (ii) QEC kits, bulk material kits, raw material kits, service bulletin kits, Standards kits and components thereof (except those components listed separately in the Provisioning Data), (iii) Provisioning Items for which an Order was received by Boeing more than five (5) months after delivery of the last Aircraft under the Purchase Agreement, as it may be amended or supplemented, (iv) Provisioning Items which have become obsolete or have been replaced by other Provisioning Items as a result of Customer's modification of the Aircraft, and (v) Provisioning Items which become excess as a result of a change in Customer's operating parameters, as provided to Boeing pursuant to the initial provisioning meeting and which were the basis of Boeing's initial provisioning recommendations for the Aircraft.

6.3 Notification and Format. Customer will notify Boeing, in writing when Customer desires to return Provisioning Items under the provisions of this Article 6. Customer's notification will include a detailed summary, in part number sequence, of the Provisioning Items Customer desires to return. Such summary will be in the form of listings, tapes, diskettes or other media as may be mutually agreed between Boeing and Customer and will include part number, nomenclature, purchase order number, purchase order date and quantity to be returned. Within five (5) business days after receipt of Customer's notification, Boeing will advise Customer in writing when Boeing's review of such summary will be completed.

6.4 Review and Acceptance by Boeing. Upon completion of Boeing's review of any detailed summary submitted by Customer pursuant to Article 6.3, Boeing will issue to Customer a Material Return Authorization (MRA) for those Provisioning Items Boeing agrees are eligible for repurchase in accordance with this Article 6. Boeing will advise Customer of the reason that any Provisioning Item included in Customer's detailed summary is not eligible for return. Boeing's MRA will state the date by which Provisioning Items listed in the MRA must be redelivered to Boeing, and Customer will arrange for shipment of such Provisioning Items accordingly.

XIA-PA-03807-LA-1301959
Spare Parts Initial Provisioning

BOEING PROPRIETARY

Page 4

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6.5 Price and Payment. The price of each Provisioning Item repurchased by Boeing pursuant to this Article 6 will be an amount equal to one hundred percent (100%) of the original invoice price thereof except that the repurchase price of Provisioning Items purchased pursuant to Article 3.2.2 will not include Boeing's twelve percent (12%) handling charge. Boeing will pay the repurchase price by issuing a credit memorandum in favor of Customer which may be applied against amounts due Boeing for the purchase of Spare Parts or Standards.

6.6 Delivery of Repurchased Provisioning Items. Provisioning Items repurchased by Boeing pursuant to this Article 6 will be delivered to Boeing F.O.B. at its Seattle Distribution Center or such other destination as Boeing may reasonably designate.

7. Title and Risk of Loss.

Title and risk of loss of any Spare Parts or Standards delivered to Customer by Boeing in accordance with this Letter Agreement will pass from Boeing to Customer in accordance with the applicable provisions of the CSGTA. Title to and risk of loss of any Spare Parts or Standards returned to Boeing by Customer in accordance with this Letter Agreement will pass to Boeing upon delivery of such Spare Parts or Standards to Boeing in accordance with the provisions of Article 5.2 or Article 6.6, herein, as appropriate.

8. Termination for Excusable Delay.

In the event of termination of the Purchase Agreement, as it may be amended or supplemented, pursuant to Article 7 of the AGTA with respect to any Aircraft, such termination will, if Customer so requests by written notice received by Boeing [*****] after such termination, also discharge and terminate all obligations and liabilities of the parties as to any Spare Parts or Standards which Customer had ordered pursuant to the provisions of this Letter Agreement as initial provisioning for such Aircraft and which are undelivered on the date Boeing receives such written notice.

9. Order of Precedence.

In the event of any inconsistency between the terms of this Letter Agreement and the terms of any other provisions of the CSGTA, the terms of this Letter Agreement will control.

XIA-PA-03807-LA-1301959
Spare Parts Initial Provisioning

BOEING PROPRIETARY

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Very truly yours,

THE BOEING COMPANY

By _____

Its _____ Attorney-In-Fact

ACCEPTED AND AGREED TO this

Date: _____

XIAMEN AIRLINES

By _____

Its _____

XIA-PA-03807-LA-1301959
Spare Parts Initial Provisioning

BOEING PROPRIETARY

Page 6

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The Boeing Company
P.O. Box 3707
Seattle, WA 98124-2207

XIA-PA-03807-LA-1301960

Xiamen Airlines
22 Dailiao Road
Xiamen, Fujian Province, 361006
People's Republic of China

Subject: Special Matters

Reference: Purchase Agreement No. PA-03807 (**Purchase Agreement**) between The Boeing Company (**Boeing**) and Xiamen Airlines (**Customer**) relating to Model 737-8 aircraft (**Aircraft**)

This letter agreement (**Letter Agreement**) amends and supplements the Purchase Agreement. All terms used but not defined in this Letter Agreement will have the same meaning as in the Purchase Agreement.

1. Credit Memoranda.

In consideration of [*****] upon delivery of each Aircraft, Boeing will issue to Customer the following credit memoranda:

1.1 Basic Credit Memorandum. A basic credit memorandum (**Basic Credit Memorandum**) in the amount of [*****]

1.2 737 MAX Purchase Credit Memorandum. A 737 MAX purchase credit memorandum (**737 MAX Purchase Credit Memorandum**) in the amount of [*****]

1.3 First China 737 MAX Customer Credit Memorandum. A first China 737 MAX customer credit memorandum (**First China 737 MAX Customer Credit Memorandum**) in the amount of [*****]

1.4 All Boeing Fleet Customer Credit Memorandum. An all Boeing fleet customer credit memorandum (**All Boeing Fleet Customer Credit Memorandum**) in the amount of [*****]

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["***"] This information is subject to confidential treatment and has been omitted and filed separately with the commission"



2. Purchase Right Aircraft.

If Customer exercises the right to make Purchase Right Aircraft firm 737-8 Aircraft as described in Letter Agreement XIA-PA-03807-LA-1301967, Customer will receive the same deal protection on a percentage of the Airframe Price basis as the firm thirty nine (39) 737-8 Aircraft described in this Letter Agreement, except that Purchase Right Aircraft will use the then-current base year dollar amounts for the Airframe Price and Optional Features prices. Boeing reserves the right to apply the protection described in Letter Agreement XIA-PA-03807-LA-1301956 "Volume Agreement" to the Purchase Right Aircraft.

3. Escalation of Credit Memoranda.

Unless otherwise noted, the credit memoranda amounts in Paragraphs 1.1 through 1.4 are in 2012 base year dollars and will be escalated to the scheduled delivery month pursuant to the Airframe Escalation formula set forth in the Purchase Agreement applicable to the respective Aircraft. Customer may apply the credit memoranda (i) against the Aircraft Price of the respective Aircraft at the time of delivery; or (ii) against the purchase of other Boeing goods and services; but not for advance payments.

4. Currency.

All monetary amounts shown in this Letter Agreement are in United States Dollars.

5. Assignment.

Unless otherwise noted herein, the Credit Memoranda described in this Letter Agreement are provided as a financial accommodation to Customer and in consideration of Customer's taking title to the Aircraft at time of delivery and becoming the operator of the Aircraft. This Letter Agreement cannot be assigned, in whole or in part, without the prior written consent of Boeing.

6. Confidentiality.

Customer understands and agrees that the information contained herein represents confidential business information and has value precisely because it is not available generally or to other parties. Customer agrees to limit the disclosure of its contents to employees of Customer with a need to know the contents for purposes of helping Customer perform its obligations under the Purchase Agreement and who understand they are not to disclose its contents to any other person or entity without the prior written consent of Boeing.

XIA-PA-03807-LA-1301960
Special Matters

BOEING PROPRIETARY

""[***]" This information is subject to confidential treatment and has been omitted and filed separately with the commission"



Very truly yours,

THE BOEING COMPANY

By _____

Its _____ Attorney-In-Fact

ACCEPTED AND AGREED TO this

Date: _____

XIAMEN AIRLINES

By _____

Its _____

XIA-PA-03807-LA-1301960
Special Matters

BOEING PROPRIETARY

""[***]" This information is subject to confidential treatment and has been omitted and filed separately with the commission"



The Boeing Company
P.O. Box 3707
Seattle, WA 98124-2207

XIA-PA-03807-LA-1301961

Xiamen Airlines
Xiamen Airlines
22 Dailiao Road
Xiamen, Fujian Province, 361006
People's Republic of China

Subject: Payment Matters

Reference: Purchase Agreement No. PA-03807 (**Purchase Agreement**) between The Boeing Company (**Boeing**) and Xiamen Airlines (**Customer**) relating to Model 737-8 aircraft (**Aircraft**)

This letter agreement (**Letter Agreement**) amends and supplements the Purchase Agreement. All terms used but not defined in this Letter Agreement will have the same meaning as in the Purchase Agreement.

1. Advance Payment Schedule.

Notwithstanding the Aircraft advance payment schedule provided in Table 1 of the Purchase Agreement, Boeing agrees Customer may pay, as an alternative to the payment schedule in Table 1 of the Purchase Agreement, make advance payments according to the schedule immediately below (**Alternative Advance Payment Schedule**) as further reflected in the attached Table 2 to this Letter Agreement. Customer will notify Boeing no later than 30 days prior to the first delivered Aircraft's 32 month payment due date confirming that Customer elects to pay the Alternate Advance Payment Schedule for all Aircraft under the Purchase Agreement. In the absence of such notice to elect the Alternative Advance Payment Schedule, Customer will make advance payments according to Table 1 of the Purchase Agreement for all Aircraft under the Purchase Agreement.

Month Prior to Delivery	Amount Due
At definitive agreement (less deposits received)	[***]
[*****]	[***]
[*****]	[***]
[*****]	[***]
Total	[***]

BOEING PROPRIETARY

""[***]" This information is subject to confidential treatment and has been omitted and filed separately with the commission"



2. Advance Payments for the Aircraft – Due on the Effective Date of the Purchase Agreement.

It is understood that Customer’s ability to make the initial [*****] advance payments described in Article 4.2 of the Purchase Agreement may be impacted due to monetary issues, therefore Boeing agrees that such advance payments due on the effective date of the Purchase Agreement may be deferred without interest until [*****] days after the effective date of the Purchase Agreement; by which time Customer will pay all such advance payments as being due on or before that date.

3. Other Scheduled Advance Payments.

As defined in Article 4.2 of the Purchase Agreement, advance payments are required for each Aircraft in the percentages and at the times shown in Table 1 of the Purchase Agreement. As a courtesy to assist Customer, Boeing will strive to provide Customer with an invoice for advance payment due to Boeing [*****] prior to the date the payment is due.

4. Payment at Aircraft Delivery.

Pursuant to Article 4.4 of the Purchase Agreement, Customer will pay the balance of the Aircraft Price of each Aircraft at delivery. Boeing will provide the invoices for such payment approximately [*****] prior to Aircraft delivery.

5. Rescheduling of Aircraft.

Letter Agreement XIA-PA-03807-LA-1301953 "Government Approval Matters" specifies the date by which government approval is to be obtained. After Customer [*****] and if Customer does not make all advance payments as specified in the Purchase Agreement, Boeing may reschedule any or all of the Aircraft at any time thereafter as it deems necessary based on Boeing’s production considerations and constraints. Boeing will give Customer [*****] advance notice of any such Aircraft rescheduling, and will not reschedule such Aircraft if advance payments on all Aircraft are current prior to the expiration of such [*****] notification period. Boeing will work with Customer in good faith to explore alternatives to such Aircraft rescheduling as may be available.

6. Effect of Aircraft Rescheduling.

If Boeing reschedules any or all of the Aircraft pursuant to the provisions of Paragraph 5 above, then Customer and Boeing will complete a Supplemental Agreement to document the revised Aircraft delivery schedules within [*****] after [*****] advance notice is given.

XIA-PA-03807-LA-1301961
Payment Matters

BOEING PROPRIETARY

""[***]" This information is subject to confidential treatment and has been omitted and filed separately with the commission"



7. Confidential Treatment.

Customer understands and agrees that the information contained herein represents confidential business information and has value precisely because it is not available generally or to other parties. Customer agrees to limit the disclosure of its contents to employees of Customer with a need to know the contents for purposes of helping Customer perform its obligations under the Purchase Agreement and who understand they are not to disclose its contents to any other person or entity without the prior written consent of Boeing.

Very truly yours,

THE BOEING COMPANY

By _____

Its _____ Attorney-In-Fact

ACCEPTED AND AGREED TO this

Date: _____

XIAMEN AIRLINES

By _____

Its _____

Attachment

XIA-PA-03807-LA-1301961
Payment Matters

BOEING PROPRIETARY

""[***]" This information is subject to confidential treatment and has been omitted and filed separately with the commission"

**Attachment A to XIA-PA-03807-LA-1301961 "Payment Matters" Table 2
Purchase Agreement No. PA-03807
Aircraft Delivery, Description, Price and Advance Payments**

Delivery Date	Number of Aircraft	Escalation Factor (Airframe)	Escalation Estimate	Advance Payment Per Aircraft (Amts. Due/Mos. Prior to Delivery)			
			Adv Payment Base Price Per A/P	At Signing	[**] Mos.	[*****] Mos.	Total
[***]	[***]	[***]	[***]	[***]	[***]	[***]	[***]
[***]	[***]	[***]	[***]	[***]	[***]	[***]	[***]
[***]	[***]	[***]	[***]	[***]	[***]	[***]	[***]
[***]	[***]	[***]	[***]	[***]	[***]	[***]	[***]
[***]	[***]	[***]	[***]	[***]	[***]	[***]	[***]
[***]	[***]	[***]	[***]	[***]	[***]	[***]	[***]
Total:	[*****]						

Note 1: Advance Payment Base Prices calculated using 737-8 Airframe Price and average optional features escalated three (3%) percent per year.

Note 2: Delivery Dates marked with an asterisk (*) are substituted from Model 737-800 aircraft under Purchase Agreement No. 3757

XIA-PA-03807_62345-1F

BOEING PROPRIETARY

BOEING PROPRIETARY

""[***]" This information is subject to confidential treatment and has been omitted and filed separately with the commission"



XIA-PA-03807-LA-1301962

Xiamen Airlines
22 Dailiao Road
Xiamen, Fujian Province, 361006
People's Republic of China

Subject: Aircraft Performance Guarantees

Reference: Purchase Agreement No. PA-03807 (**Purchase Agreement**) between The Boeing Company (**Boeing**) and Xiamen Airlines (**Customer**) relating to Model 737-8 aircraft (**Aircraft**)

This letter agreement (**Letter Agreement**) amends and supplements the Purchase Agreement. All terms used but not defined in this Letter Agreement shall have the same meaning as in the Purchase Agreement.

Boeing agrees to provide Customer with the performance guarantees in the Attachment. These guarantees are exclusive and expire upon delivery of the Aircraft to Customer.

1. Assignment.

Notwithstanding any other provisions of the Purchase Agreement, the rights and obligations described in this Letter Agreement are provided to Customer in consideration of Customer's becoming the operator of the Aircraft and cannot be assigned in whole or, in part.

2. Confidential Treatment.

Boeing and Customer understand that certain information contained in this Letter Agreement is considered to be confidential. The parties agree that they will treat this Letter Agreement and the information contained herein as confidential and will not, without the prior written consent of the other party, disclose this Letter Agreement or any information contained herein to any other person or entity except, (1) to those of their respective legal counsel, auditors, accountants, insurance brokers and other advisers who have a need to know the information for purposes of interpreting Customer's rights or interpreting or performing Customer's obligations under the Purchase Agreement, subject to such parties' written agreements that they will treat the information as confidential, (2) to a bank for the sole purpose of financing of the purchase of such Aircraft and subject to such bank's written agreement that it will treat the information as confidential, (3) as required by the rules of any stock market applicable to the parties on condition that the party wishing to make such disclosure

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shall first use reasonable efforts to seek relief from the risk of disclosure to competitors or others with whom either of the parties has business relations of information which might be detrimental to the interest of either of the parties, or (4) as may be required by applicable law.

Very truly yours,

THE BOEING COMPANY

By _____

Its Attorney-In-Fact _____

ACCEPTED AND AGREED TO this

Date: _____

XIAMEN AIRLINES

By _____

Its _____

Attachment

XIA-PA-03807-LA-1301962
Aircraft Performance Guarantees

BOEING PROPRIETARY

Page 2

""[***]" This information is subject to confidential treatment and has been omitted and filed separately with the commission"

MODEL 737-8 PERFORMANCE GUARANTEES FOR XIAMEN AIRLINES

SECTION	CONTENTS
1	AIRCRAFT MODEL APPLICABILITY
2	FLIGHT PERFORMANCE
3	AIRCRAFT CONFIGURATION
4	GUARANTEE CONDITIONS
5	GUARANTEE COMPLIANCE
6	EXCLUSIVE GUARANTEES

""[***]" This information is subject to confidential treatment and has been omitted and filed separately with the commission"

1 AIRCRAFT MODEL APPLICABILITY

The guarantees contained in this Attachment (the "Performance Guarantees") are applicable to the 737-8 Aircraft with a maximum takeoff weight of [***] pounds, a maximum landing weight of [***] pounds, and a maximum zero fuel weight of [***] pounds, and equipped with Boeing furnished [***].

2 FLIGHT PERFORMANCE

2.1 Takeoff

The FAA approved takeoff field length at a gross weight at the start of the ground roll of [***] pounds, at a temperature of [***]°C, at a sea level altitude, and using maximum takeoff thrust, shall not be more than the following guarantee value:

NOMINAL:	[***] Feet
TOLERANCE:	[***] Feet
GUARANTEE:	[***] Feet

2.2 Landing

The FAA approved landing field length at a gross weight of [***] pounds and at a sea level altitude, shall not be more than the following guarantee value:

NOMINAL:	[***] Feet
TOLERANCE:	[***] Feet
GUARANTEE:	[***] Feet

2.3 Mission

2.3.1 Mission Payload

The payload for a stage length of [***] nautical miles in still air (representative of a [***] to [***] route) using the conditions and operating rules defined below, shall not be less than the following guarantee value:

NOMINAL:	[***] Pounds
TOLERANCE:	[***] Pounds
GUARANTEE:	[***] Pounds

Conditions and operating rules:

P.A. No. 03807
[***]

[***]

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""[***]" This information is subject to confidential treatment and has been omitted and filed separately with the commission"

Stage Length: The stage length is defined as the sum of the distances for the climbout maneuver, climb, cruise, and descent.

Takeoff: The airport altitude is [***] feet.
The airport temperature is [***]°C.
The runway length is [***] feet.
The runway slope is [***] percent downhill.

The following obstacle definition is based on a straight out departure where obstacle height and distance are specified with reference to the liftoff end of the runway:

	Distance	Height
1.	[***] feet	[***] feet

Maximum takeoff thrust is used for the takeoff.

The takeoff gross weight shall conform to FAA Regulations.

Climbout Maneuver: Following the takeoff to [***] feet, the Aircraft accelerates to [***] while climbing to [***] feet above the departure airport altitude and retracting flaps and landing gear.

Climb: The Aircraft climbs from [***] feet above the departure airport altitude to [***] feet altitude at [***].

The Aircraft then accelerates at a rate of climb of [***] feet per minute to a climb speed of [***].

The climb continues at [***] until [***] Mach number is reached.

The climb continues at [***] Mach number to the initial cruise altitude.

The temperature is [***]°C during climb.

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Maximum climb thrust is used during climb.

Cruise:

The Aircraft cruises at [***] Mach number.
The cruise altitude is [***] feet.

The temperature is [***]°C during cruise.

The cruise thrust is not to exceed [***] thrust except during a [***] when [***] may be used.

Descent:

The Aircraft descends from the final cruise altitude at [***] to an altitude of [***] feet above the destination airport altitude.

Throughout the descent, the cabin pressure will be controlled to a maximum rate of descent equivalent to [***].

The temperature is [***]°C during descent.

Approach and Landing Maneuver:

The Aircraft [***].
The destination airport altitude is [***] feet.

Fixed Allowances:

For the purpose of this guarantee and for the purpose of establishing compliance with this guarantee, the following shall be used as fixed quantities and allowances:

Taxi-Out:

Fuel	247 Pounds
------	------------

Takeoff and Climbout Maneuver:

Fuel	472 Pounds
Distance	4.1 Nautical Miles

Approach and Landing Maneuver:

Fuel	189 Pounds
------	------------

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Takeoff:

The airport altitude is [***] feet.

The airport temperature is [***] °C. The runway length is [***] feet.
The runway slope is [***] percent downhill.

The following obstacle definition is

[*****]
[*****]
[*****].

	Distance	Height
1.	[***] feet	[***] feet

[***] thrust is used for the takeoff.

The takeoff gross weight shall conform to FAA Regulations.

Climbout Maneuver:

Following the takeoff to

[*****]
[*****]
[*****].

Climb:

The Aircraft climbs from

[*****]
[*****]
[*****].

The Aircraft then

[*****]
[*****].

The climb continues [*****].

The climb continues [*****].

The temperature is [***] °C during climb.

[***] thrust is used during climb.

Cruise:

The Aircraft cruises at [***].

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""[***]" This information is subject to confidential treatment and has been omitted and filed separately with the commission"

The cruise altitude is [***] feet.

The temperature is [***] °C during cruise.

The cruise thrust is [*****]
*****]
*****].

Descent:

The Aircraft [*****]
*****]
*****].

Throughout the descent, the cabin pressure is
[*****]
*****].

The temperature is [***] °C during descent.

Approach and Landing Maneuver:

The Aircraft decelerates to
[*****]
*****].

The destination airport altitude is [***] feet.

Fixed Allowances:

For the purpose of this guarantee and for the purpose of establishing compliance with this guarantee, the following shall be used as fixed quantities and allowances:

Taxi-Out:
Fuel 222 Pounds

Takeoff and Climbout Maneuver:
Fuel 440 Pounds
Distance 3.8 Nautical Miles

Approach and Landing Maneuver:
Fuel 189 Pounds

Taxi-In (shall be consumed from the reserve fuel):
Fuel 124 Pounds

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""[***]" This information is subject to confidential treatment and has been omitted and filed separately with the commission"

Usable reserve fuel remaining upon completion of the approach and landing maneuver:
[***] Pounds

For information purposes, the reserve fuel is
[*****

*****].

2.3.3 Operational Empty Weight Basis

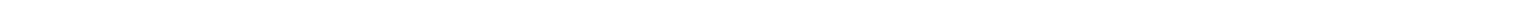
The Operational Empty Weight (OEW) derived in Paragraph 2.3.4 is the basis for the mission guarantees of Paragraphs 2.3.1 and 2.3.2

P.A. No. 03807
[***]

[***]

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""[***]" This information is subject to confidential treatment and has been omitted and filed separately with the commission"



2.3.4 737-8 Weight Summary - Xiamen Airlines

Pounds

Standard Model Specification MEW

[***]

Configuration Specification [***]

[***][***]
[***] [***]
[***] lb ([***] kg) [***]

Changes for Xiamen Airlines

[***]
([***]) [***]
[***]
[***]
[***]
[***]
[***]
[***]
[***]

[***]
[***]
[***]
[***]
[***]
[***]
[***]
[***]
[***]

Xiamen Airlines Manufacturer's Empty Weight (MEW)

[***]

Standard and Operational Items Allowance (Paragraph 2.3.5)

[***]

Xiamen Airlines Operational Empty Weight (OEW)

[***]

* Seat Weight Included:

[***]
[***]
[***]

Quantity	Pounds	Pounds
[***]	[***]	[***]
[***]	[***]	[***]
[***]	[***]	[***]

P.A. No. 03807

[***]

[***]

BOEING PROPRIETARY

""[***]" This information is subject to confidential treatment and has been omitted and filed separately with the commission"

3 AIRCRAFT CONFIGURATION

3.1 The guarantees contained in this Attachment are based on the Aircraft configuration as defined in the original release of [***] (hereinafter referred to as the [***]). Appropriate adjustment shall be made for changes in such [***] approved by the Customer and Boeing or otherwise allowed by the Purchase Agreement which cause changes to the flight performance and/or weight and balance of the Aircraft. Such adjustment shall be accounted for by Boeing in its evidence of compliance with the guarantees.

3.2 The guarantee payload of Paragraph 2.3.1 and the specified payload of the Paragraph 2.3.2 block fuel guarantee will be adjusted by Boeing for [***]:

(1) [*****]
*****]
*****].

(2) [*****]
*****].

4 GUARANTEE CONDITIONS

4.1 All guaranteed performance data are based on the [*****] and specified variations therefrom; [*****].

4.2 For the purposes of these 737-8 guarantees the Federal Aviation Administration (FAA) regulations referred to in this Attachment are, unless otherwise specified, the [*****].

4.3 In the event a change is made to any law, governmental regulation or requirement, or in the interpretation of any such law, governmental regulation or requirement that affects the certification basis for the Aircraft as described in Paragraph 4.2, and as a result thereof, a change is made to the configuration and/or the performance of the Aircraft in order to obtain certification, the guarantees set forth in this Attachment shall be appropriately modified to reflect any such change.

P.A. No. 03807
[***]

[***]

BOEING PROPRIETARY

""[***]" This information is subject to confidential treatment and has been omitted and filed separately with the commission"

4.4 The takeoff and landing guarantees, and the takeoff portion of the mission guarantees are based on hard surface, level and dry runways with no wind or obstacles, no clearway or stopway, 225 mph tires, with Category B brakes and anti-skid operative, and with the Aircraft center of gravity at the most forward limit unless otherwise specified. The takeoff performance is based on engine bleed for normal operation of the air conditioning with thermal anti icing turned off and the Auxiliary Power Unit (APU) turned off unless otherwise specified. Unbalanced field length calculations and the improved climb performance procedure will be used for takeoff as required. The landing performance is based on the use of automatic spoilers.

4.5 The climb, cruise and descent portions of the mission guarantees include allowances for normal power extraction and engine bleed for normal operation of the air conditioning system. The digital bleed is set for the Customer interior in Paragraph 2.3.4. No bleed or power extraction for thermal anti-icing is provided unless otherwise specified. The APU is turned off unless otherwise specified.

4.6 The climb, cruise and descent portions of the mission guarantees are based on [*****

*****].

4.7 Performance, where applicable, is based on [*****
*****].

5 **GUARANTEE COMPLIANCE**

5.1 Compliance with the guarantees of Section 2 shall be based on [*****
*****].

5.2 Compliance with the takeoff and landing guarantees and the takeoff portion of the mission guarantee shall be based on [*****].

5.3 Compliance with the climb, cruise and descent portions of the mission guarantees shall be established by [*****
*****].

P.A. No. 03807
[***]

[***]

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""[***]" This information is subject to confidential treatment and has been omitted and filed separately with the commission"

5.4 The OEW used for compliance with the mission guarantees shall be [*****

*****].

5.5 The data derived from tests shall be adjusted as required by [*****

*****].

5.6 Compliance shall be based on [*****

*****].

6 EXCLUSIVE GUARANTEES

The only performance guarantees applicable to the Aircraft are those set forth in this Attachment.

P.A. No. 03807
[**]

[**]

BOEING PROPRIETARY

""[**]" This information is subject to confidential treatment and has been omitted and filed separately with the commission"



The Boeing Company
P.O. Box 3707
Seattle, WA 98124-2207

XIA-PA-03807-LA-1301963

Xiamen Airlines
22 Dailiao Road
Xiamen, Fujian Province, 361006
People's Republic of China

Subject: Performance Guarantee Remedies

Reference: Purchase Agreement No. PA-03807 (**Purchase Agreement**) between The Boeing Company (**Boeing**) and Xiamen Airlines (**Customer**) relating to Model 737-8 aircraft (**Aircraft**)

This letter agreement (**Letter Agreement**) amends and supplements the Purchase Agreement. All terms used but not defined in this Letter Agreement shall have the same meaning as in the Purchase Agreement.

The Attachment to Letter Agreement No. XIA-PA-03807-LA-1301962 contains performance guarantees for the Aircraft (**Performance Guarantees**).

1. Block Fuel Commitment

Section 2.3.2 of the Performance Guarantees contains the block fuel commitment (BFC) for the Aircraft. The BFC for the Aircraft is based on the assumptions, conditions and operating rules described in the Performance Guarantees.

1.1 Compliance with the Block Fuel Commitment. Boeing will determine compliance with the BFC as described in Section 5 of the Performance Guarantees. Such determination will be based on Customer's first Aircraft and engineering interpretations and calculations pursuant to Article 5.4 of the AGTA (**BF Standard Method of Compliance**). Boeing will provide a compliance report using the BF Standard Method of Compliance (**BF Compliance Report**) to Customer at the time of delivery of Customer's first Aircraft. The BF Compliance Report will contain the demonstrated block fuel (**DBF**) for the Aircraft. Deviation from the BFC will be calculated using the following formula:

[*****]

Boeing will provide a BF Compliance Report, as required, for subsequently delivered Aircraft in the event such Aircraft fails to meet the applicable BFC.

1.2 Block Fuel Remedies. If the BFD for Customer's first Aircraft is less than or equal to [****], then all Aircraft will be deemed to comply with the BFC and no remedy

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""[****]" This information is subject to confidential treatment and has been omitted and filed separately with the commission"



will be required. However, if the BFD for Customer's first Aircraft is greater than [***], then Boeing will provide Customer the following remedies:

1.2.1 Within [*****] from the delivery of the Aircraft, Boeing or the engine manufacturer may design airframe improvement parts or engine improvement parts (Block Fuel Improvement Parts) which, when installed on such Aircraft, would reduce or eliminate the BFD.

- (i) Block Fuel Improvement Parts may include, but are not limited to, the following: [*****]
- (ii) If Boeing elects to provide, or to cause to be provided, Block Fuel Improvement Parts for such Aircraft, then Customer and Boeing will mutually agree upon the details of a Block Fuel Improvement Parts program. Block Fuel Improvement Parts will be provided at no charge to Customer at a location to be mutually agreed. Boeing or the engine manufacturer, as applicable, will provide reasonable support for a Block Fuel Improvement Parts program at no charge to Customer.
- (iii) If Customer elects to install Block Fuel Improvement Parts in such Aircraft, then the parts will be installed within [*****] days after the delivery of such Block Fuel Improvement Parts to Customer if such installation can be accomplished during Aircraft line maintenance. Block Fuel Improvement Parts which cannot be installed during Aircraft line maintenance will be installed within a mutually agreed to period of time. All Block Fuel Improvement Parts will be installed in accordance with Boeing and the engine manufacturer instructions.
- (iv) Boeing will provide or will cause the engine manufacturer to provide reimbursement of Customer's reasonable Direct Labor and Direct Material costs to install Block Fuel Improvement Parts at the [*****] labor rate in effect at the time of installation between Boeing and Customer or the engine manufacturer and Customer, as applicable. [*****]. Boeing or the engine manufacturer, as applicable, will give Customer reasonable advance written notice of the estimated on-dock date at Customer's maintenance base for any such Block Fuel Improvement Parts.

1.2.2 If after [*****] from delivery of each Aircraft, Boeing or the engine manufacturer has not eliminated the applicable BFD by providing Block Fuel Improvement Parts in accordance with Paragraph 1.2.1 above and, if Block Fuel Improvement Parts have been provided, Customer has elected not to install such Block

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Fuel Improvement Parts in accordance with Paragraph 1.2.1 above, then Boeing will issue to Customer a Fuel Bum Credit Memorandum (FBCM). The amount of the FBCM will be calculated using the following formula:

[*****]

The BFD used to calculate the FBCM will be adjusted for the availability of fuel bum improvement resulting from the development of Block Fuel Improvement Parts as described in Paragraph 1.2.1 above. Customer can request that the FBCM be issued as cash or goods and services. The amount of the FBCM issued for each Aircraft will not exceed the aggregate sum of [*****].

1.3 Applicability of Block Fuel Remedies.

1.3.1 If an applicable BFD exists at the delivery of the Customer's first Aircraft, then Boeing will provide the remedies described in Paragraph 1.2 above for the first Aircraft and for each subsequent Aircraft delivered to Customer until such time as Boeing improves the fuel burn performance for the model 737-8 aircraft to reduce or eliminate the BFD.

1.3.2 If Boeing improves the fuel burn performance to reduce or eliminate a BFD, then Boeing will calculate the amount of performance improvement based on data certified to be correct by Boeing. The amount of such improvement will be deemed to be the amount of improvement as calculated using reasonable engineering interpretations based on data furnished pursuant to Article 5.4 of the AGTA and data furnished pursuant to this Paragraph 1.3.2 in accordance with Boeing's Standard Method of Compliance.

1.3.3 Following Boeing's completion of the analysis described in Paragraph 1.3.2 above, Boeing will provide Customer with a new BF Compliance Report. Such new BF Compliance Report will be applicable to any undelivered Aircraft. If the new BF Compliance Report still shows a BFD, then the remedies contained in Paragraph 1.2 above will apply to the undelivered Aircraft until Boeing may further improve the fuel burn performance. If the new BF Compliance Report shows no remaining BFD then no further remedy will be due to Customer for any undelivered Aircraft.

2. Mission Payload Commitment.

Section 2.3.1 of the Performance Guarantees contains the mission payload commitment (MPC) for the Aircraft. The MPC is based on the assumptions, conditions, and operating rules described in the Performance Guarantees.

Compliance with the Mission Payload Commitment. Boeing will determine compliance with the Mission Payload Commitment as described in Section 5 of the Performance Guarantees and based on Customer's first Aircraft, and engineering interpretations and calculations pursuant to Article 5.4 of the AGTA (MP Standard Method of Compliance). Boeing will provide a compliance report using the MP

BOEING PROPRIETARY

""[***]" This information is subject to confidential treatment and has been omitted and filed separately with the commission"



Standard Method of Compliance (**MP Compliance Report**) to Customer at the time of delivery of Customer's first Aircraft. The MP Compliance Report contains the demonstrated mission payload (**DMP**) for the MPC. Deviation from the MPC will be calculated using the following formula:

[*****]

Boeing will provide a MP Compliance Report, as required, for subsequently delivered Aircraft in the event such Aircraft fails to meet the applicable MPC.

2.1 **Mission Payload Remedies.** If the MPD for Customer's first Aircraft is less than or equal to [*****], then all Aircraft will be deemed to comply with the MPC and no remedy will be required. However, if the MP Compliance Report shows an MPD greater than or equal to [*****], then Boeing will provide Customer with the following remedies:

2.1.1 Within [*****] from the delivery of the Aircraft, Boeing or the engine manufacturer may design airframe improvement parts and/or engine improvement parts (**Mission Payload Improvement Parts**) which, when installed on such Aircraft, would reduce or eliminate the MPD.

- (i) Mission Payload Improvement Parts may include, but are not limited to, the following: [*****].
- (ii) If Boeing elects to provide, or to cause to be provided by the engine manufacturer, Mission Payload Improvement Parts for such Aircraft, then Customer and Boeing will mutually agree upon the details of a Mission Payload Improvement Parts program. Mission Payload Improvement Parts will be provided at no charge to Customer at a location to be mutually agreed. Boeing or the engine manufacturer, as applicable, will provide reasonable support for a program at no charge to Customer.
- (iii) If Customer elects to install Mission Payload Improvement Parts on such Aircraft, they will be installed within [*****] days after the delivery of such Mission Payload Improvement Parts to Customer if such installation can be accomplished during Aircraft line maintenance. Mission Payload Improvement Parts which cannot be installed during Aircraft line maintenance will be installed within a mutually agreed to period of time. All Mission Payload Improvement Parts will be installed in accordance with Boeing and the engine manufacturer instructions.
- (iv) Boeing will provide or will cause the engine manufacturer to provide reimbursement of Customer's reasonable Direct Labor and Direct Material costs to install Mission Payload Improvement Parts at the warranty labor rate in effect at the time of installation between

BOEING PROPRIETARY

""[***]" This information is subject to confidential treatment and has been omitted and filed separately with the commission"



Boeing and Customer or the engine manufacturer and Customer, as applicable. [*****]. Boeing or the engine manufacturer, as applicable, will give Customer reasonable advance written notice of the estimated on-dock date at Customer's maintenance base for any such Mission Payload Improvement Parts.

2.1.2 If after [*****] from delivery of each Aircraft, Boeing or the engine manufacturer has not fully cured the MPD by providing Mission Payload Improvement Parts in accordance with Paragraph 2.1.1 above, then Boeing will issue to Customer a Mission Payload Credit Memorandum (MPCM). The amount of the MPCM will be calculated using the following formula:

[*****]

The MPD used to calculate the MPCM will be adjusted for the availability of mission payload improvement resulting from the development of Mission Payload Improvement Parts as described in Paragraph 2.1.1. Issuance of an MPCM for any Aircraft is subject to the limitation of Paragraph 2.2 below. Customer may request that the MPCM be issued as cash or goods and services. The amount of the MPCM issued for each Aircraft will not exceed [*****].

2.2 Applicability of Mission Payload Remedies.

2.2.1 If an MPD exists at the time of delivery of the first Aircraft, then Boeing will provide the remedies described in Paragraph 2.1 above for the first Aircraft and for each subsequent Aircraft delivered to Customer until such time as Boeing improves the mission payload performance to reduce or eliminate the MPD.

2.2.2 If Boeing improves the mission payload performance to reduce or eliminate an MPD, then Boeing will calculate the amount of performance improvement based on data certified to be correct by Boeing. The amount of such improvement will be deemed to be the amount of improvement as calculated using reasonable engineering interpretations based on data furnished pursuant to Article 5.4 of the AGTA and data furnished pursuant to this Paragraph 2.2.2 in accordance with Boeing's Standard Method of Compliance.

2.3 Following Boeing's completion of the analysis described in Paragraph 2.2.2 above, Boeing will provide Customer with a new MP Compliance Report. Such new MP Compliance Report will be applicable to any Aircraft yet to be delivered to Customer. If the new MP Compliance Report shows that an MPD still exists, then the remedies contained in Paragraph 2.1 above will apply to the undelivered Aircraft until such time as Boeing may further improve the mission payload performance. If the new MP Compliance Report shows no MPD, then no remedy will be due to Customer for undelivered Aircraft.

BOEING PROPRIETARY

""[***]" This information is subject to confidential treatment and has been omitted and filed separately with the commission"



3. Rights and Obligations in the Event of a Compliance Deviation

In the event of a compliance deviation for any Aircraft, at the time Boeing tenders that Aircraft for delivery, Boeing will provide the applicable remedies set forth in Paragraph 1 and 2. Customer cannot refuse to accept delivery of such Aircraft because of such compliance deviation.

4. Duplication of Benefits.

Boeing and Customer agree it is not the intent of the parties to provide benefits hereunder that duplicate the benefits to be provided (a) by Boeing under the Purchase Agreement, or any other agreement between Boeing and Customer, or (b) by the engine manufacturer under any agreement between engine manufacturer and Customer, due to the Aircraft not satisfying any performance metric similar to the Payload Guarantee or any performance metric that otherwise impacts payload. Boeing may offset its obligation to provide benefits hereunder against the benefits provided or to be provided to Customer by the engine manufacturer or Boeing pursuant to such other guarantee.

5. Exclusive Remedy.

Customer agrees that the remedies contained in this Letter Agreement herein are Customer's exclusive remedies for purposes of resolving all issues with respect to the Performance Guarantees of Customer's Aircraft and are in lieu of all other rights, remedies, claims and causes of action Customer may have, arising at law or otherwise, in connection therewith and shall constitute complete, full and final settlement and satisfaction of any and all of Boeing's obligations and liabilities to Customer in connection therewith. Customer releases Boeing and its successors, affiliates and subsidiaries from all present, past and future rights, remedies, claims and causes of action, whether arising at law or otherwise, known or unknown, relating to or arising from such Performance Guarantees.

6. Assignment.

Notwithstanding any other provisions of the Purchase Agreement, the rights and obligations described in this Letter Agreement are provided to Customer in consideration of Customer's becoming the operator of the Aircraft and cannot be assigned in whole or, in part.

7. Confidential Treatment.

Customer understands and agrees that the information contained herein represents confidential business information and has value precisely because it is not available generally or to other parties. Customer agrees to limit the disclosure of its contents to employees of Customer with a need to know the contents for purposes of helping Customer perform its obligations under the Purchase Agreement and who understand they are not to disclose its contents to any other person or entity without the prior written consent of Boeing.

BOEING PROPRIETARY

""[***]" This information is subject to confidential treatment and has been omitted and filed separately with the commission"



Very truly yours,

THE BOEING COMPANY

By _____

Its _____ Attorney-In-Fact

ACCEPTED AND AGREED TO this

Date: _____

XIAMEN AIRLINES

By _____

Its _____

XIA-PA-03807-LA-1301963
Performance Guarantee Remedies

BOEING PROPRIETARY

""[***]" This information is subject to confidential treatment and has been omitted and filed separately with the commission"



The Boeing Company
P.O. Box 3707
Seattle, WA 98124-2207

XIA-PA-03807-LA-1301964

Xiamen Airlines
22 Dailiao Road
Xiamen, Fujian Province, 361006
People's Republic of China

Subject: Agreement for Delivery Flight Fuel Mileage Verification

Reference: a) Purchase Agreement No. PA-03807 (**Purchase Agreement**) between The Boeing Company (**Boeing**) and Xiamen Airlines (**Customer**) relating to Model 737-8 aircraft (**Aircraft**)
b) Attachment to Aero-B-BBA6-M13-0551, "The determination of cruise fuel mileage by flight testing Boeing commercial production airplanes", dated TBD.

This letter agreement (**Letter Agreement**) amends and supplements the Purchase Agreement. All terms used but not defined in this Letter Agreement shall have the same meaning as in the Purchase Agreement.

In this offer, the term "**Aircraft**" means the first Boeing model 737-8 aircraft delivered to Customer under the Purchase Agreement.

1. Delivery Flight Performance Evaluation Program.

In order for Boeing to support Customer's request for delivery flight cruise fuel mileage data on the Aircraft, Customer has agreed to allow Boeing employee(s) on its delivery flight of the Aircraft for the purpose of gathering cruise fuel mileage data (**Delivery Flight Performance Evaluation Program**).

1.1 Statement of Work.

1.1.1 Boeing will provide the services of up to [*****] Boeing performance engineer(s) (**Boeing Employees**) to accompany the delivery flight of the Aircraft for the purpose of acquiring cruise fuel mileage data (**Evaluation Data**).

1.1.2 Boeing will record and analyze Evaluation Data in accordance with the normal engineering practices as detailed in Reference b) and as may be revised by Boeing from time to time.

1.1.2.1 Boeing will use the procedures defined in Reference b) to collect data and will use reasonable efforts to collect such data during times when atmospheric and airplane stability best meets the criteria set forth in such document.

BOEING PROPRIETARY

""[***]" This information is subject to confidential treatment and has been omitted and filed separately with the commission"



1.1.2.2 Relevant data will be recorded from airplane systems with appropriate calibration corrections applied to such data. The applicable instruments shall be calibrated in Boeing laboratories or equivalent prior to the test.

1.1.3 The Boeing Employees, working with Customer's flight crew, will seek to obtain a minimum of four (4) Mach number conditions at three (3) representative cruise W/deltas subject to air traffic control and operational restrictions. Boeing understands that Customer's flight plan will take precedence over the collection of data by Boeing Employees. The performance level will be established using the procedure documented above in Paragraph 1.1.2.

1.1.4 Upon Customer's request the Boeing Employees will meet with Customer and provide Customer with a preliminary report of the analysis of the Evaluation Data within forty-eight (48) hours following the delivery flight.

1.1.5 As soon as practicable, but not more than thirty (30) days following the delivery flight of the Aircraft, Boeing will provide to Customer a final written report for the Aircraft delivery flight, containing a detailed analysis of Evaluation Data.

1.2 Customer Responsibilities. Customer will ensure that the Boeing Employees have the needed access to the flight deck prior to and during the delivery flight and that the customer's operating crew is briefed on the nature and scope of the Boeing Employees' responsibilities and methods. The customer is also responsible for acquiring regulatory authority approval for delivery flight use of the laptop computer-based RETINA data acquisition system. Up to two (2) of Customer's personnel (including at least one performance engineer) may be aboard such flight as witnesses.

1.3 Evaluation Period. The Boeing Employee(s) will obtain Delivery Data on the delivery flight of the Aircraft as specified herein.

2. Price.

The activities described herein are provided by each of the parties at [*****].

3. Entire Agreement.

This Letter Agreement contains the entire agreement between the parties and supersedes all previous proposals, understandings, commitments or representations whatsoever, oral or written, with respect to the subject matter hereof, and may be changed only in writing signed by authorized representatives of the parties.

4. Confidential Treatment.

Customer understands and agrees that this Letter Agreement is considered by Boeing to be confidential. Customer agrees that it will treat this Letter Agreement and the information contained herein as confidential and will use the same degree of care to prevent unauthorized disclosure to and use of the information contained herein by any third party as Customer would use to prevent disclosure and use of its own data,

BOEING PROPRIETARY

""[***]" This information is subject to confidential treatment and has been omitted and filed separately with the commission"



documents and information of the same or similar nature and which it considers proprietary or confidential.

Very truly yours,

THE BOEING COMPANY

By _____

Its _____ Attorney-In-Fact _____

ACCEPTED AND AGREED TO this

Date: _____

XIAMEN AIRLINES

By _____

Its _____

XIA-PA-03807-LA-1301964
Agreement for Delivery Flight Fuel Mileage Verification

BOEING PROPRIETARY

""[***]" This information is subject to confidential treatment and has been omitted and filed separately with the commission"



The Boeing Company
P.O. Box 3707
Seattle, WA 98124-2207

XIA-PA-03807-LA-1301965

Xiamen Airlines
22 Dailiao Road
Xiamen, Fujian Province, 361006
People's Republic of China

Subject: Aircraft Model Substitution

Reference: Purchase Agreement No. 03807 (**Purchase Agreement**) between The Boeing Company (**Boeing**) and Xiamen Airlines (**Customer**) relating to Model 737-8 aircraft (**Aircraft**)

This letter agreement (**Letter Agreement**) amends and supplements the Purchase Agreement. All terms used but not defined in this Letter Agreement shall have the same meaning as in the Purchase Agreement.

Customer may substitute the purchase of Boeing Model 737-7 or Boeing Model 737-9 aircraft (Substitute Aircraft) in place of Aircraft with the scheduled month of delivery [*****] months after delivery of the first 737-8 aircraft, subject to the following terms and conditions:

1. Customer's Written Notice.

Customer shall provide written notice of its intention to substitute the purchase of an Aircraft with the purchase of a Substitute Aircraft,

- (i) no later than the first day of the month that is [*****] prior to the scheduled month of delivery of the Aircraft for which it will be substituted as a [*****], or no later than the first day of the month that is [*****] prior to the scheduled month of delivery of the Aircraft for which it will be substituted as a [*****], provided that a Substitute Aircraft has been previously certified and delivered to Customer, or;
- (ii) no later than the first day of the month that is [*****] prior to the scheduled month of delivery of the Aircraft for which it will be substituted as a [*****], or no later than the first day of the month that is [*****] prior to the scheduled

BOEING PROPRIETARY

""[***]" This information is subject to confidential treatment and has been omitted and filed separately with the commission"



month of delivery of the Aircraft for which it will be substituted as a [*****], if a Substitute Aircraft has not been previously certified and delivered to Customer.

2. Boeing's Production Capability.

2.1 Customer's substitution right is conditioned upon Boeing having production capability for the Substitute Aircraft in the same scheduled delivery month as the Aircraft for which it will be substituted. Boeing will provide a written response to Customer's notice of intent indicating whether or not Boeing's production capability will support the scheduled delivery month.

2.2 If Boeing, after making good faith effort to retain the same scheduled delivery month, is unable to manufacture the Substitute Aircraft in the same scheduled delivery month as the Aircraft for which it will be substituted, then Boeing shall promptly make a written offer of an alternate delivery month for Customer's consideration and written acceptance within thirty days of such offer.

2.3 All of Boeing's quoted delivery positions for Substitute Aircraft shall be considered preliminary until such time as the parties enter into a definitive agreement in accordance with Paragraph 4 below.

3. Auxiliary Fuel Tanks [*****]

The right to substitute [*****] under the terms of the Purchase Agreement excludes the installation of auxiliary fuel tanks

4. Definitive Agreement.

Customer's substitution right and Boeing obligation in this Letter Agreement are further conditioned upon Customer and Boeing's executing a definitive agreement for the purchase of the Substitute Aircraft within thirty (30) days of Customer's substitution notice to Boeing or of Customer's acceptance of an alternate delivery month in accordance with Paragraph 2. above.

5. Price and Advance Payments.

5.1 The Airframe Price, Optional Features Price and, if applicable, Engine Price for the Substitute Aircraft will be in [*****] base year dollars. However, the APBP for the Substitute Aircraft will remain the same as the APBP of the Aircraft scheduled in the same delivery month for the purposes of calculating advance payments for the Substitute Aircraft, unless the parties otherwise agree in writing. The Escalation Adjustment for the Airframe Price and Optional Features Prices will be determined in accordance with Supplemental Exhibit AE1 to the Purchase Agreement and letter agreement XIA-PA-03807-LA-1301968, Special Escalation Program.

6. Assignment.

Notwithstanding any other provisions of the Purchase Agreement, the rights and obligations described in this Letter Agreement are provided to Customer in

XIA-PA-03807-LA-1301965
Aircraft Model Substitution

BOEING PROPRIETARY

""[***]" This information is subject to confidential treatment and has been omitted and filed separately with the commission"



consideration of Customer's becoming the operator of the Aircraft and cannot be assigned in whole or, in part.

7. Confidential Treatment.

The information contained herein represents confidential business information and has value precisely because it is not available generally or to other parties. Customer will limit the disclosure of its contents to employees of Customer with a need to know the contents for purposes of helping Customer perform its obligations under the Purchase Agreement and who understand they are not to disclose its contents to any other person or entity without the prior written consent of Boeing.

Very truly yours,

THE BOEING COMPANY

By _____

Its Attorney-In-Fact _____

ACCEPTED AND AGREED TO this

Date: _____

XIAMEN AIRLINES

By _____

Its _____

XIA-PA-03807-LA-1301965
Aircraft Model Substitution

BOEING PROPRIETARY

""[***]" This information is subject to confidential treatment and has been omitted and filed separately with the commission"



The Boeing Company
P.O. Box 3707
Seattle, WA 98124-2207

XIA-PA-03807-LA-1301966

Xiamen Airlines
22 Dailiao Road
Xiamen, Fujian Province, 361006
People's Republic of China

Subject: Clarification and Understanding

Reference: Purchase Agreement No. PA-03807 (**Purchase Agreement**) between The Boeing Company (**Boeing**) and Xiamen Airlines (**Customer**) relating to Model 737-8 aircraft (**Aircraft**)

This letter agreement (**Letter Agreement**) amends and supplements the Purchase Agreement. All terms used but not defined in this Letter Agreement shall have the same meaning as in the Purchase Agreement.

This Letter Agreement is provided to Customer as clarification and understanding to items in various exhibits and letter agreements in the Purchase Agreement.

1. Letter Agreement XIA-PA-03807-LA-1301959 "Spare Parts Initial Provisioning"

Notwithstanding the provisions of Paragraph 5, "Substitution for Obsolete Spare Parts", sub-Paragraph 5.2, "Delivery of Obsolete Spare Parts and Substitutes", Boeing and Customer wish to clarify the understanding of Boeing's and Customer's obligations when paying the freight charges for the shipment from Customer to Boeing of any such obsolete or unusable Spare Part and for the shipment from Boeing to Customer of any such substitute Spare Part.

Boeing and Customer agree that Boeing's payment of the above freight charges shall include, in addition to the actual shipping costs, any applicable agency fees (freight forwarders), Value Added Taxes (VAT), insurance and customs fees. Customer agrees to provide Boeing with copies of the invoice/billings for the above costs.

2. Letter Agreement XIA-PA-03807-LA-1301958 "Seller Purchased Equipment"

The following clarification and understanding are provided to inform Customer about establishment of equipment prices and changes in Boeing's process of administering SPE:

- a. The following responsibilities expand those in sub-Paragraph 2.2 of the letter agreement:

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""[***]" This information is subject to confidential treatment and has been omitted and filed separately with the commission"



(iii) Negotiation of pricing is Customer's responsibility. Boeing will not negotiate pricing for Customer's selections.

(iv) Customer negotiated pricing for miscellaneous emergency equipment and avionics must be separate from the Boeing purchase order process.

(v) Boeing will place the purchase orders at the Boeing catalog pricing. Customer and supplier(s) will settle the difference between their negotiated pricing and the catalog pricing after the aircraft delivery invoice is received, or as set forth in the agreed upon terms and conditions of the negotiation between Customer and supplier(s).

b. Notwithstanding the provisions of Paragraph 6 entitled "Changes" in the letter agreement, Boeing and Customer wish to clarify the understanding of when changes may be made to SPE.

Generally after signing of the letter agreement, changes to SPE may be made until Initial Technical Coordination Meeting (ITCM), or equivalent time frame. After that time, changes to SPE may only be made by and between Boeing and the suppliers, as set forth in Paragraph 6.

3. Letter Agreement XIA-PA-03807-LA-1301954 "Liquidated Damages - Non-Excusable Delay".

The following clarification and understanding is provided because Customer has very minimal Buyer Furnished Equipment (BFE):

Notwithstanding the provisions of the above noted Letter Agreement, Boeing and Customer wish to further clarify both parties' obligations with regard to the disposition of BFE in the event of termination for a Non-Excusable Delay under Paragraph 3 "Right of Termination" of the Letter Agreement.

Boeing may elect, by written notice to Customer within thirty (30) days, to purchase from Customer any BFE related to the Aircraft at the invoice prices paid, or contracted to be paid, by Customer. In the event Boeing does not elect to purchase the BFE, Boeing will promptly return the BFE provided by Customer back to the Customer, and will pay for all applicable shipping costs.

4. Exhibit B "Aircraft Delivery Requirements and Responsibilities".

a. Paragraph 1.1 Airworthiness and Registration Documents: Customer has expressed concerns regarding the lead times required for Customer to notify Boeing of registration number, SELCAL codes, etc. To the extent possible, Boeing will provide reminders to Customer to provide such information, but it is ultimately Customer's responsibility to provide timely information in support of the contracted delivery month for the Aircraft.

b. Paragraph 1.2 Certificate of Sanitary Construction. Boeing will provide Certificate of Sanitary Construction to Customer at delivery of each Aircraft, unless Customer provides written notification that says otherwise.

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""[***]" This information is subject to confidential treatment and has been omitted and filed separately with the commission"



c. Paragraph 5.5 Electronic Advance Passenger Information System (eAPIS). To the extent possible, Boeing will assist Customer in fulfilling the requirements described in this Paragraph 5.5.

5. Confidentiality.

The information contained herein represents confidential business information and has value precisely because it is not available generally or to other parties. Customer will limit the disclosure of its contents to employees of Customer with a need to know the contents for purposes of helping Customer perform its obligations under the Purchase Agreement and who understand they are not to disclose its contents to any other person or entity without the prior written consent of Boeing

Very truly yours,

THE BOEING COMPANY

By _____

Its _____ Attorney-In-Fact

ACCEPTED AND AGREED TO this

Date: _____

XIAMEN AIRLINES

By _____

Its _____

XIA-PA-03807-LA-1301966
Clarifications and Understandings

BOEING PROPRIETARY

""[***]" This information is subject to confidential treatment and has been omitted and filed separately with the commission"



The Boeing Company
P.O. Box 3707
Seattle, WA 98124-2207

XIA-PA-03807-LA-1301967

Xiamen Airlines
22 Dailiao Road
Xiamen, Fujian Province, 361006
People's Republic of China

Subject: Right to Purchase Additional Aircraft

Reference: Purchase Agreement No. PA-03807 (**Purchase Agreement**) between The Boeing Company (**Boeing**) and Xiamen Airlines (**Customer**) relating to Model 737-8 aircraft (**Aircraft**)

This letter agreement (**Letter Agreement**) amends and supplements the Purchase Agreement. All terms used but not defined in this Letter Agreement shall have the same meaning as in the Purchase Agreement.

1. Right to Purchase Incremental Aircraft.

Subject to the terms and conditions contained herein, in addition to the Aircraft described in Table 1 to the Purchase Agreement as of the date of execution of this Letter Agreement, Customer will have the right to purchase (**Purchase Right**) [*****] additional Boeing Model 737-8 aircraft as purchase right aircraft (**Purchase Right Aircraft**).

2. Delivery.

The Purchase Right Aircraft are offered subject to available position for delivery during the period [*****] (**Delivery Period One**) and the period [*****] (**Delivery Period Two**) (collectively, the **Delivery Periods**).

3. Configuration.

3.1 Subject to the provisions of Article 3.2, below, the configuration for the Purchase Right Aircraft will be the Detail Specification for Model 737-8 aircraft at the revision level in effect at the time of the Notice of Exercise. Such Detail Specification will be revised to include (i) changes applicable to such Detail Specification that are developed by Boeing between the date of the Notice of Exercise (as defined below) and the signing of the Definitive Agreement (as defined below), (ii) changes required to obtain required regulatory certificates, and (iii) other changes as mutually agreed.

3.2 Boeing reserves the right to configure the Purchase Right Aircraft starting from a different configuration specification, provided that it can achieve the same configuration which would result pursuant to the provisions of Article 3.1

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""[***]" This information is subject to confidential treatment and has been omitted and filed separately with the commission"



4. Price.

The Airframe Price, Engine Price, if applicable, Optional Features Prices, and Aircraft Basic Price for the Purchase Right Aircraft will be determined in accordance with the provisions of the Purchase Agreement using Boeing's then current prices as of the date of execution of the Definitive Agreement. The Escalation Adjustment for each Purchase Right Aircraft in Delivery Period One will be determined in accordance with letter agreement XIA-PA-03807-LA-1301968, Special Escalation Program and the Escalation Adjustment for each Purchase Right Aircraft in Delivery Period Two will be determined in accordance with Supplemental Exhibit AE1 to the Purchase Agreement.

5. Payment.

At Definitive Agreement, advance payments will be payable as set forth in Paragraph 1 of Letter Agreement XIA-PA-03807-LA-1301961. The remainder of the Aircraft Price for each Purchase Right Aircraft will be paid at the time of delivery. The Advance Payment Base Price used to determine the advance payment amounts will be developed in accordance with the terms of the Purchase Agreement and determined at the time of Definitive Agreement.

6. Notice of Exercise and Payment of Deposit.

6.1 Customer may exercise a Purchase Right by giving written notice to Boeing on or before the first day of the month twenty-four (24) months prior to the desired delivery month within the Delivery Periods, specifying the desired month(s) of delivery within the Delivery Periods (**Notice of Exercise**). Such Notice of Exercise shall be accompanied by payment, by electronic transfer to the account specified below, of Boeing's then standard proposal deposit for model 737-8 aircraft (**Deposit**) for each Purchase Right Aircraft subject to the Notice of Exercise. The Deposit will be applied against the first advance payment due for each such Purchase Right Aircraft.

JPMorgan Chase Bank
SWIFT No. CHASUS33
ABA No. 021000021
Bank Account No. 9101012764

At the time of its receipt of each Notice of Exercise and related Deposit(s), Boeing will advise Customer as to the availability of the delivery month(s) requested.

6.2 If Boeing must make production decisions which would affect the delivery of any or all Purchase Right Aircraft during the Delivery Periods, Boeing shall provide written notification to Customer and the Delivery Periods shall be adjusted accordingly. If the new Delivery Periods begins twenty-four (24) months or less from the date of Boeing's notification, Customer shall have thirty (30) days from the date of Boeing's notification in which to submit its Notice of Exercise and Deposit for any eligible delivery month(s) that is twenty-four (24) months or less from Boeing's notification. Upon receipt, Boeing will advise Customer as to the availability of the delivery month(s) requested.

XIA-PA-03807-LA-1301967
Right to Purchase Additional Aircraft

BOEING PROPRIETARY

""[***]" This information is subject to confidential treatment and has been omitted and filed separately with the commission"



7. Definitive Agreement.

Following Customer's exercise of a Purchase Right in accordance with the terms and conditions stated herein and Boeing's identification of an available delivery position acceptable to Customer, the parties will sign a definitive agreement for the purchase of such Purchase Right Aircraft (**Definitive Agreement**) within thirty (30) calendar days of such exercise (**Purchase Right Exercise**). The Definitive Agreement will include the provisions then contained in the Purchase Agreement as modified to reflect the provisions of this Letter Agreement and any additional mutually agreed terms and conditions.

8. General Expiration of Rights.

Each Purchase Right shall expire at the time of execution of the Definitive Agreement for the applicable Purchase Right Aircraft, or, if no such Definitive Agreement is executed, on December 2, 2021.

9. Assignment.

Notwithstanding any other provisions of the Purchase Agreement, the rights and obligations described in this Letter Agreement are provided to Customer in consideration of Customer becoming the operator of the Aircraft and cannot be assigned in whole or, in part.

10. Confidential Treatment.

The information contained herein represents confidential business information and has value precisely because it is not available generally or to other parties. Customer will limit the disclosure of its contents to employees of Customer with a need to know the contents for purposes of helping Customer perform its obligations under the Purchase Agreement and who understand they are not to disclose its contents to any other person or entity without the prior written consent of Boeing.

XIA-PA-03807-LA-1301967
Right to Purchase Additional Aircraft

BOEING PROPRIETARY

""[***]" This information is subject to confidential treatment and has been omitted and filed separately with the commission"



Very truly yours,

THE BOEING COMPANY

By _____

Its _____ Attorney-In-Fact

ACCEPTED AND AGREED TO this

Date: _____

XIAMEN AIRLINES

By _____

Its _____

XIA-PA-03807-LA-1301967
Right to Purchase Additional Aircraft

BOEING PROPRIETARY

""[***]" This information is subject to confidential treatment and has been omitted and filed separately with the commission"



The Boeing Company
P.O. Box 3707
Seattle, WA 98124-2207

XIA-PA-03807-LA-1301968

Xiamen Airlines
22 Dailiao Road
Xiamen, Fujian Province, 361006
People's Republic of China

Subject: Special Escalation Program

Reference: Purchase Agreement No. PA-03807 (**Purchase Agreement**) between The Boeing Company (**Boeing**) and Xiamen Airlines (**Customer**) relating to Model 737-8 aircraft (**Aircraft**)

This letter agreement (**Letter Agreement**) amends and supplements the Purchase Agreement. All terms used but not defined in this Letter Agreement shall have the same meaning as in the Purchase Agreement.

1. Definitions.

Escalation Notice means the written communication provided by Boeing to Customer in accordance with the requirements of Article 6.1, below.

Program Aircraft means each Aircraft specified in Table 1 of the Purchase Agreement as of the date of this Letter Agreement.

2. Applicability.

Notwithstanding any other provision of the Purchase Agreement to the contrary, the parties agree that the Escalation Adjustment for the Airframe Price and Optional Features Prices for each Program Aircraft shall be determined in accordance with this Letter Agreement.

3. Escalation Forecast.

Boeing will release an escalation forecast in February and August of each year based on Boeing's then current standard [*****] escalation formula. Only one escalation forecast shall be used to conduct the escalation analysis performed in accordance with Article 6.1, below, for a given Program Aircraft. The escalation forecast applicable to a given Program Aircraft is set forth in Attachment A.

4. Capped Escalation and Sharing

4.1 Boeing will cap the Escalation Adjustment for the Airframe Price and Optional Features Prices of each Program Aircraft for the period beginning [*****]

BOEING PROPRIETARY

""[***]" This information is subject to confidential treatment and has been omitted and filed separately with the commission"



and continuing through [*****] (**Capped Period**), in accordance with the terms of this Letter Agreement.

4.2 The Escalation Adjustment for the Airframe Price and Optional Features Prices of each Program Aircraft will be capped during the Capped Period at a [*****] rate between [*****] cumulative annual rate to [*****] cumulative annual rate resulting in the escalation factor range set forth in Attachment B (**Capped Factor(s)**).

5. Determining Escalation factors during the Capped Period.

The escalation factor to be used during the Capped Period will be determined by utilizing the standard escalation indices and provisions in Supplemental Exhibit AE1 to determine the escalation factor to be used at time of delivery. If actual cumulative escalation is equal to or higher than [*****] cumulative annual rate minimum as describe in article 4.2, then the rate will be set at [*****] cumulative annual rate plus [*****] of the amount above the [*****] cumulative annual rate minimum and up to or equal to the [*****] cumulative annual rate maximum as described in article 4.2, with a maximum factor of [*****] cumulative annual rate. If actual cumulative annual escalation is lower than [*****] cumulative annual rate then said actual factor will be used.

6. Greater than [*****] Cumulative Annual Escalation During the Capped Period.

6.1 If the escalation forecast, as set forth in Article 3, above, projects a cumulative annual escalation factor that exceeds the cumulative annual [*****] escalation factor, as set forth in Attachment B, for the scheduled delivery month of any Program Aircraft that is scheduled to deliver within the time period applicable to such escalation forecast, as set forth in Attachment A, then Boeing shall issue an Escalation Notice to the Customer by the date set forth in Attachment A. Such Escalation Notice shall either:

6.1.1 limit the rate of escalation applicable to the Airframe Price and Optional Features Prices for such affected Program Aircraft to [*****] cumulative annual escalation as set forth in Attachment B; or

6.1.2 provide Customer a proposed alternative escalation formula, this formula must be mutually agreed to by both parties.

6.1.3 If neither 6.1.1 nor 6.1.2 occurs, than either party may [*****] the affected Program Aircraft.

6.2 If Boeing or Customer exercise the option described in Article 6.1.3 above, then the [*****] party shall notify the other in writing of its election to exercise the option contained in Article 6.1.3 above within [*****] days of its receipt of the Escalation Notice from Boeing. In the event Customer exercises its option

""[***]" This information is subject to confidential treatment and has been omitted and filed separately with the commission"



in accordance with Article 6.1.3 above, then Boeing will return to Customer, without interest, an amount equal to all advance payments paid by Customer for the [*****] Program Aircraft.

6.2.1 Within [*****] days of Boeing's receipt of Customer's termination notice for any such [*****] Program Aircraft under Article 6.2 above, Boeing may elect by written notice to Customer to purchase from Customer any BFE related to such [*****] Program Aircraft at the invoice prices paid, or contracted to be paid, by Customer.

6.2.2 Should Customer fail to issue any notice to Boeing in accordance with Article 6.2 above, then the Escalation Adjustment for the Airframe Price and Optional Features Prices for such Program Aircraft shall be calculated in accordance with Supplemental Exhibit AE1.

6.3 If Customer and Boeing accept an alternative escalation formula, as described in Article 6.1.2 above, and the actual escalation factor is less than or equal to the [*****] cumulative annual rate maximum at delivery of such Program Aircraft, then the escalation factor will be determined as described in Articles 5 for such Program Aircraft.

7. Applicability to Other Financial Consideration.

The escalation adjustment for any other sum, identified in the Purchase Agreement as subject to escalation pursuant to Supplemental Exhibit AE1, and which pertains to the Program Aircraft shall be calculated using the escalation methodology established in this Letter Agreement for such Program Aircraft notwithstanding any other provisions of the Purchase Agreement to the contrary.

8. Assignment.

Except for an assignment by Customer to a wholly-owned subsidiary as permitted under Article 9, entitled "Assignment, Resale, or Lease" of the AGTA, this Letter Agreement is provided as an accommodation to Customer in consideration of Customer becoming the operator of the Aircraft and cannot be assigned in whole or in part.

9. Confidential Treatment.

Customer understands and agrees that the information contained herein represents confidential business information and has value precisely because it is not available generally or to other parties. Customer agrees to limit the disclosure of its contents to employees of Customer with a need to know the contents for purposes of helping Customer perform its obligations under the Purchase Agreement and who understand they are not to disclose its contents to any other person or entity without the prior written consent of Boeing.

XIA-PA-03807-LA-1301968
Special Escalation Program

BOEING PROPRIETARY

""[***]" This information is subject to confidential treatment and has been omitted and filed separately with the commission"



Very truly yours,

THE BOEING COMPANY

By _____

Its _____ Attorney-In-Fact

ACCEPTED AND AGREED TO this

Date: _____

XIAMEN AIRLINES

By _____

Its _____

Attachments

XIA-PA-03807-LA-1301968
Special Escalation Program

BOEING PROPRIETARY

Page 4

""[***]" This information is subject to confidential treatment and has been omitted and filed separately with the commission"



ATTACHMENT A
Escalation Forecast & Escalation Notice Date

Escalation Forecast	Applicable to Program Aircraft Delivering in Time Period	Escalation Notice Date
Aug. 2015	February 2018 through July 2018	15 Oct 2015
Feb. 2016	August 2018 through January 2019	15 Apr. 2016
Aug. 2016	February 2019 through July 2019	15 Oct. 2016
Feb. 2017	August 2020 through January 2021	15 Apr. 2017
Aug. 2017	February 2021 through July 2021	15 Oct. 2017

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Special Escalation Program

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Delivery Date	[***] Escalation Factors	[***] Escalation Factors	[***] Escalation Factors
[**]	[**]	[**]	[**]
[**]	[**]	[**]	[**]
[**]	[**]	[**]	[**]
[**]	[**]	[**]	[**]

XIA-PA-03807-LA-1301968
Special Escalation Program

BOEING PROPRIETARY

""[***]" This information is subject to confidential treatment and has been omitted and filed separately with the commission"



The Boeing Company
P.O. Box 3707
Seattle, WA 98124-2207

XIA-PA-03807-LA-1301969

Xiamen Airlines
22 Dailiao Road
Xiamen, Fujian Province, 361006
People's Republic of China

Subject: Training and Services Matters

Reference: Purchase Agreement No. PA-03807 (**Purchase Agreement**) between The Boeing Company (**Boeing**) and Xiamen Airlines (**Customer**) relating to Model 737-8 aircraft (**Aircraft**)

This letter agreement (**Letter Agreement**) amends and supplements the Purchase Agreement. All terms used but not defined in this Letter Agreement shall have the same meaning as in the Purchase Agreement.

1. Additional Training and Services Consideration. Boeing greatly appreciates Customer establishing and operating an all-Boeing aircraft fleet and welcomes Customer to the 737-8 MAX as a launch customer in China. Furthermore, Boeing provides to Customer the following special consideration in recognition for Customer purchasing (39) Model 737-8 aircraft.

1.1 Additional Firm 737-8 Aircraft. Boeing and Customer have entered into the Purchase Agreement for the Model 737-8 aircraft, thirty (30) of which are new incremental aircraft and nine (9) of which are substituted from an earlier aircraft purchase agreement for Model 737-800 aircraft (reference PA No. 3757). The thirty (30) new incremental Aircraft (New Incremental Aircraft), as are reflected in Table 1 to the Purchase Agreement, are provided the special consideration from this Letter Agreement.

1.2 Boeing will, at the delivery of each New Incremental Aircraft, provide to Customer a training and services credit memorandum (**Training and Services Credit Memorandum**) in the amount of [*****].

1.3 The Training and Services Credit Memorandum is in [****] base year dollars and will be escalated to the scheduled delivery month pursuant to the Airframe Escalation formula set forth in the Purchase Agreement applicable to the respective Aircraft. Customer may apply the Training and Services Credit Memorandum against the purchase of Boeing training or Boeing goods and services.

BOEING PROPRIETARY

""[***]" This information is subject to confidential treatment and has been omitted and filed separately with the commission"



2. Assignment.

Unless otherwise noted herein, the Training and Services Credit Memorandum described in this Letter Agreement are provided as a financial accommodation to Customer and in consideration of Customer's taking title to the Aircraft at time of delivery, becoming the operator of the Aircraft and retaining an all-Boeing aircraft fleet. This Letter Agreement cannot be assigned, in whole or in part, without the prior written consent of Boeing.

3. Confidentiality.

Customer understands and agrees that the information contained herein represents confidential business information and has value precisely because it is not available generally or to other parties. Customer agrees to limit the disclosure of its contents to employees of Customer with a need to know the contents for purposes of helping Customer perform its obligations under the Purchase Agreement and who understand they are not to disclose its contents to any other person or entity without the prior written consent of Boeing.

Very truly yours,

THE BOEING COMPANY

By _____

Its _____ Attorney-In-Fact

ACCEPTED AND AGREED TO this

Date: _____

XIAMEN AIRLINES

By _____

Its _____

XIA-PA-03807-LA-1301969
Training Matters

BOEING PROPRIETARY

""[***]" This information is subject to confidential treatment and has been omitted and filed separately with the commission"



PURCHASE AGREEMENT NUMBER PA-03980

between

The Boeing Company

and

CHINA SOUTHERN AIRLINES COMPANY LIMITED

with

**CHINA SOUTHERN AIRLINES GROUP IMPORT AND EXPORT TRADING
CORP., LTD.**

as Consenting Party

Relating to Boeing Model 737-800 Aircraft

(Contract Reference No. 15SIES2015US)

GUN-PA-03980
Purchase Agreement

PA Page 1

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"[*]" This information is subject to confidential treatment and has been omitted and filed separately with the commission**



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GUN-PA-03980
Purchase Agreement

PA Page 2

BOEING PROPRIETARY

"[*]" This information is subject to confidential treatment and has been omitted and filed separately with the commission**



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GUN-PA-03980
Purchase Agreement

December 13, 2013
PA Page 3

BOEING PROPRIETARY

"[***]" This information is subject to confidential treatment and has been omitted and filed separately with the commission



Purchase Agreement No. PA-03980

between

THE BOEING COMPANY

and

CHINA SOUTHERN AIRLINES COMPANY LIMITED

with

CHINA SOUTHERN AIRLINES GROUP IMPORT AND EXPORT TRADING CORP., LTD.

as Consenting Party

This Purchase Agreement No. PA-03980 between The Boeing Company, a Delaware corporation, (**Boeing**) and China Southern Airlines Company Limited (**Customer**) with China Southern Airlines Group Import and Export Trading Corp., Ltd. As consenting party (**Consenting Party**) relating to the purchase and sale of Model 737-800 aircraft together with all tables, exhibits, supplemental exhibits, letter agreements and other attachments thereto, if any, (**Purchase Agreement**) incorporates the terms and conditions (except as specifically set forth below) of the Aircraft General Terms Agreement dated as of September 19, 2000, between Boeing and Consenting Party (formerly known as China Southern Airlines Group Import and Export Trading Corp., Ltd.), identified as AGTA-GUN (**AGTA**). All capitalized terms used but not defined in this Purchase Agreement have the same meaning as in the AGTA, except that the term "Customer" in this Purchase Agreement shall mean "Buyer" in the AGTA.

1. Quantity, Model and Description.

The aircraft to be delivered to Customer will be designated as Model 737-800 aircraft (**Aircraft**). Boeing will manufacture and sell to Customer Aircraft conforming to the configuration described in Exhibit A in the quantities listed in Table 1 to the Purchase Agreement.

2. Delivery Schedule.

The scheduled months of delivery of the Aircraft are listed in the attached Table 1. Exhibit B describes certain responsibilities for both Customer and Boeing in order to accomplish the delivery of the Aircraft.

3. Price.

3.1 Aircraft Basic Price. The Aircraft Basic Price is listed in Table 1 and is subject to escalation in accordance with the terms of this Purchase Agreement.

"[***]" This information is subject to confidential treatment and has been omitted and filed separately with the commission



3.2 Advance Payment Base Prices. The Advance Payment Base Prices listed in Table 1 were calculated utilizing the latest escalation factors available to Boeing on the date of this Purchase Agreement projected to the month of scheduled delivery.

4. Payment.

4.1 Boeing acknowledges receipt of a deposit in the amount shown in Table 1 for each Aircraft (**Deposit**).

4.2 The standard advance payment schedule for the Model 737-800 aircraft requires Customer to make certain advance payments, expressed in a percentage of the Advance Payment Base Price of each Aircraft beginning with a payment of [*****] less the Deposit, on the effective date of the Purchase Agreement for the Aircraft. Additional advance payments for each Aircraft are due as specified in and on the first business day of the months listed in the attached Table 1.

4.3 For any Aircraft whose scheduled month of delivery is less than twenty-four (24) months from the date of this Purchase Agreement, the total amount of advance payments due for payment upon signing of this Purchase Agreement will include all advance payments which are past due in accordance with the standard advance payment schedule set forth in paragraph 4.2 above.

4.4 Customer will pay the balance of the Aircraft Price of each Aircraft at delivery.

5. Additional Terms.

5.1 Aircraft Information Table. Table 1 consolidates information contained in Articles 1, 2, 3 and 4 with respect to (i) quantity of Aircraft, (ii) applicable Detail Specification, (iii) month and year of scheduled deliveries, (iv) Aircraft Basic Price, (v) applicable escalation factors and (vi) Advance Payment Base Prices and advance payments and their schedules.

5.2 Escalation Adjustment/Airframe and Optional Features. Supplemental Exhibit AE1 contains the applicable airframe and optional features escalation formula.

5.3 Buyer Furnished Equipment Variables. Supplemental Exhibit BFE1 contains supplier selection dates, on dock dates and other variables applicable to the Aircraft.

5.4 Customer Support Variables. Information, training, services and other things furnished by Boeing in support of introduction of the Aircraft into Customer's fleet are described in Supplemental Exhibit CS1. The level of support to be provided under Supplemental Exhibit CS1 (**Entitlements**) assumes that at the time of delivery of Customer's first Aircraft under the Purchase Agreement, Customer has taken possession of a Boeing Model 737-800 aircraft whether such Boeing Model 737-800 aircraft was purchased, leased or otherwise obtained by Customer from Boeing or another party.

5.5 Engine Escalation Variables. Supplemental Exhibit EE1 describes the applicable engine escalation formula and contains the engine warranty and the engine patent indemnity for the Aircraft.

BOEING PROPRIETARY

"[****]" This information is subject to confidential treatment and has been omitted and filed separately with the commission



5.6 Service Life Policy Component Variables. Supplemental Exhibit SLP1 lists the SLP Components covered by the Service Life Policy for the Aircraft.

5.7 Public Announcement. Boeing reserves the right to make a public announcement regarding Customer's purchase of the Aircraft upon approval of Boeing's press release by Customer's public relations department or other authorized representative.

5.8 Negotiated Agreement; Entire Agreement. This Purchase Agreement, including the provisions of Article 8.2 of the AGTA relating to insurance, and Article 11 of Part 2 of Exhibit C of the AGTA relating to DISCLAIMER AND RELEASE and EXCLUSION OF CONSEQUENTIAL AND OTHER DAMAGES, has been the subject of discussion and negotiation and is understood by the parties; the Aircraft Price and other agreements of the parties stated in this Purchase Agreement were arrived at in consideration of such provisions. This Purchase Agreement, including the AGTA, contains the entire agreement between the parties and supersedes all previous proposals, understandings, commitments or representations whatsoever, oral or written, and may be changed only in writing signed by authorized representatives of the parties.

AGREED AND ACCEPTED this

Date

THE BOEING COMPANY

By _____
Its Attorney-In-Fact

CHINA SOUTHERN AIRLINES COMPANY LIMITED

By _____
Its

CHINA SOUTHERN AIRLINES GROUP IMPORT AND EXPORT
TRADING CORP., LTD.

By _____
Its

GUN-PA-03980
Purchase Agreement

PA Page 6

BOEING PROPRIETARY

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**Table 1 To
Purchase Agreement No. PA-03980
Aircraft Delivery, Description, Price and Advance Payments**

Airframe Model/MTOW:	737-800	161500 pounds	Detail Specification:	D019A001GUN38P-4	REVISION I (3/6/2015)		
Engine Model/Thrust:	CFM56-7B26	26400 pounds	Airframe Price Base Year/Escalation Formula:			[*****]	[*****]
Airframe Price:		[*****]	Engine Price Base Year/Escalation Formula:			[*****]	[*****]
Optional Features:		[*****]	Airframe Escalation Data:				
Sub-Total of Airframe and Features:		[*****]	Base Year Index (ECI):			[*****]	
Engine Price (Per Aircraft):		[*****]	Base Year Index (ICI):			[*****]	
Aircraft Basic Price (Excluding BFE/SPE):		[*****]					
Buyer Furnished Equipment (BFE) Estimate:		[*****]					
Seller Purchased Equipment (SPE) Estimate:		[*****]					
Refundable Deposit/Aircraft at Proposal Accept:		[*****]					

Delivery Date	Number of Aircraft	Escalation Factor (Airframe)	Escalation Estimate Adv Payment Base Price Per A/P	Advance Payment Per Aircraft (Amts. Due/Mos. Prior to Delivery):				
				[*****]	[*****]	[*****]	[*****]	[*****]
Feb-2017	1	[*****]	[*****]	[*****]	[*****]	[*****]	[*****]	[*****]
Mar-2017	1	[*****]	[*****]	[*****]	[*****]	[*****]	[*****]	[*****]
May-2017	1	[*****]	[*****]	[*****]	[*****]	[*****]	[*****]	[*****]
Jul-2017	3	[*****]	[*****]	[*****]	[*****]	[*****]	[*****]	[*****]
Aug-2017	3	[*****]	[*****]	[*****]	[*****]	[*****]	[*****]	[*****]
Sep-2017	3	[*****]	[*****]	[*****]	[*****]	[*****]	[*****]	[*****]
Oct-2017	2	[*****]	[*****]	[*****]	[*****]	[*****]	[*****]	[*****]
Nov-2017	2	[*****]	[*****]	[*****]	[*****]	[*****]	[*****]	[*****]
Jan-2018	1	[*****]	[*****]	[*****]	[*****]	[*****]	[*****]	[*****]
Feb-2018	1	[*****]	[*****]	[*****]	[*****]	[*****]	[*****]	[*****]
Mar-2018	1	[*****]	[*****]	[*****]	[*****]	[*****]	[*****]	[*****]
Apr-2018	2	[*****]	[*****]	[*****]	[*****]	[*****]	[*****]	[*****]
May-2018	2	[*****]	[*****]	[*****]	[*****]	[*****]	[*****]	[*****]

BOEING PROPRIETARY

“[**]” This information is subject to confidential treatment and has been omitted and filed separately with the commission



**Table 1 To
Purchase Agreement No. PA-03980
Aircraft Delivery, Description, Price and Advance Payments**

Delivery Date	Number of Aircraft	Escalation Factor (Airframe)	Escalation Estimate Adv Payment Base Price Per A/P	Advance Payment Per Aircraft (Amts. Due/Mos. Prior to Delivery):				
				[*****]	[*****]	[*****]	[*****]	[*****]
Jun-2018	1	[*****]	[*****]	[*****]	[*****]	[*****]	[*****]	[*****]
Jul-2018	2	[*****]	[*****]	[*****]	[*****]	[*****]	[*****]	[*****]
Aug-2018	2	[*****]	[*****]	[*****]	[*****]	[*****]	[*****]	[*****]
Sep-2018	2	[*****]	[*****]	[*****]	[*****]	[*****]	[*****]	[*****]
Total:	30							

GUN-PA-03980 65541-1F.TXT

BOEING PROPRIETARY

<p>“***” This information is subject to confidential treatment and has been omitted and filed separately with the commission</p>

AIRCRAFT CONFIGURATION

between

THE BOEING COMPANY

and

CHINA SOUTHERN AIRLINES COMPANY LIMITED

with

**CHINA SOUTHERN AIRLINES GROUP IMPORT AND EXPORT TRADING
CORP., LTD.**

as Consenting Party

Exhibit A to Purchase Agreement Number PA-03980

GUN-PA-03980-EXA

EXA Page 1

BOEING PROPRIETARY

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Exhibit A

AIRCRAFT CONFIGURATION

relating to

BOEING MODEL 737-800 AIRCRAFT

The Detail Specification is Boeing document number [*****]. The Detail Specification provides further description of Customer's configuration set forth in this Exhibit A. Such Detail Specification will be comprised of Customer's existing Boeing detail specification as amended to incorporate the optional features (**Options**) listed below, including the effects on Manufacturer's Empty Weight (**MEW**) and Operating Empty Weight (**OEW**). As soon as practicable, Boeing will furnish to Customer copies of the Detail Specification, which copies will reflect such Options. The Aircraft Basic Price reflects and includes all effects of such Options, except such Aircraft Basic Price does not include the price effects of any Buyer Furnished Equipment or Seller Purchased Equipment.

The content of this Exhibit A will be defined pursuant to the provisions of Letter Agreement GUN-PA-03980-LA-1303681 to the Purchase Agreement, entitled "Open Configuration Matters".

GUN-PA-03980-EXA

EXA Page 2

BOEING PROPRIETARY

"[*]" This information is subject to confidential treatment and has been omitted and filed separately with the commission**

AIRCRAFT DELIVERY REQUIREMENTS AND RESPONSIBILITIES

between

THE BOEING COMPANY

and

CHINA SOUTHERN AIRLINES COMPANY LIMITED

with

**CHINA SOUTHERN AIRLINES GROUP IMPORT AND EXPORT TRADING
CORP., LTD.**

as Consenting Party

Exhibit B to Purchase Agreement Number PA-03980

GUN-PA-03980-EXB

EXB Page 1

BOEING PROPRIETARY

"[*]" This information is subject to confidential treatment and has been omitted and filed separately with the commission**

Exhibit B

AIRCRAFT DELIVERY REQUIREMENTS AND RESPONSIBILITIES

relating to

BOEING MODEL 737-800 AIRCRAFT

Both Boeing and Customer have certain documentation and approval responsibilities at various times during the construction cycle of Customer's Aircraft that are critical to making the delivery of each Aircraft a positive experience for both parties. This Exhibit B documents those responsibilities and indicates recommended completion deadlines for the actions to be accomplished.

1. Government Documentation Requirements.

Certain actions are required to be taken by Customer in advance of the scheduled delivery month of each Aircraft with respect to obtaining certain government issued documentation.

1.1 Airworthiness and Registration Documents. Not later than [*****] **months prior to delivery** of each Aircraft, Customer will notify Boeing of the registration number to be painted on the side of the Aircraft. If required by the regulatory authority, Customer will authorize, by letter to the regulatory authority having jurisdiction, the display of such registration numbers by Boeing during the pre-delivery testing of the Aircraft, no later than [*****] **months prior to delivery** of each Aircraft.

Customer is responsible for furnishing any Temporary or Permanent Registration Certificates required by any governmental authority having jurisdiction to be displayed aboard the Aircraft after delivery.

1.2 Certificate of Sanitary Construction.

1.2.1 U.S. Registered Aircraft. Boeing will obtain from the United States Public Health Service, a United States Certificate of Sanitary Construction to be displayed aboard each Aircraft after delivery to Customer. The above Boeing obligation only applies to commercial passenger-configured aircraft.

1.2.2 Non-U.S. Registered Aircraft. If Customer requires a United States Certificate of Sanitary Construction at the time of delivery of the Aircraft, Customer will give written notice thereof to Boeing at least [*****] **months prior to delivery**. Boeing will then use commercially reasonable efforts to obtain the Certificate from the United States Public Health Service and present it to Customer at the time of Aircraft delivery. The above Boeing obligation only applies to commercial passenger-configured aircraft.

1.3 Customs Documentation.

1.3.1 Import Documentation. If the Aircraft is intended to be exported from the United States, Customer must notify Boeing not later than [*****] **months prior to delivery** of each Aircraft of any documentation required by the customs authorities or by any other agency of the country of import including the CAAC.

GUN-PA-03980-EXB

EXB Page 2

BOEING PROPRIETARY

"[*]" This information is subject to confidential treatment and has been omitted and filed separately with the commission**

1.3.2 General Declaration - U.S. If the Aircraft is intended to be exported from the United States, Boeing will prepare Customs Form 7507, General Declaration, for execution by U.S. Customs immediately prior to the ferry flight of the Aircraft. For this purpose, Customer will furnish to Boeing not later than [*****] **days prior to delivery** all information required by U.S. Customs and Border Protection, including without limitation (i) a complete crew and passenger list identifying the names, birth dates, passport numbers and passport expiration dates of all crew and passengers and (ii) a complete ferry flight itinerary, including point of exit from the United States for the Aircraft.

If Customer intends, during the ferry flight of an Aircraft, to land at a U.S. airport after clearing Customs at delivery, Customer must notify Boeing not later than [*****] **days prior to delivery** of such intention. If Boeing receives such notification, Boeing will provide to Customer the documents constituting a Customs permit to proceed, allowing such Aircraft to depart after any such landing. Sufficient copies of completed Form 7507, along with passenger manifest, will be furnished to Customer to cover U.S. stops scheduled for the ferry flight.

1.3.3 Export Declaration - U.S. If the Aircraft is intended to be exported from the United States following delivery, and (i) Customer is a non-U.S. customer, Boeing will file an export declaration electronically with U.S. Customs and Border Protection (CBP), or (ii) Customer is a U.S. customer, it is the responsibility of the U.S. customer, as the exporter of record, to file the export declaration with CBP.

2. Insurance Certificates.

Unless provided earlier, Customer will provide to Boeing not later than [*****] **days prior to delivery** of the first Aircraft, a copy of the requisite annual insurance certificate in accordance with the requirements of Article 8 of the AGTA.

3. Notice of Flyaway Configuration.

Not later than [*****] **days prior to delivery** of the Aircraft, Customer will provide to Boeing a configuration letter stating the requested "flyaway configuration" of the Aircraft for its ferry flight. This configuration letter should include:

- (i) the name of the company which is to furnish fuel for the ferry flight and any scheduled post-delivery flight training, the method of payment for such fuel, and fuel load for the ferry flight;
- (ii) the cargo to be loaded and where it is to be stowed on board the Aircraft, the address where cargo is to be shipped after flyaway and notification of any hazardous materials requiring special handling;
- (iii) any BFE equipment to be removed prior to flyaway and returned to Boeing BFE stores for installation on Customer's subsequent Aircraft;
- (iv) a complete list of names and citizenship of each crew member and non-revenue passenger who will be aboard the ferry flight; and

GUN-PA-03980-EXB

EXB Page 3

BOEING PROPRIETARY

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(v) a complete ferry flight itinerary.

4. Delivery Actions By Boeing.

4.1 Schedule of Inspections. All FAA, Boeing, Customer and, if required, U.S. Customs Bureau inspections will be scheduled by Boeing for completion prior to delivery or departure of the Aircraft. Customer will be informed of such schedules.

4.2 Schedule of Demonstration Flights. All FAA and Customer demonstration flights will be scheduled by Boeing for completion prior to delivery of the Aircraft.

4.3 Schedule for Customer's Flight Crew. Boeing will inform Customer of the date that a flight crew is required for acceptance routines associated with delivery of the Aircraft.

4.4 Fuel Provided by Boeing. Boeing will provide to Customer, without charge, the amount of fuel shown in U.S. gallons in the table below for the model of Aircraft being delivered and full capacity of engine oil at the time of delivery or prior to the ferry flight of the Aircraft.

Aircraft Model	Fuel Provided
737	[*****]

4.5 Flight Crew and Passenger Consumables. Boeing will provide reasonable quantities of food, coat hangers, towels, toilet tissue, drinking cups and soap for the first segment of the ferry flight for the Aircraft.

4.6 Delivery Papers, Documents and Data. Boeing will have available at the time of delivery of the Aircraft certain delivery papers, documents and data for execution and delivery. If title for the Aircraft will be transferred to Customer through a Boeing subsidiary and if the Aircraft will be registered with the FAA, Boeing will pre-position in Oklahoma City, Oklahoma, for filing with the FAA at the time of delivery of the Aircraft an executed original Form 8050-2, Aircraft Bill of Sale, indicating transfer of title to the Aircraft from Boeing's subsidiary to Customer.

4.7 Delegation of Authority. If specifically requested in advance by Customer, Boeing will present a certified copy of a Resolution of Boeing's Board of Directors, designating and authorizing certain persons to act on its behalf in connection with delivery of the Aircraft.

5. Delivery Actions By Customer.

5.1 Aircraft Radio Station License. At delivery Customer will provide its Aircraft Radio Station License to be placed on board the Aircraft following delivery.

5.2 Aircraft Flight Log. At delivery Customer will provide the Aircraft Flight Log for the Aircraft.

5.3 Delegation of Authority. Customer will present to Boeing at delivery of the Aircraft an original or certified copy of Customer's Delegation of Authority designating and authorizing certain persons to act on its behalf in connection with delivery of the specified Aircraft.

5.4 TSA Waiver Approval. Customer may be required to have an approved Transportation Security Administration (TSA) waiver for the ferry flight depending upon the Customer's en-route stop(s) and destination unless the Customer already has a TSA approved security program in place. Customer is responsible for application for the TSA waiver and obtaining

GUN-PA-03980-EXB

EXB Page 4

BOEING PROPRIETARY

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TSA approval. Customer will provide a copy of the approved TSA waiver to Boeing upon arrival at the Boeing delivery center.

5.5 Electronic Advance Passenger Information System. Should the ferry flight of an Aircraft leave the United States, the Department of Homeland Security office requires Customer to comply with the Electronic Advance Passenger Information System (eAPIS). Customer needs to establish their own account with US Customs and Border Protection in order to file for departure. A copy of the eAPIS forms is to be provided by Customer to Boeing upon arrival of Customer's acceptance team at the Boeing delivery center.

GUN-PA-03980-EXB

EXB Page 5

BOEING PROPRIETARY

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**ESCALATION ADJUSTMENT
AIRFRAME AND OPTIONAL FEATURES**

between

THE BOEING COMPANY

and

CHINA SOUTHERN AIRLINES COMPANY LIMITED

with

**CHINA SOUTHERN AIRLINES GROUP IMPORT AND EXPORT TRADING
CORP., LTD.**

as Consenting Party

**Supplemental Exhibit AE1
to Purchase Agreement Number PA-03980**

GUN-PA-03980-AE1

AE1 Page 1

BOEING PROPRIETARY

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**ESCALATION ADJUSTMENT
AIRFRAME AND OPTIONAL FEATURES**

relating to

BOEING MODEL 737-800 AIRCRAFT

1. Formula.

Airframe and Optional Features price adjustments (**Airframe Price Adjustment**) are used to allow prices to be stated in current year dollars at the signing of this Purchase Agreement and to adjust the amount to be paid by Customer at delivery for the effects of economic fluctuation. The Airframe Price Adjustment will be determined at the time of Aircraft delivery in accordance with the following formula:

[*****]

Where:

[*****]
[*****]
[*****]

[*****]
[*****]

[*****] [*****]
[*****] [*****]

Where:

[*****]
[*****]

[*****]
[*****]

[*****] calculated by establishing a three-month arithmetic average value (expressed as a decimal and rounded to the nearest tenth) using the values for the 11th, 12th and 13th months prior to the month of scheduled delivery of the applicable Aircraft. As the Employment Cost Index values are only released on a quarterly basis, the value released for the first quarter will be used for the months of January, February, and March; the value released for the second quarter will be used for the months of April, May, and June; the value released for the third quarter will be used for the months of July, August, and September; the value released for the fourth quarter will be used for the months of October, November, and December.

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[*****] [****]
[*****] [****]

Where:

[*****]
[*****]
[*****] calculated as a three (3) month arithmetic average of the released monthly values (expressed as a decimal and rounded to the nearest tenth) using the values for the 11th, 12th, and 13th months prior to the month of scheduled delivery of the applicable Aircraft.

[*****]

Where:

[***] is the number of calendar months which have elapsed from the Airframe Price base year and month up to and including the month of delivery, both as shown in Table 1 of the Purchase Agreement. The entire calculation of [***] will be rounded to 4 places, and the final value of [***] will be rounded to the nearest dollar.

As an example, for an Aircraft scheduled to be delivered in the month of July, the months of June, July, and August of the preceding year will be utilized in determining the value of [*****]

Note:

- (i) In determining the values of [*****], all calculations and resulting values will be expressed as a decimal rounded to the nearest ten-thousandth.
- (ii) [*****] is the numeric ratio attributed to labor in the Airframe Price Adjustment formula.
- (iii) [*****] is the numeric ratio attributed to materials in the Airframe Price Adjustment formula.
- (iv) The denominators (base year indices) are the actual average values reported by the U.S. Department of Labor, Bureau of Labor Statistics. The actual average values are calculated as a three (3) month arithmetic average of the released monthly values (expressed as a decimal and rounded to the nearest tenth) using the values for the 11th, 12th and 13th months prior to the airframe base year. The applicable base year and corresponding denominator is provided by Boeing in Table 1 of this Purchase Agreement.

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(v) The final value of P_a will be rounded to the nearest dollar.

(vi) The Airframe Price Adjustment will not be made if it will result in a decrease in the Aircraft Basic Price.

2. Values to be Utilized in the Event of Unavailability.

2.1 If the Bureau of Labor Statistics substantially revises the methodology used for the determination of the values to be used to determine the [***] values (in contrast to benchmark adjustments or other corrections of previously released values), or for any reason has not released values needed to determine the applicable Airframe Price Adjustment, the parties will, prior to the delivery of any such Aircraft, select a substitute from other Bureau of Labor Statistics data or similar data reported by non-governmental organizations. Such substitute will result in the same adjustment, insofar as possible, as would have been calculated utilizing the original values adjusted for fluctuation during the applicable time period. However, if within [***] months after delivery of the Aircraft, the Bureau of Labor Statistics should resume releasing values for the months needed to determine the Airframe Price Adjustment; such values will be used to determine any increase or decrease in the Airframe Price Adjustment for the Aircraft from that determined at the time of delivery of the Aircraft.

2.2 Notwithstanding Article 2.1 above, if prior to the scheduled delivery month of an Aircraft the Bureau of Labor Statistics changes the base year for determination of the [***] as defined above, such re-based values will be incorporated in the Airframe Price Adjustment calculation.

2.3 In the event escalation provisions are made non-enforceable or otherwise rendered void by any agency of the United States Government, the parties agree, to the extent they may lawfully do so, to equitably adjust the Aircraft Price of any affected Aircraft to reflect an allowance for increases or decreases consistent with the applicable provisions of paragraph 1 of this Supplemental Exhibit AE1 in labor compensation and material costs occurring since August of the year prior to the price base year shown in the Purchase Agreement.

2.4 If within [***] months of Aircraft delivery, the published index values are revised due to an acknowledged error by the Bureau of Labor Statistics, the Airframe Price Adjustment will be re-calculated using the revised index values (this does not include those values noted as preliminary by the Bureau of Labor Statistics). A credit memorandum or supplemental invoice will be issued for the Airframe Price Adjustment difference. Interest charges will not apply for the period of original invoice to issuance of credit memorandum or supplemental invoice.

Note:

(i) The values released by the Bureau of Labor Statistics and available to Boeing thirty (30) days prior to the first day of the scheduled delivery month of an Aircraft will be used to determine the ECI and ICI values for the applicable months (including those noted as preliminary by the Bureau of Labor Statistics) to calculate the Airframe Price Adjustment for the Aircraft invoice at the

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time of delivery. The values will be considered final and no Airframe Price Adjustments will be made after Aircraft delivery for any subsequent changes in published index values, subject always to paragraph 2.4 above.

- (ii) The maximum number of digits to the right of the decimal after rounding utilized in any part of the Airframe Price Adjustment equation will be 4, where rounding of the fourth digit will be increased to the next highest digit when the 5th digit is equal to five (5) or greater.

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BOEING PROPRIETARY

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BUYER FURNISHED EQUIPMENT VARIABLES

between

THE BOEING COMPANY

and

CHINA SOUTHERN AIRLINES COMPANY LIMITED

with

**CHINA SOUTHERN AIRLINES GROUP IMPORT AND EXPORT TRADING
CORP., LTD.**

as Consenting Party

**Supplemental Exhibit BFE1
to Purchase Agreement Number PA-03980**

GUN-PA-03980-BFE1

BFE1 Page 1

BOEING PROPRIETARY

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BUYER FURNISHED EQUIPMENT VARIABLES

relating to

BOEING MODEL 737-800 AIRCRAFT

This Supplemental Exhibit BFE1 contains supplier selection dates, on-dock dates and other requirements applicable to the Aircraft.

1. Supplier Selection.

Customer will:

Select and notify Boeing of the suppliers and part numbers of the following BFE items by the following dates:

Galley System	January 29, 2016
Galley Inserts	January 29, 2016
Seats (passenger)	January 29, 2016
Overhead & Audio System	January 19, 2016
In-Seat Video System	January 19, 2016
Miscellaneous Emergency Equipment	January 19, 2016
Cargo Handling Systems* (Single Aisle Programs only)	January 19, 2016

*For a new certification, supplier requires notification [*****] months prior to Cargo Handling System on-dock date.

Customer will enter into initial agreements with the selected Galley System, Galley Inserts, Seats, and In-Seat Video System suppliers on or before [*****] days after the above supplier selection dates to actively participate with Customer and Boeing in coordination actions including the Initial Technical Coordination Meeting (ITCM).

2. On-dock Dates and Other Information.

On or before [*****] months prior to aircraft delivery, Boeing will provide to Customer the BFE Requirements electronically through My Boeing Fleet (MBF in My Boeing Configuration (MBC)). These requirements may be periodically revised, setting forth the items, quantities, on-dock dates and shipping instructions and other requirements relating to the in-sequence installation of BFE. For planning purposes, preliminary BFE on-dock dates are set forth below:

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Nominal Del Date	Aircraft Qty	Seats	Galley / Furnishings	Antennas & Mounting Equipment	Avionics	Cabin Systems Equipment	Misc. Emergency Equipment	Textiles / Raw Materials	Cargo Systems	Provision Kits	Radomes
Feb 2017	1	12/15/16	12/08/16	10/18/16	12/08/16	12/08/16	12/08/16	09/01/16	11/23/16	08/01/16	11/08/16
Mar 2017	1	01/20/17	01/13/17	11/15/16	01/13/17	01/13/17	01/13/17	09/30/16	12/22/16	08/29/16	12/07/16
May 2017	1	03/22/17	03/15/17	01/24/17	03/15/17	03/15/17	03/15/17	12/01/16	03/01/17	10/28/16	02/14/17
Jul 2017	3	05/23/17	05/16/17	03/27/17	05/16/17	05/16/17	05/16/17	02/09/17	05/02/17	01/09/17	04/17/17
Aug 2017	3	06/21/17	06/14/17	04/24/17	06/14/17	06/14/17	06/14/17	03/09/17	05/31/17	02/06/17	05/15/17
Sep 2017	3	07/25/17	07/18/17	05/25/17	07/18/17	07/18/17	07/18/17	04/11/17	07/03/17	03/09/17	06/16/17
Oct 2017	2	08/22/17	08/15/17	06/23/17	08/15/17	08/15/17	08/15/17	05/09/17	08/01/17	04/06/17	07/17/17
Nov 2017	2	09/22/17	09/15/17	07/26/17	09/15/17	09/15/17	09/15/17	06/09/17	08/31/17	05/08/17	08/16/17
Jan 2018	1	11/13/17	11/06/17	09/15/17	11/06/17	11/06/17	11/06/17	08/01/17	10/23/17	06/28/17	10/06/17
Feb 2018	1	12/15/17	12/08/17	10/17/17	12/08/17	12/08/17	12/08/17	08/31/17	11/22/17	07/31/17	11/07/17
Mar 2018	1	01/22/18	01/15/18	11/14/17	01/15/18	01/15/18	01/15/18	09/29/17	12/22/17	08/28/17	12/07/17
Apr 2018	2	02/21/18	02/14/18	12/18/17	02/14/18	02/14/18	02/14/18	10/31/17	01/31/18	09/28/17	01/16/18
May 2018	2	03/22/18	03/15/18	01/24/18	03/15/18	03/15/18	03/15/18	12/01/17	03/01/18	10/27/17	02/14/18
Jun 2018	1	04/24/18	04/17/18	02/26/18	04/17/18	04/17/18	04/17/18	01/11/18	04/03/18	12/01/17	03/19/18
Jul 2018	2	05/23/18	05/16/18	03/27/18	05/16/18	05/16/18	05/16/18	02/09/18	05/02/18	01/09/18	04/17/18
Aug 2018	2	06/23/18	06/16/18	04/27/18	06/16/18	06/16/18	06/16/18	03/09/18	06/02/18	02/09/18	05/17/18
Sep 2018	2	07/25/18	07/18/18	05/29/18	07/18/18	07/18/18	07/18/18	04/13/18	07/04/18	03/13/18	06/19/18
Total Aircraft	30										

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BOEING PROPRIETARY

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3. Additional Delivery Requirements - Import.

Customer will be the “**importer of record**” (as defined by the U.S. Customs and Border Protection) for all BFE imported into the United States, and as such, it has the responsibility to ensure all of Customer’s BFE shipments comply with U.S. Customs Service regulations. In the event Customer requests Boeing, in writing, to act as importer of record for Customer’s BFE, and Boeing agrees to such request, Customer is responsible for ensuring Boeing can comply with all U.S. Customs Import Regulations by making certain that, at the time of shipment, all BFE shipments comply with the requirements in the “International Shipment Routing Instructions”, including the Customs Trade Partnership Against Terrorism (**C-TPAT**), as set out on the Boeing website referenced below. Customer agrees to include the International Shipment Routing Instructions, including C-TPAT requirements, in each contract between Customer and BFE supplier.

http://www.boeing.com/companyoffices/doingbiz/supplier_portal/index_general.html

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BFE1 Page 4

BOEING PROPRIETARY

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CUSTOMER SUPPORT VARIABLES

between

THE BOEING COMPANY

and

CHINA SOUTHERN AIRLINES COMPANY LIMITED

with

**CHINA SOUTHERN AIRLINES GROUP IMPORT AND EXPORT TRADING
CORP., LTD.**

as Consenting Party

**Supplemental Exhibit CS1
to Purchase Agreement Number PA-03980**

GUN-PA-03980-CS1

CS1 Page 1

BOEING PROPRIETARY

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CUSTOMER SUPPORT VARIABLES

relating to

BOEING MODEL 737-800 AIRCRAFT

Customer currently operates an aircraft of the same model as the Aircraft. Upon Customer's request, Boeing will develop and schedule a customized Customer Support Program to be furnished in support of the Aircraft. The customized program will be based upon and equivalent to the entitlements summarized below.

1. Maintenance Training.

1.1 Maintenance Training Minor Model Differences Course, if required, covering operational, structural or systems differences between Customer's newly-purchased Aircraft and an aircraft of the same model currently operated by Customer; [*****]

1.2 Training materials, if applicable, will be provided to each student. In addition, one set of training materials as used in Boeing's training program, including visual aids, text and graphics will be provided for use in Customer's own training program.

2. Flight Training.

Boeing will provide, if required, differences Computer Based Training (CBT) lessons covering operational, systems and performance differences between Customer's newly-purchased Aircraft and an aircraft of the same model currently operated by Customer.

3. Planning Assistance.

3.1 Maintenance Engineering. Notwithstanding anything in Exhibit B to the AGTA seemingly to the contrary, Boeing will provide the following Maintenance Engineering support:

3.1.1 Maintenance Planning Assistance. Upon request, Boeing will provide assistance in identifying the impact to Customer's maintenance program resulting from minor model differences between the Aircraft and an aircraft of the same model currently operated by the Customer.

3.1.2 ETOPS Maintenance Planning Assistance. Upon request, Boeing will provide assistance in identifying the impact to Customer's ETOPS maintenance program resulting from minor model differences between the Aircraft and an aircraft of the same model currently operated by the Customer.

3.1.3 GSE/Shops/Tooling Consulting. Upon request, Boeing will provide assistance to Customer in identifying the impact to Customer's maintenance tools and ground support equipment resulting from the minor model differences between the Aircraft and an aircraft of the same model currently operated by Customer.

3.2 Spares. Boeing will revise, as applicable, the customized Recommended Spares Parts List (RSPL) and Illustrated Parts Catalog (IPC).

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4. Technical Data and Documents.

Boeing will revise, as applicable, technical data and documents provided with previously delivered aircraft.

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CS1 Page 3

BOEING PROPRIETARY

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**ENGINE ESCALATION,
ENGINE WARRANTY AND PATENT INDEMNITY**

between

THE BOEING COMPANY

and

CHINA SOUTHERN AIRLINES COMPANY LIMITED

with

**CHINA SOUTHERN AIRLINES GROUP IMPORT AND EXPORT TRADING
CORP., LTD.**

as Consenting Party

**Supplemental Exhibit EE1
to Purchase Agreement Number PA-03980**

GUN-PA-03980-EE1

EE1 Page 1

BOEING PROPRIETARY

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**ENGINE ESCALATION
ENGINE WARRANTY AND PATENT INDEMNITY**

relating to

BOEING MODEL 737-800 AIRCRAFT

1. ENGINE ESCALATION.

No separate engine escalation methodology is defined for the 737-600, -700, -800, -900 or -900ER Aircraft. Pursuant to the AGTA, the engine prices for these Aircraft are included in and will be escalated in the same manner as the Airframe.

2. ENGINE WARRANTY AND PRODUCT SUPPORT PLAN.

Boeing has obtained from CFM International, Inc. (or CFM International, S.A., as the case may be) (CFM) the right to extend to Customer the provisions of CFM's warranty as set forth below (herein referred to as **Warranty**); subject, however, to Customer's acceptance of the conditions set forth herein. Accordingly, Boeing hereby extends to Customer and Customer hereby accepts the provisions of CFM's Warranty as hereinafter set forth, and such Warranty shall apply to all CFM56-7 type Engines (including all Modules and Parts thereof) installed in the Aircraft at the time of delivery or purchased from Boeing by Customer for support of the Aircraft except that, if Customer and CFM have executed, or hereafter execute, a General Terms Agreement, [*****]. In consideration for Boeing's extension of the CFM Warranty to Customer, Customer hereby releases and discharges Boeing from any and all claims, obligations and liabilities whatsoever arising out of the purchase or use of such CFM56-7 type Engines and Customer hereby waives, releases and renounces all its rights in all such claims, obligations and liabilities. In addition, Customer hereby releases and discharges CFM from any and all claims, obligations and liabilities whatsoever arising out of the purchase or use of such CFM56-7 type Engines except as otherwise expressly assumed by CFM in such CFM Warranty or General Terms Agreement between Customer and CFM and Customer hereby waives, releases and renounces all its rights in all such claims, obligations and liabilities.

2.1 Title. CFM warrants that at the date of delivery, CFM has legal title to and good and lawful right to sell its CFM56-7 type Engine and Products and furthermore warrants that such title is free and clear of all claims, liens and encumbrances of any nature whatsoever.

2.2 Patents.

2.2.1 CFM shall handle all claims and defend any suit or proceeding brought against Customer insofar as based on a claim that any product or part furnished under this Agreement constitutes an infringement of any patent of the United States, and shall pay all damages and costs awarded therein against Customer. This paragraph shall not apply to any product or any part manufactured to Customer's design

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BOEING PROPRIETARY

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or to the aircraft manufacturer's design. As to such product or part, CFM assumes no liability for patent infringement.

2.2.2 CFM's liability hereunder is conditioned upon Customer promptly notifying CFM in writing and giving CFM authority, information and assistance (at CFM's expense) for the defense of any suit. In case said equipment or part is held in such suit to constitute infringement and the use of said equipment or part is enjoined, CFM shall expeditiously, at its own expense and at its option, either (i) procure for Customer the rights to continue using said product or part; (ii) replace the same with a satisfactory and non-infringing product or part; or (iii) modify the same so it becomes satisfactory and non-infringing. The foregoing shall constitute the sole remedy of Customer and the sole liability of CFM for patent infringement.

2.2.3 The above provisions also apply to products which are the same as those covered by this Agreement and are delivered to Customer as part of the installed equipment on CFM56-7 powered Aircraft.

2.3 Initial Warranty. CFM warrants that CFM56-7 Engine products will conform to CFM's applicable specifications and will be free from defects in material and workmanship prior to Customer's initial use of such products.

2.4 Warranty Pass-On.

2.4.1 If requested by Customer and agreed to by CFM in writing, CFM will extend warranty support for Engines sold by Customer to commercial airline operators, or to other aircraft operators. Such warranty support will be limited to the New Engine Warranty, New Parts Warranty, Ultimate Life Warranty and Campaign Change Warranty and will require such operator(s) to agree in writing to be bound by and comply with all the terms and conditions, including the limitations, applicable to such warranties.

2.4.2 Any warranties set forth herein shall not be transferable to a third party, merging company or an acquiring entity of Customer.

2.4.3 In the event Customer is merged with, or acquired by, another aircraft operator which has a general terms agreement with CFM, the Warranties as set forth herein shall apply to the Engines, Modules, and Parts.

2.5 New Engine Warranty.

2.5.1 CFM warrants each new Engine and Module against Failure for the initial 3000 Flight Hours as follows:

- (i) Parts Credit Allowance will be granted for any Failed Parts.
- (ii) Labor Allowance for disassembly, reassembly, test and Parts repair of any new Engine Part will be granted for replacement of Failed Parts.
- (iii) Such Parts Credit Allowance and Labor Allowance will be:
 [*****
 *****]

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[*****

*****]

2.5.2 As an alternative to the above allowances, CFM shall, upon request of Customer:

(i) Arrange to have the failed Engines and Modules repaired, as appropriate, at a facility designated by CFM at no charge to Customer for the first at

[*****

*****]

(ii) Transportation to and from the designated facility shall be at Customer's expense.

2.6 New Parts Warranty. In addition to the warranty granted for new Engines and new Modules, CFM warrants Engine and Module Parts as follows:

2.6.1 During the [*****] Flight Hours for such Parts and Expendable Parts, CFM will grant [*****] Parts Credit Allowance or Labor Allowance for repair labor for failed Parts.

2.6.2 CFM will grant a pro rata Parts Credit Allowance for Scrapped Parts decreasing from [*****] Flight Hours Part Time to [*****] at the applicable hours designated in Table 1.

2.7 Ultimate Life Warranty.

2.7.1 CFM warrants Ultimate Life limits on the following Parts:

- (i) Fan and Compressor Disks/Drums
- (ii) Fan and Compressor Shafts
- (iii) Compressor Discharge Pressure Seal (CDP)
- (iv) Turbine Disks
- (v) HPT Forward and Stub Shaft
- (vi) LPT Driving Cone
- (vii) LPT Shaft and Stub Shaft

2.7.2 CFM will grant a pro rata Parts Credit Allowance decreasing from

[*****

*****]

2.8 Campaign Change Warranty.

2.8.1 A campaign change will be declared by CFM when a new Part design introduction, Part modification, Part Inspection, or premature replacement of an Engine or Module is required by a mandatory time compliance CFM Service Bulletin or FAA Airworthiness Directive. Campaign change may also be declared for CFM Service Bulletins requesting new Part introduction no later than the next Engine or Module shop visit. CFM will grant following Parts Credit Allowances:

Engines and Modules

- (i) [*****

*****]
- (ii) [*****

*****]

2.8.2 Labor Allowance - CFM will grant one hundred percent (100%) Labor Allowance for disassembly, reassembly, modification, testing, or Inspection of CFM supplied Engines, Modules, or Parts therefore when such action is required to comply with a mandatory time compliance CFM Service Bulletin or FAA Airworthiness Directive. A Labor Allowance will be granted by CFM for other CFM issued Service Bulletins if so specified in such Service Bulletins.

2.8.3 Life Controlled Rotating Parts retired by Ultimate Life limits including FAA and/or EASA Airworthiness Directive, are excluded from Campaign Change Warranty.

2.9 Limitations. THE PROVISIONS SET FORTH HEREIN ARE EXCLUSIVE AND ARE IN LIEU OF ALL OTHER WARRANTIES WHETHER WRITTEN, ORAL OR IMPLIED. THERE ARE NO IMPLIED WARRANTIES OF FITNESS OR MERCHANTABILITY. SAID PROVISIONS SET FORTH THE MAXIMUM LIABILITY OF CFM WITH RESPECT TO CLAIMS OF ANY KIND, INCLUDING NEGLIGENCE, ARISING OUT OF MANUFACTURE, SALE, POSSESSION, USE OR HANDLING OF THE PRODUCTS OR PARTS THEREOF OR THEREFORE, AND IN NO EVENT SHALL CFM'S LIABILITY TO CUSTOMER EXCEED THE PURCHASE PRICE OF THE PRODUCT GIVING RISE TO CUSTOMER'S CLAIM OR INCLUDE INCIDENTAL OR CONSEQUENTIAL DAMAGES.

2.10 Indemnity and Contribution.

2.10.1 IN THE EVENT CUSTOMER ASSERTS A CLAIM AGAINST A THIRD PARTY FOR DAMAGES OF THE TYPE LIMITED OR EXCLUDED IN LIMITATIONS, PARAGRAPH 2.9. ABOVE, CUSTOMER SHALL INDEMNIFY AND HOLD CFM HARMLESS FROM AND AGAINST ANY CLAIM BY OR LIABILITY TO SUCH THIRD PARTY FOR CONTRIBUTION OR INDEMNITY, INCLUDING COSTS AND EXPENSES (INCLUDING ATTORNEYS' FEES) INCIDENT THERETO OR INCIDENT TO ESTABLISHING SUCCESSFULLY THE RIGHT TO INDEMNIFICATION UNDER THIS PROVISION. THIS INDEMNITY SHALL APPLY WHETHER OR NOT SUCH DAMAGES WERE OCCASIONED IN WHOLE OR IN PART BY THE FAULT OR NEGLIGENCE OF CFM, WHETHER ACTIVE, PASSIVE OR IMPUTED.

GUN-PA-03980-EE1

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2.10.2 CUSTOMER SHALL INDEMNIFY AND HOLD CFM HARMLESS FROM ANY DAMAGE, LOSS, CLAIM, AND LIABILITY OF ANY KIND (INCLUDING EXPENSES OF LITIGATION AND ATTORNEYS' FEES) FOR PHYSICAL INJURY TO OR DEATH OF ANY PERSON, OR FOR PROPERTY DAMAGE OF ANY TYPE, ARISING OUT OF THE ALLEGED DEFECTIVE NATURE OF ANY PRODUCT OR SERVICE FURNISHED UNDER THIS AGREEMENT, TO THE EXTENT THAT THE PAYMENTS MADE OR REQUIRED TO BE MADE BY CFM EXCEED ITS ALLOCATED SHARE OF THE TOTAL FAULT OR LEGAL RESPONSIBILITY OF ALL PERSONS ALLEGED TO HAVE CAUSED SUCH DAMAGE, LOSS, CLAIM, OR LIABILITY BECAUSE OF A LIMITATION OF LIABILITY ASSERTED BY CUSTOMER OR BECAUSE CUSTOMER DID NOT APPEAR IN AN ACTION BROUGHT AGAINST CFM. CUSTOMER'S OBLIGATION TO INDEMNIFY CFM HEREUNDER SHALL BE APPLICABLE AT SUCH TIME AS CFM IS REQUIRED TO MAKE PAYMENT PURSUANT TO A FINAL JUDGEMENT IN AN ACTION OR PROCEEDING IN WHICH CFM WAS A PARTY, PERSONALLY APPEARED, AND HAD THE OPPORTUNITY TO DEFEND ITSELF. THIS INDEMNITY SHALL APPLY WHETHER OR NOT CUSTOMER'S LIABILITY IS OTHERWISE LIMITED.

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BOEING PROPRIETARY

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SERVICE LIFE POLICY COMPONENTS

between

THE BOEING COMPANY

and

CHINA SOUTHERN AIRLINES COMPANY LIMITED

with

**CHINA SOUTHERN AIRLINES GROUP IMPORT AND EXPORT TRADING
CORP., LTD.**

as Consenting Party

**Supplemental Exhibit SLP1
to Purchase Agreement Number PA-03980**

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SLP1 Page 1

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SERVICE LIFE POLICY COMPONENTS

relating to

BOEING MODEL 737-800 AIRCRAFT

This is the listing of SLP Components for the Aircraft which relate to Part 3, Boeing Service Life Policy of Exhibit C, Product Assurance Document to the AGTA and is a part of Purchase Agreement No. PA-03980.

1. Wing.

- (i) Upper and lower wing skins and stiffeners between the forward and rear wing spars.
- (ii) Wing spar webs, chords and stiffeners.
- (iii) Inspar wing ribs.
- (iv) Inspar splice plates and fittings.
- (v) Main landing gear support structure.
- (vi) Wing center section lower beams, spanwise beams and floor beams, but not the seat tracks attached to floor beams.
- (vii) Wing-to-body structural attachments.
- (viii) Engine strut support fittings attached directly to wing primary structure.
- (ix) Support structure in the wing for spoilers and spoiler actuators; for aileron hinges and reaction links; and for leading edge devices and trailing edge flaps.
- (x) Trailing edge flap tracks and carriages.
- (xi) Aileron leading edge device and trailing edge flap internal, fixed attachment and actuator support structure.

2. Body.

- (i) External surface skins and doublers, longitudinal stiffeners, longerons and circumferential rings and frames between the forward pressure bulkhead and the vertical stabilizer rear spar bulkhead and structural support and enclosure for the APU but excluding all system components and related installation and connecting devices, insulation, lining, and decorative panels and related installation and connecting devices.

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SLP1 Page 2

BOEING PROPRIETARY

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- (ii) Window and windshield structure but excluding the windows and windshields.
- (iii) Fixed attachment structure of the passenger doors, cargo doors and emergency exits, excluding door mechanisms and movable hinge components. Sills and frames around the body openings for the passenger doors, cargo doors and emergency exits, excluding scuff plates and pressure seals.
- (iv) Nose wheel well structure, including the wheel well walls, pressure deck, bulkheads, and gear support structure.
- (v) Main gear wheel well structure including pressure deck and landing gear beam support structure.
- (vi) Floor beams and support posts in the control cab and passenger cabin area, but excluding seat tracks.
- (vii) Forward and aft pressure bulkheads.
- (viii) Keel structure between the wing front spar bulkhead and the main gear wheel well aft bulkhead including splices.
- (ix) Wing front and rear spar support bulkheads, and vertical and horizontal stabilizer front and rear spar support bulkheads including terminal fittings but excluding all system components and related installation and connecting devices, insulation, lining, and decorative panels and related installation and connecting devices.
- (x) Support structure in the body for the stabilizer pivot and stabilizer screw.

3. Vertical Stabilizer.

- (i) External skins between front and rear spars.
- (ii) Front, rear and auxiliary spar chords, webs and stiffeners and attachment fittings.
- (iii) Inspar ribs.
- (iv) Rudder hinges and supporting ribs, excluding bearings.
- (v) Support structure in the vertical stabilizer for rudder hinges, reaction links and actuators.
- (vi) Rudder internal, fixed attachment and actuator support structure.

4. Horizontal Stabilizer.

- (i) External skins between front and rear spars.

GUN-PA-03980-SLP1

SLP1 Page 3

BOEING PROPRIETARY

"[*]" This information is subject to confidential treatment and has been omitted and filed separately with the commission**



- (ii) Front and rear spar chords, webs and stiffeners.
- (iii) Inspar ribs.
- (iv) Stabilizer center section including hinge and screw support structure.
- (v) Support structure in the horizontal stabilizer for the elevator hinges, reaction links and actuators.
- (vi) Elevator internal, fixed attachment and actuator support structure.

5. Engine Strut.

- (i) Strut external surface skin and doublers and stiffeners.
- (ii) Internal strut chords, frames and bulkheads.
- (iii) Strut to wing fittings and diagonal brace.
- (iv) Engine mount support fittings attached directly to strut structure and including the engine-mounted support fittings.

6. Main Landing Gear.

- (i) Outer cylinder.
- (ii) Inner cylinder, including axles.
- (iii) Upper and lower side struts, including spindles, universals and reaction links.
- (iv) Drag strut.
- (v) Orifice support tube.
- (vi) Downlock links including spindles and universals.
- (vii) Torsion links.
- (viii) Bell crank.
- (ix) Trunnion link.
- (x) Actuator beam, support link and beam arm.

7. Nose Landing Gear.

- (i) Outer cylinder.
- (ii) Inner cylinder, including axles.
- (iii) Orifice support tube.
- (iv) Upper and lower drag strut, including lock links.
- (v) Steering plates and steering collars.

GUN-PA-03980-SLP1

SLP1 Page 4

BOEING PROPRIETARY

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(vi) Torsion links.

NOTE: The Service Life Policy does not cover any bearings, bolts, bushings, clamps, brackets, actuating mechanisms or latching mechanisms used in or on the SLP Components.

GUN-PA-03980-SLP1

SLP1 Page 5

BOEING PROPRIETARY

"[]" This information is subject to confidential treatment and has been omitted and filed separately with the commission**



The Boeing Company
P.O. Box 3707
Seattle, WA 98124-2207

GUN-PA-03980-LA-1301160

China Southern Airlines Company Limited
No. 278, Jichang Road,
Baiyun District, Guangzhou,
People's Republic of China, 510406

Subject: Aircraft Performance Guarantees

Reference: Purchase Agreement No. PA-03980 (**Purchase Agreement**) between The Boeing Company (**Boeing**) and China Southern Airlines Company Limited (**Customer**) with China Southern Airlines Group Import and Export Trading Corp., Ltd. (**Consenting Party**) relating to Model 737-800 aircraft (**Aircraft**)

This letter agreement (**Letter Agreement**) amends and supplements the Purchase Agreement. All terms used but not defined in this Letter Agreement will have the same meaning as in the Purchase Agreement.

Boeing agrees to provide Customer with the performance guarantees in the Attachments A and B. The performance guarantees in Attachment A to this Letter Agreement are applicable to the Aircraft set forth in Table 1 of the Purchase Agreement with configuration of [*****], in accordance with Boeing's standard price and offerability process, then the performance guarantees in Attachment B to this Letter Agreement will be applicable to the relevant Aircraft. These guarantees are exclusive and expire upon delivery of the Aircraft to Customer.

1. Assignment.

Notwithstanding any other provisions of the Purchase Agreement, the rights and obligations described in this Letter Agreement are provided to Customer in consideration of Customer becoming the operator of the Aircraft and cannot be assigned in whole or, in part.

2. Confidential Treatment.

The information contained herein represents confidential business information and has value precisely because it is not available generally or to other parties. Customer will limit the disclosure of its contents, except for as required by applicable laws or regulations, to employees of Customer with a need to know the contents for

GUN-PA-03980-LA-1301160
Performance Guarantees

BOEING PROPRIETARY

"[*]" This information is subject to confidential treatment and has been omitted and filed separately with the commission**



purposes of helping Customer perform its obligations under the Purchase Agreement and who understand they are not to disclose its contents to any other person or entity without the prior written consent of Boeing.

Very truly yours,

AGREED AND ACCEPTED this

Date

THE BOEING COMPANY

By _____

Its Attorney-In-Fact _____

CHINA SOUTHERN AIRLINES COMPANY LIMITED

By _____

Its _____

CHINA SOUTHERN AIRLINES GROUP IMPORT AND EXPORT
TRADING CORP., LTD.

By _____

Its _____

GUN-PA-03980-LA-1301160
Performance Guarantees

BOEING PROPRIETARY

"[*]" This information is subject to confidential treatment and has been omitted and filed separately with the commission**



Attachment A to Letter Agreement
No. 1301160
CFM56-7B26E Engines
Page 1

**MODEL 737-800 WITH WINGLETS PERFORMANCE GUARANTEES
FOR CHINA SOUTHERN AIRLINES COMPANY LIMITED**

SECTION	CONTENTS
1	AIRCRAFT MODEL APPLICABILITY
2	FLIGHT PERFORMANCE
3	MANUFACTURER'S EMPTY WEIGHT
4	AIRCRAFT CONFIGURATION
5	GUARANTEE CONDITIONS
6	GUARANTEE COMPLIANCE
7	EXCLUSIVE GUARANTEES

P.A. No. 3980
AERO-B-BBA4-M13-1057A

SS15-0627

BOEING PROPRIETARY

"[***]" This information is subject to confidential treatment and has been omitted and filed separately with the commission

1 AIRCRAFT MODEL APPLICABILITY

The guarantees contained in this Attachment (the "Performance Guarantees") are applicable to the 737-800 Aircraft with winglets and a maximum takeoff weight of [*****] kilograms, a maximum landing weight of [*****] kilograms, and a maximum zero fuel weight of [*****] kilograms, and equipped with Boeing furnished [*****] engines.

2 FLIGHT PERFORMANCE

2.1 Takeoff

The FAA approved takeoff field length at a gross weight at the start of the ground roll of [*****] kilograms, at a temperature of [***]C, at a sea level altitude, and using maximum takeoff thrust, shall not be more than the following guarantee value:

[*****]

2.2 Landing

The FAA approved landing field length at a gross weight of [*****] kilograms and at a sea level altitude, shall not be more than the following guarantee value:

[*****]

2.3 Cruise Range

The still air range at an initial cruise altitude of [*****] feet on a standard day at [*****] Mach number, starting at a gross weight of [*****] kilograms and consuming [*****] kilograms of fuel, and using not more than maximum cruise thrust (except maximum climb thrust may be used during a step climb) and using the conditions and operating rules defined below, shall not be less than the following guarantee value:

[*****]

*****]

BOEING PROPRIETARY

"[***]" This information is subject to confidential treatment and has been omitted and filed separately with the commission

Conditions and operating rules:

A step climb or multiple step climbs of [*****] feet altitude may be used when beneficial to maximize range.

3 MANUFACTURER'S EMPTY WEIGHT

The Manufacturer's Empty Weight (MEW) is guaranteed not to exceed the value specified in Section 03-60-00 of Detail Specification [*****] Revision I plus [****] percent.

4 AIRCRAFT CONFIGURATION

4.1 The guarantees contained in this Attachment are based on the Aircraft configuration as defined in Revision I of Detail Specification [***] (hereinafter referred to as the Detail Specification). Appropriate adjustment shall be made for changes in such Detail Specification approved by the Customer and Boeing or otherwise allowed by the Purchase Agreement which cause changes to the flight performance and/or weight and balance of the Aircraft. Such adjustment shall be accounted for by Boeing in its evidence of compliance with the guarantees.

4.2 The Manufacturer's Empty Weight guarantee of Section 3 will be adjusted by Boeing for the following in its evidence of compliance with the guarantees:

- (1) Changes to the Detail Specification or any other changes mutually agreed upon between the Customer and Boeing or otherwise allowed by the Purchase Agreement.
- (2) The difference between the component weight allowances given in Appendix IV of the Detail Specification and the actual weights.

5 GUARANTEE CONDITIONS

5.1 All guaranteed performance data are based on the International Standard Atmosphere (ISA) and specified variations therefrom; altitudes are pressure altitudes.

5.2 The Federal Aviation Administration (FAA) regulations referred to in this Attachment are, unless otherwise specified, the 737-800 Certification Basis regulations specified in the Type Certificate Data Sheet A16WE, Revision 44, dated August 24, 2009.

BOEING PROPRIETARY

"[*]" This information is subject to confidential treatment and has been omitted and filed separately with the commission**

- 5.3 In the event a change is made to any law, governmental regulation or requirement, or in the interpretation of any such law, governmental regulation or requirement that affects the certification basis for the Aircraft as described in Paragraph 5.2, and as a result thereof, a change is made to the configuration and/or the performance of the Aircraft in order to obtain certification, the guarantees set forth in this Attachment shall be appropriately modified to reflect any such change.
- 5.4 The takeoff and landing guarantees are based on hard surface, level and dry runways with no wind or obstacles, no clearway or stopway, 225 mph tires, with Category C brakes and anti-skid operative, and with the Aircraft center of gravity at the most forward limit unless otherwise specified. The takeoff performance is based on no engine bleed for air conditioning or thermal anti-icing and the Auxiliary Power Unit (APU) turned off unless otherwise specified. The improved climb performance procedure will be used for takeoff as required. The landing performance is based on the use of automatic spoilers.
- 5.5 The cruise range guarantee includes allowances for normal power extraction and engine bleed for normal operation of the air conditioning system. Normal electrical power extraction shall be defined as not less than a 50 kilowatts total electrical load. Normal operation of the air conditioning system shall be defined as pack switches in the "Auto" position, the temperature control switches in the "Auto" position that results in a nominal cabin temperature of 75°F, and all air conditioning systems operating normally. This operation allows a maximum cabin pressure differential of 8.35 pounds per square inch at higher altitudes, with a nominal Aircraft cabin ventilation rate of 3,300 cubic feet per minute including passenger cabin recirculation (nominal recirculation is 47 percent). The APU is turned off unless otherwise specified.
- 5.6 The cruise range guarantee is based on an Aircraft center of gravity location of 26.2 percent of the mean aerodynamic chord.
- 5.7 Performance, where applicable, is based on a fuel Lower Heating Value (LHV) of 18,580 BTU per pound.

P.A. No. 3980
AERO-B-BBA4-M13-1057A

SS15-0627

BOEING PROPRIETARY

"[*]" This information is subject to confidential treatment and has been omitted and filed separately with the commission**

6 GUARANTEE COMPLIANCE

- 6.1** Compliance with the guarantees of Sections 2 and 3 shall be based on the conditions specified in those sections, the Aircraft configuration of Section 4 and the guarantee conditions of Section 5.
- 6.2** Compliance with the takeoff and landing guarantees shall be based on the FAA approved Airplane Flight Manual for the Model 737-800.
- 6.3** Compliance with the cruise range guarantee shall be established by calculations based on flight test data obtained from an aircraft in a configuration similar to that defined by the Detail Specification.
- 6.4** Compliance with the Manufacturer's Empty Weight guarantee shall be based on information in the "Weight and Balance Control and Loading Manual - Aircraft Report."
- 6.5** The data derived from tests shall be adjusted as required by conventional methods of correction, interpolation or extrapolation in accordance with established engineering practices to show compliance with these guarantees.
- 6.6** Compliance shall be based on the performance of the airframe and engines in combination, and shall not be contingent on the engine meeting its manufacturer's performance specification.

7 EXCLUSIVE GUARANTEES

The only performance guarantees applicable to the Aircraft are those set forth in this Attachment.

BOEING PROPRIETARY

"[*]" This information is subject to confidential treatment and has been omitted and filed separately with the commission**

**MODEL 737-800 WITH WINGLETS PERFORMANCE GUARANTEES
FOR CHINA SOUTHERN AIRLINES COMPANY LIMITED**

SECTION	CONTENTS
1	AIRCRAFT MODEL APPLICABILITY
2	FLIGHT PERFORMANCE
3	MANUFACTURER'S EMPTY WEIGHT
4	AIRCRAFT CONFIGURATION
5	GUARANTEE CONDITIONS
6	GUARANTEE COMPLIANCE
7	EXCLUSIVE GUARANTEES

P.A. No. 3980
AERO-B-BBA4-M13-1058

SS13-0493

BOEING PROPRIETARY

"[*]" This information is subject to confidential treatment and has been omitted and filed separately with the commission**

1 AIRCRAFT MODEL APPLICABILITY

The guarantees contained in this Attachment (the "Performance Guarantees") are applicable to the 737-800 Aircraft with Winglets and a maximum takeoff weight of [*****] kilograms, a maximum landing weight of [*****] kilograms, and a maximum zero fuel weight of [*****] kilograms, and equipped with Boeing furnished [*****] engines.

2 FLIGHT PERFORMANCE

2.1 Takeoff

The FAA approved takeoff field length at a gross weight at the start of the ground roll of [*****] kilograms, at a temperature of 30°C, at a sea level altitude, and using maximum takeoff thrust, shall not be more than the following guarantee value:

[*****]

2.2 Landing

The FAA approved landing field length at a gross weight of [*****] kilograms and at a sea level altitude, shall not be more than the following guarantee value:

[*****]

2.3 Cruise Range

The still air range at an initial cruise altitude of [*****] feet on a standard day at [*****] Mach number, starting at a gross weight of [*****] kilograms and consuming [*****] kilograms of fuel, and using not more than maximum cruise thrust (except maximum climb thrust may be used during a step climb) and using the conditions and operating rules defined below, shall not be less than the following guarantee value:

[*****

*****]

Conditions and operating rules:

A step climb or multiple step climbs of [*****] feet altitude may be used when beneficial to minimize fuel burn.

3 MANUFACTURER'S EMPTY WEIGHT

The Manufacturer's Empty Weight (MEW) is guaranteed not to exceed the value in Section 03-60-00 of Detail Specification [*****] plus [*****] percent.

4 AIRCRAFT CONFIGURATION

4.1 The guarantees contained in this Attachment are based on the Aircraft configuration as defined in Revision G of Detail Specification [*****] (hereinafter referred to as the Detail Specification). Appropriate adjustment shall be made for changes in such Detail Specification approved by the Customer and Boeing or otherwise allowed by the Purchase Agreement which cause changes to the flight performance and/or weight and balance of the Aircraft. Such adjustment shall be accounted for by Boeing in its evidence of compliance with the guarantees.

4.2 The Manufacturer's Empty Weight guarantee of Section 3 will be adjusted by Boeing for the following in its evidence of compliance with the guarantees:

- (1) Changes to the Detail Specification or any other changes mutually agreed upon between the Customer and Boeing or otherwise allowed by the Purchase Agreement.
- (2) The difference between the component weight allowances given in Appendix IV of the Detail Specification and the actual weights.

5 GUARANTEE CONDITIONS

5.1 All guaranteed performance data are based on the International Standard Atmosphere (ISA) and specified variations therefrom; altitudes are pressure altitudes.

5.2 The Federal Aviation Administration (FAA) regulations referred to in this Attachment are, unless otherwise specified, the 737-800 Certification Basis regulations specified in the Type Certificate Data Sheet A16WE, Revision 44, dated August 24, 2009.

BOEING PROPRIETARY

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- 5.3** In the event a change is made to any law, governmental regulation or requirement, or in the interpretation of any such law, governmental regulation or requirement that affects the certification basis for the Aircraft as described in Paragraph 5.2, and as a result thereof, a change is made to the configuration and/or the performance of the Aircraft in order to obtain certification, the guarantees set forth in this Attachment shall be appropriately modified to reflect any such change.
- 5.4** The takeoff and landing guarantees are based on hard surface, level and dry runways with no wind or obstacles, no clearway or stopway, 225 mph tires, with Category C brakes and anti-skid operative, and with the Aircraft center of gravity at the most forward limit unless otherwise specified. The takeoff performance is based on no engine bleed for air conditioning or thermal anti-icing and the Auxiliary Power Unit (APU) turned off unless otherwise specified. The improved climb performance procedure will be used for takeoff as required. The landing performance is based on the use of automatic spoilers.
- 5.5** The cruise range guarantee includes allowances for normal power extraction and engine bleed for normal operation of the air conditioning system. Normal electrical power extraction shall be defined as not less than a 50 kilowatts total electrical load. Normal operation of the air conditioning system shall be defined as pack switches in the "Auto" position, the temperature control switches in the "Auto" position that results in a nominal cabin temperature of 75°F, and all air conditioning systems operating normally. This operation allows a maximum cabin pressure differential of 8.35 pounds per square inch at higher altitudes, with a nominal Aircraft cabin ventilation rate of 3,300 cubic feet per minute including passenger cabin recirculation (nominal recirculation is 47 percent). The APU is turned off unless otherwise specified.
- 5.6** The cruise range guarantee is based on an Aircraft center of gravity location of 26.2 percent of the mean aerodynamic chord.
- 5.7** Performance, where applicable, is based on a fuel Lower Heating Value (LHV) of 18,580 BTU per pound.

6 GUARANTEE COMPLIANCE

- 6.1** Compliance with the guarantees of Sections 2 and 3 shall be based on the conditions specified in those sections, the Aircraft

"[*]" This information is subject to confidential treatment and has been omitted and filed separately with the commission**

configuration of Section 4 and the guarantee conditions of Section 5.

- 6.2** Compliance with the takeoff and landing guarantees shall be based on the FAA approved Airplane Flight Manual for the Model 737-800.
- 6.3** Compliance with the cruise range guarantee shall be established by calculations based on flight test data obtained from an aircraft in a configuration similar to that defined by the Detail Specification.
- 6.4** Compliance with the Manufacturer's Empty Weight guarantee shall be based on information in the "Weight and Balance Control and Loading Manual - Aircraft Report."
- 6.5** The data derived from tests shall be adjusted as required by conventional methods of correction, interpolation or extrapolation in accordance with established engineering practices to show compliance with these guarantees.
- 6.6** Compliance shall be based on the performance of the airframe and engines in combination, and shall not be contingent on the engine meeting its manufacturer's performance specification.

7 EXCLUSIVE GUARANTEES

The only performance guarantees applicable to the Aircraft are those set forth in this Attachment.

BOEING PROPRIETARY

"[*]" This information is subject to confidential treatment and has been omitted and filed separately with the commission**



The Boeing Company
P.O. Box 3707
Seattle, WA 98124-2207

GUN-PA-03980-LA-1303672

China Southern Airlines Company Limited
No. 278, Jichang Road,
Baiyun District, Guangzhou,
People's Republic of China, 510406

Subject: Liquidated Damages – Non-Excusable Delay

Reference: Purchase Agreement No. PA-03980 (**Purchase Agreement**) between The Boeing Company (**Boeing**) and China Southern Airlines Company Limited (**Customer**) with China Southern Airlines Group Import and Export Trading Corp., Ltd. (**Consenting Party**) relating to Model 737-800 aircraft (**Aircraft**)

This letter agreement (**Letter Agreement**) amends and supplements the Purchase Agreement. All terms used but not defined in this Letter Agreement will have the same meaning as in the Purchase Agreement.

Definition of Terms:

Non-Excusable Delay: Delay in delivery of any Aircraft beyond the last day of the delivery month (**Scheduled Delivery Month**) established in the Purchase Agreement by any cause that is not an Excusable Delay pursuant to Article 7 of the AGTA and for which Customer is otherwise entitled to a remedy from Boeing pursuant to applicable law.

1. Liquidated Damages.

Boeing agrees to pay Customer liquidated damages for each day of Non-Excusable Delay in excess of [*****] days (collectively the **Non-Excusable Delay Payment Period**) at a fixed, not subject to escalation, [*****]
[*****]
[*****]

2. Interest.

In addition to the Liquidated Damages in section 1, for each day of Non-Excusable Delay in excess of [*****] days after the Scheduled Delivery Month, Boeing will pay Customer interest calculated as follows (**Interest**):

GUN-PA-03980-LA-1303672
Liquidated Damages Non-Excusable Delay

LA Page 1

BOEING PROPRIETARY

"[***]" This information is subject to confidential treatment and has been omitted and filed separately with the commission



The product of the daily interest rate (computed by dividing the interest rate in effect for each day by three hundred sixty-five (365) days, or three hundred sixty-six (366) days, as the case may be) times the entire amount of advance payments received by Boeing for such Aircraft. The interest rate in effect for each day shall be computed using [*****], effective the first business day of the calendar quarter and reset each calendar quarter.

Such interest will be calculated on a [*****] and paid in full at actual delivery of the Aircraft.

3. [*****]

[*****]

*****]

4. [*****]

Customer will not have the right to refuse to accept delivery of any Aircraft because of a Non-Excusable Delay unless and until the aggregate duration of the Non-Excusable Delay for such Aircraft exceeds [*****] days (**Non-Excusable Delay Period**). Within [*****] of receipt of written notice from Boeing that delivery of an Aircraft will be delayed beyond the Non-Excusable Delay Period, either party may terminate the Purchase Agreement as to such Aircraft by written or telegraphic notice given to the other. If neither Party terminates the Purchase Agreement within said [*****], then the Purchase Agreement will remain in effect for that Aircraft.

5. [*****]

If the Purchase Agreement is terminated with respect to any Aircraft for a Non-Excusable Delay, Boeing will pay Customer:

(i) [*****

*****]

(ii) [*****

*****]

"[***]" This information is subject to confidential treatment and has been omitted and filed separately with the commission



(iii) [*****

*****]

6. Exclusive Remedies.

The remedies set forth in this Letter Agreement are Customer's exclusive remedies for a Non-Excusable Delay and are in lieu of all other damages, claims, and remedies of Customer arising at law or otherwise for any Non-Excusable Delay in the Aircraft delivery. Customer hereby waives and renounces all other claims and remedies arising at law or otherwise for any such Non-Excusable Delay.

7. Assignment.

Notwithstanding any other provisions of the Purchase Agreement, the rights and obligations described in this Letter Agreement are provided to Customer in consideration of Customer becoming the operator of the Aircraft and cannot be assigned in whole or, in part.

8. Confidential Treatment.

The information contained herein represents confidential business information and has value precisely because it is not available generally or to other parties. Customer will limit the disclosure of its contents, except for as required by applicable laws or regulations, to employees of Customer with a need to know the contents for purposes of helping Customer perform its obligations under the Purchase Agreement and who understand they are not to disclose its contents to any other person or entity without the prior written consent of Boeing.

GUN-PA-03980-LA-1303672
Liquidated Damages Non-Excusable Delay

BOEING PROPRIETARY

"[]" This information is subject to confidential treatment and has been omitted and filed separately with the commission**



Very truly yours,

AGREED AND ACCEPTED this

THE BOEING COMPANY

By _____

Its Attorney-In-Fact _____

CHINA SOUTHERN AIRLINES COMPANY LIMITED

By _____

Its _____

CHINA SOUTHERN AIRLINES GROUP IMPORT AND EXPORT
TRADING CORP., LTD.

By _____

Its _____

GUN-PA-03980-LA-1303672
Liquidated Damages Non-Excusable Delay

BOEING PROPRIETARY

"[*]" This information is subject to confidential treatment and has been omitted and filed separately with the commission**



The Boeing Company
P.O. Box 3707
Seattle, WA 98124-2207

GUN-PA-03980-LA-1303677

China Southern Airlines Company Limited
No. 278, Jichang Road,
Baiyun District, Guangzhou,
People's Republic of China, 510406

Subject: [*****]

Reference: Purchase Agreement No. 03980 (**Purchase Agreement**) between The Boeing Company (**Boeing**) and China Southern Airlines Company Limited (**Customer**) with China Southern Airlines Group Import and Export Trading Corp., Ltd. (**Consenting Party**) relating to Model 737-800 aircraft (**Aircraft**)

This letter agreement (**Letter Agreement**) amends and supplements the Purchase Agreement. All terms used but not defined in this Letter Agreement will have the same meaning as in the Purchase Agreement.

1. [*****]

1.1 Boeing will cap the Escalation Adjustment for the Airframe Price and Optional Features Prices of each Aircraft in Table 1 of the Purchase Agreement, for the period beginning [*****] (**Capped Period**), in accordance with the terms of this Letter Agreement.

1.2 The Escalation Adjustment for the Airframe Price and Optional Features Prices of each Aircraft will be capped during the Capped Period at [*****] per year compounded annually resulting in the escalation factors set forth in Attachment A (**Capped Factors**).

2. [*****]

2.1 For Aircraft delivering within the Capped Period, Boeing will, at time of Aircraft delivery, calculate the Escalation Adjustment of the Airframe Price and Optional Features Prices using (i) [*****] with the provisions of Supplemental Exhibit AE1 to the Purchase Agreement (**Standard Escalation Formula**) and (ii) [*****]. The final Aircraft Price will include the escalated Airframe Price and Optional Features Prices utilizing the Standard Escalation Formula or the Capped Factor, whichever is less.

GUN-PA-03980-LA-1303677
Special Escalation Program

LA Page 1

BOEING PROPRIETARY

[***] This information is subject to confidential treatment and has been omitted and filed separately with the commission



2.2 In the event any Aircraft scheduled to deliver within the Capped Period delivers after the Capped Period, in addition to any other applicable terms and/or conditions set forth in the Purchase Agreement, the Escalation Adjustment for the Airframe Price and Optional Features Prices will be calculated in accordance with the Standard Escalation Formula or the Standard Escalation Formula, as modified in paragraph 3 below (which will utilize the Capped Factor for the last month of the Capped Period), whichever is less.

3. [*****]

3.1 For Aircraft scheduled to deliver after the Capped Period, the Escalation Adjustment for the Airframe Price and Optional Features Prices will be calculated in accordance with the provisions of the Standard Escalation Formula or the Standard Escalation Formula, as modified in paragraph 3.2 below (which will utilize the Capped Factor for the last month of the Capped Period), whichever is less.

3.2 For Aircraft delivering after the Capped Period, the below formula will be used to calculate the Escalation Adjustment:

[*****] [*****]

Where:

- [**] is defined in Supplemental Exhibit AE1
- [**] is calculated the same [*****] set forth in Supplemental Exhibit AE1 except **** is the number of calendar months which have elapsed from the end of the Capped Period up to and including the month of delivery in lieu of the number of calendar months which have elapsed from the Airframe Price base year and month up to and including the month of delivery
- [**] is the [*****] at the end of the Capped Period
- [**] is calculated the same as [***] set forth in Supplemental Exhibit AE1 except the value is calculated based on the last month of the Capped Period in lieu of the Aircraft delivery date
- [**] is calculated the same as [***] set forth in Supplemental Exhibit AE1 except the value is calculated based on the last

"[**]" This information is subject to confidential treatment and has been omitted and filed separately with the commission



month of the Capped Period in lieu of the Aircraft delivery date.

4. Effect on Advance Payments.

The amount and timing of advance payments Customer is required to pay to Boeing pursuant to the Purchase Agreement [*****] by any terms set forth in this Letter Agreement.

5. Aircraft Applicability.

Unless otherwise stated, the terms of this Letter Agreement shall only apply to the [*****] set forth in Table 1 of the Purchase Agreement as of the execution date of this Letter Agreement.

6. Applicability to Other Financial Consideration.

The escalation adjustment for any other sum identified in the Purchase Agreement as subject to escalation pursuant to Supplemental Exhibit AE1, and which pertains to an Aircraft set forth in Table 1 as of the date of this Letter Agreement, will be calculated using the escalation methodology established in this Letter Agreement notwithstanding any other provisions of the Purchase Agreement to the contrary.

7. Assignment.

Notwithstanding any other provisions of the Purchase Agreement, the rights and obligations described in this Letter Agreement are provided to Customer in consideration of Customer becoming the operator of the Aircraft and cannot be assigned in whole or, in part.

8. Confidential Treatment.

The information contained herein represents confidential business information and has value precisely because it is not available generally or to other parties. Customer will limit the disclosure of its contents, except for as required by applicable laws or regulations, to employees of Customer with a need to know the contents for purposes of helping Customer perform its obligations under the Purchase Agreement and who understand they are not to disclose its contents to any other person or entity without the prior written consent of Boeing.

GUN-PA-03980-LA-1303677
Special Escalation Program

LA Page 3

BOEING PROPRIETARY

"[*]" This information is subject to confidential treatment and has been omitted and filed separately with the commission**



Very truly yours,

AGREED AND ACCEPTED this

THE BOEING COMPANY

By _____

Its Attorney-In-Fact _____

CHINA SOUTHERN AIRLINES COMPANY LIMITED

By _____

Its _____

CHINA SOUTHERN AIRLINES GROUP IMPORT AND EXPORT
TRADING CORP., LTD.

By _____

Its _____

GUN-PA-03980-LA-1303677
Special Escalation Program

BOEING PROPRIETARY

"[*]" This information is subject to confidential treatment and has been omitted and filed separately with the commission**



ATTACHMENT A
Airframe Price Base Year: [***]

Beginning of Capped Period: [***]

End of Capped Period: [***]

Delivery	
Date	[***]
Jul-12	[***]
Aug-12	[***]
Sep-12	[***]
Oct-12	[***]
Nov-12	[***]
Dec-12	[***]
Jan-13	[***]
Feb-13	[***]
Mar-13	[***]
Apr-13	[***]
May-13	[***]
Jun-13	[***]
Jul-13	[***]
Aug-13	[***]
Sep-13	[***]
Oct-13	[***]
Nov-13	[***]
Dec-13	[***]
Jan-14	[***]
Feb-14	[***]
Mar-14	[***]
Apr-14	[***]
May-14	[***]
Jun-14	[***]
Jul-14	[***]
Aug-14	[***]
Sep-14	[***]
Oct-14	[***]

GUN-PA-03980-LA-1303677
Special Escalation Program

BOEING PROPRIETARY

"[***]" This information is subject to confidential treatment and has been omitted and filed separately with the commission



Delivery Date	[***]
Nov-14	[***]
Dec-14	[***]
Jan-15	[***]
Feb-15	[***]
Mar-15	[***]
Apr-15	[***]
May-15	[***]
Jun-15	[***]
Jul-15	[***]
Aug-15	[***]
Sep-15	[***]
Oct-15	[***]
Nov-15	[***]
Dec-15	[***]
Jan-16	[***]
Feb-16	[***]
Mar-16	[***]
Apr-16	[***]
May-16	[***]
Jun-16	[***]
Jul-16	[***]
Aug-16	[***]
Sep-16	[***]
Oct-16	[***]
Nov-16	[***]
Dec-16	[***]
Jan-17	[***]
Feb-17	[***]
Mar-17	[***]
Apr-17	[***]
May-17	[***]
Jun-17	[***]
Jul-17	[***]
Aug-17	[***]

GUN-PA-03980-LA-1303677
Special Escalation Program

BOEING PROPRIETARY

"[*]" This information is subject to confidential treatment and has been omitted and filed separately with the commission**



Delivery Date	[***]
Sep-17	[***]
Oct-17	[***]
Nov-17	[***]
Dec-17	[***]
Jan-18	[***]
Feb-18	[***]
Mar-18	[***]
Apr-18	[***]
May-18	[***]
Jun-18	[***]
Jul-18	[***]
Aug-18	[***]
Sep-18	[***]

GUN-PA-03980-LA-1303677
Special Escalation Program

LA Page 7

BOEING PROPRIETARY

"[***]" This information is subject to confidential treatment and has been omitted and filed separately with the commission



The Boeing Company
P.O. Box 3707
Seattle, WA 98124-2207

GUN-PA-03980-LA-1303678

China Southern Airlines Company Limited
No. 278, Jichang Road,
Baiyun District, Guangzhou,
People's Republic of China, 510406

Subject: Boeing Purchase of Buyer Furnished Equipment

Reference: Purchase Agreement No. PA-03980 (**Purchase Agreement**) between The Boeing Company (**Boeing**) and China Southern Airlines Company Limited (**Customer**) with China Southern Airlines Group Import and Export Trading Corp., Ltd. (**Consenting Party**) relating to Model 737-800 aircraft (**Aircraft**)

This letter agreement (**Letter Agreement**) amends and supplements the Purchase Agreement. All terms used but not defined in this Letter Agreement will have the same meaning as in the Purchase Agreement.

Customer will sell to Boeing the Buyer Furnished Equipment (**BFE**) listed in the Annex to Exhibit A to this Letter Agreement under the terms and conditions set forth below.

- Customer will deliver to Boeing a bill of sale for the BFE conveying good title, free of any encumbrances, in the form of Exhibit A to this Letter Agreement (**BFE Bill of Sale**) with sufficient lead time to complete Boeing's BFE purchase by the time of Aircraft delivery, and will provide a list of BFE no less than four weeks prior to delivery of the Aircraft.
- The BFE purchase price will be the amount stated on the BFE Bill of Sale applicable to the Aircraft and will be reimbursed to Customer in the form of a miscellaneous credit memorandum on the Aircraft's final delivery invoice. Upon Customer's payment of the Aircraft's final delivery invoice Boeing will deliver a bill of sale for the BFE to Customer either (i) in the form of Exhibit B to this Letter Agreement, or (ii) included in the Aircraft bill of sale, at the election of Customer.
- Customer will pay to Boeing a fee equal to [*****] of the BFE Purchase Price (**Fee**) which will cover currently-known taxes, duties or other charges of whatever nature imposed by any United States, Federal, State or local taxing authority, or any taxing authority outside the United States required to be paid by Boeing as a result of any sale, purchase, use, ownership, delivery, transfer, storage or other activity associated with any of the BFE purchased as part of this Letter Agreement.

GUN-PA-03980-LA-1303678
Boeing Purchase of Buyer Furnished Equipment

LA Page 1

BOEING PROPRIETARY

"[***]" This information is subject to confidential treatment and has been omitted and filed separately with the commission



4. The purchase price of the Aircraft will be increased by the amount paid by Boeing for the BFE as shown on the applicable BFE Bill of Sale plus any amounts which are identified at the time of Aircraft delivery to be due to Boeing from Customer pursuant to the provisions of paragraph 3, above. The remainder of any charges due Boeing from Customer pursuant to paragraph 3 will be payable to Boeing upon demand.

5. Customer will indemnify and hold harmless Boeing from and against all claims, suits, actions, liabilities, damages, costs and expenses for any actual or alleged infringement of any patent issued or equivalent right under the laws of any country arising out of or in any way connected with any sale, purchase, use, ownership, delivery, transfer, storage or other activity associated with any of the BFE purchased as part of this Letter Agreement.

6. Customer will indemnify and hold harmless Boeing from and against all claims and liabilities, including costs and expenses (including attorneys' fees) incident thereto or incident to successfully establishing the right to indemnification, for injury to or death of any person or persons, including employees of Customer but not employees of Boeing, or for loss of or damage to any property, including any aircraft, arising out of or in any way connected with the performance by Boeing of services or other obligations under this Letter Agreement and whether or not arising in tort or occasioned in whole or in part by the negligence of Boeing.

7. Boeing makes no warranty other than warranty of such title to the BFE as has been transferred by Customer to Boeing pursuant to this Letter Agreement. The exclusion of liabilities and other provisions of the AGTA are applicable to this Letter Agreement.

8. For the purposes of this Letter Agreement, the term "Boeing" includes The Boeing Company, its divisions, subsidiaries, affiliates, the assignees of each, and their directors, officers, employees and agents.

GUN-PA-03980-LA-1303678
Boeing Purchase of Buyer Furnished Equipment

LA Page 2

BOEING PROPRIETARY

"[*]" This information is subject to confidential treatment and has been omitted and filed separately with the commission**



Very truly yours,

AGREED AND ACCEPTED this

Date

THE BOEING COMPANY

By _____

Its Attorney-In-Fact _____

CHINA SOUTHERN AIRLINES COMPANY LIMITED

By _____

Its _____

CHINA SOUTHERN AIRLINES GROUP IMPORT AND EXPORT
TRADING CORP., LTD.

By _____

Its _____

GUN-PA-03980-LA-1303678
Boeing Purchase of Buyer Furnished Equipment

BOEING PROPRIETARY

"[]" This information is subject to confidential treatment and has been omitted and filed separately with the commission**



Exhibit A
FULL WARRANTY BILL OF SALE

China Southern Airlines Company Limited (**Seller**) in consideration of the promise of The Boeing Company (**Buyer**) to pay to Seller ____ U.S. Dollars (\$____) hereby sells to Buyer the goods described in the "Schedule of Buyer Furnished Equipment (**BFE**)" attached hereto. Such payment by Buyer will be made immediately after delivery to Seller of and payment for the Aircraft bearing Manufacturer's Serial No. ____ on which the BFE is installed.

Seller warrants to Buyer that it has good title to the BFE free and clear of all liens, encumbrances and rights of others; and that it will warrant and defend such title against all claims and demands whatsoever.

This Full Warranty Bill of Sale is delivered by Seller to Buyer in the State of Washington, and will be governed by the law of the State of Washington, exclusive of Washington's conflicts of laws principles.

CHINA SOUTHERN AIRLINES COMPANY LIMITED

Signature

Printed Name

Title

Dated: _____

Receipt of this Full Warranty Bill of Sale is hereby acknowledged by Buyer by its duly authorized representative.

GUN-PA-03980-LA-1303678
Boeing Purchase of Buyer Furnished Equipment

LA Page 4

BOEING PROPRIETARY

"[*]" This information is subject to confidential treatment and has been omitted and filed separately with the commission**



THE BOEING COMPANY

Signature

Printed Name

Attorney-in-Fact

GUN-PA-03980-LA-1303678
Boeing Purchase of Buyer Furnished Equipment

LA Page 5

BOEING PROPRIETARY

"[***]" This information is subject to confidential treatment and has been omitted and filed separately with the commission



SCHEDULE OF BUYER FURNISHED EQUIPMENT (BFE)

Applicable to: +

Aircraft Model: <Model>

Manufacturer's Serial No.: <MSN>

GUN-PA-03980-LA-1303678
Boeing Purchase of Buyer Furnished Equipment

LA Page 6

BOEING PROPRIETARY

"[*]" This information is subject to confidential treatment and has been omitted and filed separately with the commission**



**Exhibit B
BOEING BILL OF SALE**

The Boeing Company (**Seller**) in consideration of the sum of \$1.00 and other valuable consideration hereby sells to China Southern Airlines Company Limited (**Buyer**) the goods described in the "Schedule of Buyer Furnished Equipment (**BFE**)" attached hereto. Such payment by Buyer will be made concurrently with delivery to Buyer of and payment for the aircraft bearing Manufacturer's Serial No. _____ on which the BFE is installed.

Seller represents and warrants that it has such title to the BFE as was previously transferred to Seller by Buyer and that it hereby conveys such BFE and such title thereto to Buyer.

This Boeing Bill of Sale is delivered by Seller to Buyer in the State of Washington, and will be governed by the law of the State of Washington, exclusive of Washington's conflicts of laws principles.

THE BOEING COMPANY

Signature

Printed Name

Attorney-in-Fact
Title

Dated: _____

Receipt of this Full Warranty Bill of Sale is hereby acknowledged by Buyer by its duly authorized representative.

GUN-PA-03980-LA-1303678
Boeing Purchase of Buyer Furnished Equipment

LA Page 7

BOEING PROPRIETARY

"[*]" This information is subject to confidential treatment and has been omitted and filed separately with the commission**



CHINA SOUTHERN AIRLINES COMPANY LIMITED

Signature

Printed Name

GUN-PA-03980-LA-1303678
Boeing Purchase of Buyer Furnished Equipment

LA Page 8

BOEING PROPRIETARY

"[***]" This information is subject to confidential treatment and has been omitted and filed separately with the commission



SCHEDULE OF BUYER FURNISHED EQUIPMENT (BFE)

Applicable to: +

Aircraft Model: <Model>

Manufacturer's Serial No.: <MSN>

GUN-PA-03980-LA-1303678
Boeing Purchase of Buyer Furnished Equipment

LA Page 9

BOEING PROPRIETARY

"[*]" This information is subject to confidential treatment and has been omitted and filed separately with the commission**



The Boeing Company
P.O. Box 3707
Seattle, WA 98124-2207

GUN-PA-03980-LA-1303679

China Southern Airlines Company Limited
No. 278, Jichang Road,
Baiyun District, Guangzhou,
People's Republic of China, 510406

Subject: Government Approval

Reference: Purchase Agreement No. PA-03980 (**Purchase Agreement**) between The Boeing Company (**Boeing**) and China Southern Airlines Company Limited (**Customer**) with China Southern Airlines Group Import and Export Trading Corp., Ltd. (**Consenting Party**) relating to Model 737-800 aircraft (**Aircraft**)

This letter agreement (**Letter Agreement**) amends and supplements the Purchase Agreement. All terms used but not defined in this Letter Agreement will have the same meaning as in the Purchase Agreement.

1. Government Approval.

Boeing and Customer both acknowledge that it is necessary for Customer to obtain government approval to import the Aircraft into the People's Republic of China (**Government Approval**). Customer agrees to use best efforts to obtain Government Approval and notify Boeing promptly in writing as soon as approval has been obtained. In cooperation with Customer, Boeing shall provide reasonable assistance to Customer in preparing informational materials relating to the Purchase Agreement and the Aircraft which Customer advises are reasonably required for the Government Approval process. Customer shall advise Boeing as soon as practical of the specific assistance which Customer plans to request from Boeing.

2. Flexibility.

Boeing and Customer will work together to ensure the delivery schedule and advance payments as specified in Table 1 of the Purchase Agreement are met. If Boeing has not received written notification from Customer that Government Approval has been obtained [*****] months prior to Aircraft delivery and Customer is not current with advance payments for all Aircraft per the Purchase Agreement, then Boeing may, after consultation with Customer, take one or more of the actions set forth below for the Aircraft as it deems appropriate based on Boeing's production considerations and requirements, while expressly reserving all of Boeing's rights and remedies under law.

GUN-PA-03980-LA-1303679
Government Approval

LA Page 1

BOEING PROPRIETARY

"[*]" This information is subject to confidential treatment and has been omitted and filed separately with the commission**



2.1 Reschedule Aircraft. Boeing may reschedule any or all of the Aircraft. Boeing will give Customer [*****] advance notice of any such Aircraft rescheduling, and will not reschedule Aircraft for which Customer is successful in obtaining Government Approval prior to the expiration of [*****] notification period.

The following terms shall apply to the rescheduled Delivery Period Aircraft.

2.1.1 The Escalation Adjustment for each such rescheduled Aircraft will be calculated to the revised delivery month in accordance with the provisions of the Purchase Agreement.

2.1.2 Advance payments for each such rescheduled Aircraft will be calculated to the revised delivery month in accordance with the provisions of the Purchase Agreement.

2.1.3 The Advance Payment Base Price will be calculated to the revised delivery month in accordance with the provisions of the Purchase Agreement. The credit memoranda Boeing provides to the Customer which are noted as "subject to escalation" will be calculated to the revised delivery month in accordance with the provisions of the Purchase Agreement.

2.1.4 As any delivery reschedule contemplated by this Letter Agreement is a direct result of not obtaining Government Approval in a timely fashion, Boeing will retain all advance payments received for a particular Aircraft prior to the reschedule of that Aircraft and apply those payments towards the future advance payments for that same rescheduled Aircraft. In no case will Boeing pay interest on any advance payment amounts or early payment resulting from the reschedule of the relevant Aircraft.

2.2 Terminate Aircraft. Boeing may terminate the Aircraft by providing Customer with written notice of such termination and shall promptly return to Customer, without interest, an amount equal to all advance payments paid by Customer for the terminated Aircraft.

3. Confidential Treatment.

The information contained herein represents confidential business information and has value precisely because it is not available generally or to other parties. Customer will limit the disclosure of its contents, except for as required by applicable laws or regulations, to employees of Customer with a need to know the contents for purposes of helping Customer perform its obligations under the Purchase Agreement and who understand they are not to disclose its contents to any other person or entity without the prior written consent of Boeing.

GUN-PA-03980-LA-1303679
Government Approval

LA Page 2

BOEING PROPRIETARY

"[**]" This information is subject to confidential treatment and has been omitted and filed separately with the commission**



Very truly yours,

AGREED AND ACCEPTED this

Date

THE BOEING COMPANY

By _____

Its Attorney-In-Fact _____

CHINA SOUTHERN AIRLINES COMPANY LIMITED

By _____

Its _____

CHINA SOUTHERN AIRLINES GROUP IMPORT AND EXPORT
TRADING CORP., LTD.

By _____

Its _____

GUN-PA-03980-LA-1303679
Government Approval

BOEING PROPRIETARY

"[*]" This information is subject to confidential treatment and has been omitted and filed separately with the commission**



The Boeing Company
P.O. Box 3707
Seattle, WA 98124-2207

GUN-PA-03980-LA-1303680

China Southern Airlines Company Limited
No. 278, Jichang Road,
Baiyun District, Guangzhou,
People's Republic of China, 510406

Subject: Loading of Customer Software

Reference: Purchase Agreement No. PA-03980 (**Purchase Agreement**) between The Boeing Company (**Boeing**) and China Southern Airlines Company Limited (**Customer**) with China Southern Airlines Group Import and Export Trading Corp., Ltd. (**Consenting Party**) relating to Model 737-800 aircraft (**Aircraft**)

This letter agreement (**Letter Agreement**) amends and supplements the Purchase Agreement. All terms used but not defined in this Letter Agreement will have the same meaning as in the Purchase Agreement.

1. Customer may request Boeing to install software owned by or licensed to Customer (**Software**) in the following systems in the Aircraft: (i) aircraft communications addressing and reporting system (**ACARS**), (ii) digital flight data acquisition unit (**DFDAU**), (iii) flight management system (**FMS**), (iv) cabin management system (**CMS**), (v) engine indication and crew alerting system (**EICAS**), (vi) airplane information management system (**AIMS**), (vii) satellite communications system (**SATCOM**), and (viii) In-Flight Entertainment (**IFE**).

2. For all Software described in paragraph 1, above, other than Software to be installed in SATCOM and IFE, the Software is not part of the configuration of the Aircraft certified by the FAA and therefore cannot be installed prior to delivery. If requested by Customer, Boeing will install such Software after the transfer to Customer of title to the Aircraft, but before fly away.

3. The SATCOM Software is part of the configuration of the Aircraft and included in the type design. If requested by Customer, Boeing will install the SATCOM Software prior to transfer to Customer of title to the Aircraft.

4. For IFE Software, if requested by Customer, Boeing will make the Aircraft accessible to Customer and Customer's IFE Software supplier so that the supplier can install the Software after delivery of the Aircraft, but before fly away.

GUN-PA-03980-LA-1303680
Loading of Customer Software

LA Page 1

BOEING PROPRIETARY

"[***]" This information is subject to confidential treatment and has been omitted and filed separately with the commission



5. All Software which is installed by Boeing other than the SATCOM Software will be subject to the following conditions:
- (i) Customer and Boeing agree that the Software is BFE for the purposes of Articles 3.1.3, 3.2, 3.4, 3.5, 3.10, 10 and 11 of Exhibit A, Buyer Furnished Equipment Provisions Document, to the AGTA and such articles apply to the installation of the Software.
 - (ii) Customer and Boeing further agree that the installation of the Software is a service under Exhibit B, Customer Support Document, to the AGTA.
 - (iii) Boeing makes no warranty as to the performance of such installation and Article 11 of Part 2 of Exhibit C of the AGTA, Disclaimer and Release; Exclusion of Liabilities and Article 8.2, Insurance, of the AGTA apply to the installation of the Software.

GUN-PA-03980-LA-1303680
Loading of Customer Software

LA Page 2

BOEING PROPRIETARY

"[*]" This information is subject to confidential treatment and has been omitted and filed separately with the commission**



Very truly yours,

AGREED AND ACCEPTED this

Date

THE BOEING COMPANY

By _____

Its Attorney-In-Fact _____

CHINA SOUTHERN AIRLINES COMPANY LIMITED

By _____

Its _____

CHINA SOUTHERN AIRLINES GROUP IMPORT AND EXPORT
TRADING CORP., LTD.

By _____

Its _____

GUN-PA-03980-LA-1303680
Loading of Customer Software

BOEING PROPRIETARY

"[*]" This information is subject to confidential treatment and has been omitted and filed separately with the commission**



GUN-PA-03980-LA-1303681

China Southern Airlines Company Limited
No. 278, Jichang Road,
Baiyun District, Guangzhou,
People's Republic of China, 510406

Subject: Open Configuration Matters

Reference: Purchase Agreement No. PA-03980 (**Purchase Agreement**) between The Boeing Company (**Boeing**) and China Southern Airlines Company Limited (**Customer**) with China Southern Airlines Group Import and Export Trading Corp., Ltd. (**Consenting Party**) relating to Model 737-800 aircraft (**Aircraft**)

This letter agreement (**Letter Agreement**) amends and supplements the Purchase Agreement. All terms used but not defined in this Letter Agreement will have the same meaning as in the Purchase Agreement.

1. Aircraft Configuration.

1.1 Initial Configuration. The initial configuration of Customer's Aircraft has been defined by Boeing Model 737-800 basic specification as described in Article 1 and Exhibit A of the Purchase Agreement. Final configuration of the Aircraft will be completed as described in this Letter Agreement.

1.2 Final Configuration Schedule. Customer and Boeing hereby agree to complete the configuration of the Aircraft using the then-current Boeing configuration documentation (**Final Configuration**) in accordance with the following schedule:

1.2.1 No later than [*****] months prior to the first Aircraft's scheduled delivery month, Boeing and Customer will discuss potential optional features.

1.2.2 Within [*****] after that meeting, Boeing will provide Customer with a proposal for those optional features that can be incorporated into the Aircraft during production via Boeing's configuration and offering process to customers generally.

1.2.3 Customer will then have [*****] to accept or reject the optional features.

GUN-PA-03980-LA-1303681
Open Configuration Matters

BOEING PROPRIETARY

"[*]" This information is subject to confidential treatment and has been omitted and filed separately with the commission**



2. Amendment of the Purchase Agreement. Within [*****] following Final Configuration, Boeing and Customer will execute a written amendment to the Purchase Agreement which will reflect the following:

2.1 Changes applicable to the basic Model 737-800 aircraft which are developed by Boeing between the date of signing of the Purchase Agreement and date of Final Configuration.

2.2 Incorporation into Exhibit A of the Purchase Agreement, by written amendment, those optional features which have been agreed to by Customer and Boeing pursuant to Article 1.2 above (**Customer Configuration Changes**);

2.3 Revisions to the Performance Guarantees to reflect the effects, if any, on Aircraft performance resulting from the incorporation of the Customer Configuration Changes;

2.4 Changes to the Optional Features Prices, Aircraft Basic Price and Advance Payment Base Price of the Aircraft to adjust for the difference, if any, between the prices estimated in Table 1 of the Purchase Agreement for optional features reflected in the Aircraft Basic Price and the actual prices of the optional features reflected in the Customer Configuration Changes; and

2.5 Changes to the Advance Payment Base Price of the Aircraft to adjust for the difference between the estimated amount included in Table 1 of the Purchase Agreement for Seller Purchased Equipment (**SPE**) and the price of the SPE reflected in the Customer Configuration Changes.

3. Other Letter Agreements.

Boeing and Customer acknowledge that as the definition of the Aircraft progresses, there may be a need to execute letter agreements addressing one or more of the following subjects:

3.1 Software. Additional provisions relating to software.

3.2 Installation of Cabin Systems Equipment (CSE). Additional provisions relating to the terms under which Boeing will offer and install in-flight entertainment systems in the Aircraft.

3.3 Seller Purchased Equipment (SPE) and/or In-Flight Entertainment (IFE). Provisions relating to the terms under which Boeing may offer or install SPE in the Aircraft.

3.4 Buyer Furnished Equipment (BFE). Provisions relating to the terms under which Boeing may offer or install BFE in the Aircraft.



Very truly yours,

AGREED AND ACCEPTED this

Date

THE BOEING COMPANY

By _____

Its Attorney-In-Fact _____

CHINA SOUTHERN AIRLINES COMPANY LIMITED

By _____

Its _____

CHINA SOUTHERN AIRLINES GROUP IMPORT AND EXPORT TRADING CORP., LTD.

By _____

Its _____

GUN-PA-03980-LA-1303681
Open Configuration Matters

BOEING PROPRIETARY

"[*]" This information is subject to confidential treatment and has been omitted and filed separately with the commission**



The Boeing Company
P.O. Box 3707
Seattle, WA 98124-2207

GUN-PA-03980-LA-1303682

China Southern Airlines Company Limited
No. 278, Jichang Road,
Baiyun District, Guangzhou,
People's Republic of China, 510406

Subject: Aircraft Model Substitution

Reference: Purchase Agreement No. PA-03980 (**Purchase Agreement**) between The Boeing Company (**Boeing**) and China Southern Airlines Company Limited (**Customer**) with China Southern Airlines Group Import and Export Trading Corp., Ltd. (**Consenting Party**) relating to Model 737-800 aircraft (**Aircraft**)

This letter agreement (**Letter Agreement**) amends and supplements the Purchase Agreement. All terms used but not defined in this Letter Agreement will have the same meaning as in the Purchase Agreement.

Customer may substitute the purchase of [*****] (**Substitute Aircraft**) in place of any Aircraft, subject to the following terms and conditions:

1. Customer's Written Notice.

- 1.1 Customer will provide written notice of its intention to substitute the purchase of an Aircraft with the purchase of a Substitute Aircraft,
 - (i) no later than the first day of the month that is [*****] to the scheduled month of delivery of the Aircraft for which it will be substituted, provided that a Substitute Aircraft has been previously certified and delivered to Customer, or;
 - (ii) no later than the first day of the month that is [*****] to the scheduled month of delivery of the Aircraft for which it will be substituted, if a Substitute Aircraft has not been previously certified and delivered to Customer.

2. Boeing's Production Capability.

GUN-PA-03980-LA-1303682
Aircraft Model Substitution

LA Page 1

BOEING PROPRIETARY

"[***]" This information is subject to confidential treatment and has been omitted and filed separately with the commission



2.1 Customer's substitution right is conditioned upon Boeing having production capability for the Substitute Aircraft in the same scheduled delivery month as the Aircraft for which it will be substituted. Boeing will provide a written response to Customer's notice of intent indicating whether or not Boeing's production capability will support the scheduled delivery month.

2.2 If Boeing is unable to manufacture the Substitute Aircraft in the same scheduled delivery month as the Aircraft for which it will be substituted, then Boeing will promptly make a written offer of an alternate delivery month for Customer's consideration and written acceptance within thirty days of such offer.

2.3 All of Boeing's quoted delivery positions for Substitute Aircraft will be considered preliminary until such time as the parties enter into a definitive agreement in accordance with paragraph 4 below.

3. Auxiliary Fuel Tanks (for Model 737-900ER Aircraft).

The right to substitute Model 737-900ER aircraft under the terms of the Purchase Agreement excludes the installation of auxiliary fuel tanks, because such installation may delay delivery of the Model 737-900ER Aircraft up to three months.

4. Definitive Agreement.

Customer's substitution right and Boeing obligation in this Letter Agreement are further conditioned upon Customer and Boeing's executing a definitive agreement for the purchase of the Substitute Aircraft within [*****] of Customer's substitution notice to Boeing or of Customer's acceptance of an alternate delivery month in accordance with paragraph 2 above.

5. Price and Advance Payments.

5.1 The Airframe Price, Optional Features Price and, if applicable, Engine Price will be adjusted to Boeing's and the engine manufacturer's then-current prices for such elements as of the date of execution of the definitive purchase agreement for the Substitute Aircraft. The escalation indices and methodology used to estimate the Advance Payment Base Price (APBP) will be adjusted to Boeing's and the engine manufacturer's then-current provisions for such elements as of the date of execution of the definitive purchase agreement for the Substitute Aircraft.

5.2 If the APBP for any Substitute Aircraft is higher than the APBP of the Aircraft, Customer will pay to Boeing the amount of the difference in Advance Payments as of the date of execution of the definitive agreement for the Substitute Aircraft. If the APBP of the Substitute Aircraft is lower than the APBP of the Aircraft, Boeing will retain any excess amounts previously paid by Customer until the next payment is due, at which time Customer may reduce the amount of such payment by the amount of the

BOEING PROPRIETARY

"[*]" This information is subject to confidential treatment and has been omitted and filed separately with the commission**



excess. In no case will Boeing refund or pay interest on any excess amounts created by virtue of Customer's exercise of the rights of substitution described herein.

6. Assignment.

Notwithstanding any other provisions of the Purchase Agreement, the rights and obligations described in this Letter Agreement are provided to Customer in consideration of Customer becoming the operator of the Aircraft and cannot be assigned in whole or, in part.

7. Confidential Treatment.

The information contained herein represents confidential business information and has value precisely because it is not available generally or to other parties. Customer will limit the disclosure of its contents, except for as required by applicable laws or regulations, to employees of Customer with a need to know the contents for purposes of helping Customer perform its obligations under the Purchase Agreement and who understand they are not to disclose its contents to any other person or entity without the prior written consent of Boeing.

GUN-PA-03980-LA-1303682
Aircraft Model Substitution

LA Page 3

BOEING PROPRIETARY

"[*]" This information is subject to confidential treatment and has been omitted and filed separately with the commission**



Very truly yours,

AGREED AND ACCEPTED this

Date

THE BOEING COMPANY

By _____

Its Attorney-In-Fact _____

CHINA SOUTHERN AIRLINES COMPANY LIMITED

By _____

Its _____

CHINA SOUTHERN AIRLINES GROUP IMPORT AND EXPORT TRADING CORP., LTD.

By _____

Its _____

GUN-PA-03980-LA-1303682
Aircraft Model Substitution

BOEING PROPRIETARY

"[*]" This information is subject to confidential treatment and has been omitted and filed separately with the commission**



The Boeing Company
P.O. Box 3707
Seattle, WA 98124-2207

GUN-PA-03980-LA-1303683

China Southern Airlines Company Limited
No. 278, Jichang Road,
Baiyun District, Guangzhou,
People's Republic of China, 510406

Subject: Promotional Support

Reference: Purchase Agreement No. PA-03980 (**Purchase Agreement**) between The Boeing Company (**Boeing**) and China Southern Airlines Company Limited (**Customer**) with China Southern Airlines Group Import and Export Trading Corp., Ltd. (**Consenting Party**) relating to Model 737-800 aircraft (**Aircraft**)

This letter agreement (**Letter Agreement**) amends and supplements the Purchase Agreement. All terms used but not defined in this Letter Agreement will have the same meaning as in the Purchase Agreement.

Boeing and Customer wish to enter into an agreement pursuant to which each party will contribute equally to promotional programs in support of the entry into service of the Aircraft as more specifically provided below.

1. Definitions.

1.1 **Commitment Limit** will have the meaning set forth in Article 2, below.

1.2 **Covered Aircraft** will mean those Aircraft identified on Table 1 to the Purchase Agreement as of the date of signing of this Letter Agreement.

1.3 **Performance Period** will mean the period [*****] the scheduled delivery month of the first Covered Aircraft and ending [*****] the scheduled delivery month of the last Covered Aircraft.

1.4 **Promotional Support** will mean mutually agreed marketing and promotion programs that promote the entry into service of the Covered Aircraft such as marketing research, tourism development, corporate identity, direct marketing, videotape or still photography, planning, design and production of collateral materials, management of promotion programs, advertising campaigns or such other marketing and promotional activities as the parties may mutually agree.

GUN-PA-03980-LA-1303683
Promotional Support

LA Page 1

BOEING PROPRIETARY

"[****]" This information is subject to confidential treatment and has been omitted and filed separately with the commission



1.5 **Qualifying Third Party Fees** will mean fees paid by Customer to third party providers for Promotional Support provided to Customer during the Performance Period.

2. Commitment.

As more particularly set forth in this Letter Agreement, Boeing agrees to provide Promotional Support to Customer during the Performance Period in a value not to exceed [*****] delivered to Customer and not to exceed [*****] Covered Aircraft for each Covered Aircraft delivered to Customer thereafter.

3. Methods of Performance.

3.1 Subject to the Commitment Limit, Boeing will [*****] of Customer's payments of Qualifying Third Party Fees provided that Customer provides Boeing copies of paid invoices for such Qualifying Third Party Fees no later than [*****] after the delivery of the last Covered Aircraft.

3.2 Notwithstanding the above, at Customer's request and subject to a mutually agreed project, Boeing will provide certain Promotional Support during the Performance Period directly to Customer. The full value of such Boeing provided Promotional Support will be accounted for as part of the Commitment Limit and will correspondingly reduce the amount of Qualifying Third Party Fees that are subject to reimbursement pursuant to Article 3.1 above.

3.3 In the event Customer does not (i) utilize the full amount of the Commitment Limit within the Performance Period or (ii) submit its paid invoices for Qualifying Third Party Fees within the required time, as set forth in Article 3.1, Boeing will have no further obligation to Customer for such unused Commitment Limit or to reimburse Customer for such Qualifying Third Party Fees, respectively.

4. Project Approval.

Following the execution of this Letter Agreement, a Boeing Airline Marketing Services representative will meet with Customer's designated representative to review and approve the extent, selection, scheduling, and funds disbursement process for the Promotional Support to be provided pursuant to this Letter Agreement.

5. Assignment.

Notwithstanding any other provisions of the Purchase Agreement, the rights and obligations described in this Letter Agreement are provided to Customer in consideration of Customer becoming the operator of the Aircraft and cannot be assigned in whole or, in part.

GUN-PA-03980-LA-1303683
Promotional Support

BOEING PROPRIETARY

"[*]" This information is subject to confidential treatment and has been omitted and filed separately with the commission**



6. Confidential Treatment.

The information contained herein represents confidential business information and has value precisely because it is not available generally or to other parties. Customer will limit the disclosure of its contents, except for as required by applicable laws or regulations, to employees of Customer with a need to know the contents for purposes of helping Customer perform its obligations under the Purchase Agreement and who understand they are not to disclose its contents to any other person or entity without the prior written consent of Boeing.

GUN-PA-03980-LA-1303683
Promotional Support

LA Page 3

BOEING PROPRIETARY

"[*]" This information is subject to confidential treatment and has been omitted and filed separately with the commission**



Very truly yours,

AGREED AND ACCEPTED this

Date

THE BOEING COMPANY

By _____

Its Attorney-In-Fact _____

CHINA SOUTHERN AIRLINES COMPANY LIMITED

By _____

Its _____

CHINA SOUTHERN AIRLINES GROUP IMPORT AND EXPORT TRADING CORP., LTD.

By _____

Its _____

GUN-PA-03980-LA-1303683
Promotional Support

BOEING PROPRIETARY

"[*]" This information is subject to confidential treatment and has been omitted and filed separately with the commission**



The Boeing Company
P.O. Box 3707
Seattle, WA 98124-2207

GUN-PA-03980-LA-1303684

China Southern Airlines Company Limited
No. 278, Jichang Road,
Baiyun District, Guangzhou,
People's Republic of China, 510406

Subject: Seller Purchased Equipment

Reference: Purchase Agreement No. PA-03980 (**Purchase Agreement**) between The Boeing Company (**Boeing**) and China Southern Airlines Company Limited (**Customer**) with China Southern Airlines Group Import and Export Trading Corp., Ltd. (**Consenting Party**) relating to Model 737-800 aircraft (**Aircraft**)

This letter agreement (**Letter Agreement**) amends and supplements the Purchase Agreement. All terms used but not defined in this Letter Agreement will have the same meaning as in the Purchase Agreement.

Definition of Terms:

Seller Purchased Equipment (**SPE**) is BFE that Boeing purchases for Customer and that is identified as SPE in the Detail Specification for the Aircraft.

1. Price.

1.1 Advance Payments. An estimated SPE price is included in the Advance Payment Base Prices shown in Table 1 for the purpose of establishing the advance payments for the Aircraft.

1.2 Aircraft Price. The Aircraft Price will be adjusted to reflect [*****] charged to Boeing by the SPE suppliers and transportation charges.

2. Customer Responsibilities.

Customer is responsible for:

- (i) selecting the SPE suppliers from a list provided by Boeing for the commodities identified on such list and notifying Boeing of the SPE suppliers in accordance with the supplier selection date(s) as set forth in Attachment A of this Letter Agreement;

GUN-PA-03980-LA-1303684
Seller Purchased Equipment

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- (ii) for emergency/miscellaneous equipment, providing to Boeing the selected part specification/Customer requirements. Standard supplier pricing, product support, warranty, spares, training and any additional support defined by Customer will be a direct pass through to Customer at time of Aircraft delivery;
- (iii) for seats, galleys, and galley inserts negotiating price directly with the suppliers, and entering into direct agreements with the suppliers for product support including spares support, warranty, training and any additional support defined by the Customer. Customer will provide suppliers' pricing to Boeing and will obtain suppliers' agreement to accept Boeing's purchase orders reflecting the Customer negotiated pricing.

3. Boeing Responsibilities.

Boeing is responsible for:

- (i) placing and managing the purchase orders with the suppliers;
- (ii) coordinating with the suppliers on technical issues;
- (iii) for seats, galleys, and galley inserts confirming the agreed to pricing with both the Customer and supplier;
- (iv) ensuring that the delivered SPE complies with the part specification;
- (v) obtaining certification of the Aircraft with the SPE installed;
- (vi) for miscellaneous/emergency equipment, obtaining standard supplier pricing, and obtaining for Customer copies of product support, warranty, spares, training, and any additional support documentation defined by the Customer which will be provided to Customer prior to delivery of the Aircraft.

4. Supplier Selection For SPE Galleys and Seats.

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Seller Purchased Equipment

LA Page 2

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4.1 In addition to those responsibilities described above, for SPE galleys and seats the following provisions apply with respect to Customer's selection of suppliers:

4.1.1 Galley Requirements. Customer will provide Boeing the definitive galley configuration requirements, including identification of refrigeration requirements and fixed and removable insert equipment by quantity, manufacturer and part number not later than [*****] prior to galley supplier selection dates in Attachment A.

4.1.2 Seat Requirements. Customer will provide to Boeing the definitive seat configuration requirements not later than [*****] prior to seat supplier selection dates in Attachment A.

4.1.3 Bidder's List. For information purposes, Boeing will submit to Customer a bidder's list of existing suppliers of seats and galleys [*****] prior to the supplier selection date(s) referred to in paragraph 2 (i) above.

4.1.4 Request for Quotation (RFQ). Approximately ninety (90) days prior to the supplier selection date(s), Boeing will issue its RFQ inviting potential bidders to submit bids for the galleys and seats within [*****] of the selection date.

4.1.5 Recommended Bidders. Not later [*****] prior to the supplier selection date(s), Boeing will submit to Customer a list of recommended bidders from which to choose a supplier for the galleys and seats. The recommendation is based on an evaluation of the bids submitted using price, weight, warranty and schedule as the criteria.

4.1.6 Supplier Selection. If Customer selects a seat or galley supplier that is not on the Boeing recommended list, such seat or galley will become BFE and the provisions of Exhibit A, Buyer Furnished Equipment Provisions Document, of the AGTA will apply.

5. IFE/CCS Software.

IFE/CCS may contain software of the following two types:

5.1 Systems Software. The software required to operate and certify the IFE/CCS systems on the Aircraft is the Systems Software and is part of the IFE/CCS.

5.2 Customer's Software. The software accessible to the Aircraft passengers which controls Customer's specified optional features is Customer's Software and is not part of the IFE/CCS.

5.2.1 Customer is solely responsible for specifying Customer's Software functional and performance requirements and ensuring that Customer's Software meets

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"[*]" This information is subject to confidential treatment and has been omitted and filed separately with the commission**



such requirements. Customer and Customer's Software supplier will have total responsibility for the writing, certification, modification, revision, or correction of any of Customer's Software. Customer shall be responsible for and assumes all liability with respect to Customer's Software.

5.2.2 The omission of any Customer's Software or the lack of any functionality of Customer's Software will not be a valid condition for Customer's rejection of the Aircraft at the time of Aircraft delivery.

5.2.3 Boeing has no obligation to approve any documentation to support Customer's Software certification. Boeing will only review and operate Customer's Software if in Boeing's reasonable opinion such review and operation is necessary to certify the IFE/CCS system on the Aircraft.

5.2.4 Boeing shall not be responsible for obtaining FAA certification for Customer's Software.

6. Changes.

After Customer's acceptance of this Letter Agreement, any changes to SPE may only be made by and between Boeing and the SPE suppliers. Customer requested changes to the SPE after execution of this Letter Agreement will be made by Customer in writing directly to Boeing for approval and for coordination by Boeing with the SPE supplier. Any such change to the configuration of the Aircraft will be subject to price and offerability through Boeing's master change or other process for amendment of the Purchase Agreement.

7. Proprietary Rights.

Boeing's obligation to purchase SPE will not impose upon Boeing any obligation to compensate Customer or any supplier for any proprietary rights Customer may have in the design of the SPE.

8. Remedies.

If Customer's nonperformance of its obligations in this Letter Agreement causes a delay in the delivery of the Aircraft or causes Boeing to perform out-of-sequence or additional work, Customer will reimburse Boeing for all resulting expenses and be deemed to have agreed to any such delay in Aircraft delivery. In addition, Boeing will have the right to:

8.1 delay delivery of the Aircraft;

8.2 deliver the Aircraft without installing the SPE;



- 8.3 provide and install suitable alternate equipment and invoice Customer for the associated cost; and/or
- 8.4 increase the Aircraft Price by the amount of Boeing's additional costs attributable to such noncompliance.

9. Title and Risk of Loss.

Title and risk of loss of the SPE will remain with Boeing until the Aircraft is delivered to Customer.

10. Customer's Indemnification of Boeing.

Customer will indemnify and hold harmless Boeing from and against all claims and liabilities, including costs and expenses (including attorneys' fees) incident thereto or incident to successfully establishing the right to indemnification, for injury to or death of any person or persons, including employees of Customer but not employees of Boeing, or for loss of or damage to any property, including Aircraft, arising out of or in any way connected with any nonconformance or defect in any SPE and whether or not arising in tort or occasioned in whole or in part by the negligence of Boeing. This indemnity will not apply with respect to any nonconformance or defect caused solely by Boeing's installation of the SPE.

11. Definition.

For purposes of the above indemnity, the term **Boeing** includes The Boeing Company, its divisions, subsidiaries and affiliates, the assignees of each, and their directors, officers, employees and agents.

GUN-PA-03980-LA-1303684
Seller Purchased Equipment

BOEING PROPRIETARY

["***"] This information is subject to confidential treatment and has been omitted and filed separately with the commission



Very truly yours,

AGREED AND ACCEPTED this

Date

THE BOEING COMPANY

By _____

Its Attorney-In-Fact _____

CHINA SOUTHERN AIRLINES COMPANY LIMITED

By _____

Its _____

CHINA SOUTHERN AIRLINES GROUP IMPORT AND EXPORT TRADING CORP., LTD.

By _____

Its _____

GUN-PA-03980-LA-1303684
Seller Purchased Equipment

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Attachment A

1. Supplier Selection.

Customer will:

1.1 Select and notify Boeing of the suppliers and part numbers of the following SPE items by the following dates:

Galley System	January 29, 2016
Galley Inserts	January 29, 2016
Seats (passenger)	January 29, 2016
Overhead & Audio System	January 19, 2016
In-Seat Video System	January 19, 2016
Miscellaneous Emergency Equipment	January 19, 2016
Cargo Handling Systems* (Single Aisle Programs only)	January 19, 2016

*For a new certification, Customer will need to provide Supplier Selections [***** **] months earlier than stated above.

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Seller Purchased Equipment

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The Boeing Company
P.O. Box 3707
Seattle, WA 98124-2207

GUN-PA-03980-LA-1303685

China Southern Airlines Company Limited
No. 278, Jichang Road,
Baiyun District, Guangzhou,
People's Republic of China, 510406

Subject: Installation of Cabin Systems Equipment

Reference: Purchase Agreement No. PA-03980 (**Purchase Agreement**) between The Boeing Company (**Boeing**) and China Southern Airlines Company Limited (**Customer**) with China Southern Airlines Group Import and Export Trading Corp., Ltd. (**Consenting Party**) relating to Model 737-800 aircraft (**Aircraft**)

This letter agreement (**Letter Agreement**) amends and supplements the Purchase Agreement. All terms used but not defined in this Letter Agreement will have the same meaning as in the Purchase Agreement.

Customer has requested that Boeing install in the Aircraft In-Flight Entertainment and communications systems described in Attachment A to this Letter Agreement (collectively referred to as **Cabin Systems Equipment** or **CSE**). CSE is BFE that Boeing purchases for Customer and that is identified in the Detail Specification for the Aircraft.

Because of the complexity of the CSE, special attention and additional resources will be required during the development, integration, and certification of the CSE and manufacture of the Aircraft to achieve proper operation of the CSE at the time of delivery of the Aircraft. To assist Customer, Boeing will perform the functions of project manager (**Project Manager**) as set forth in Attachment B.

1. Responsibilities.

1.1 Customer will:

1.1.1 provide Customer's CSE system requirements to Boeing;

1.1.2 select the CSE suppliers (**Supplier(s)**) and system configuration) from among those identified in the Option(s) listed in Attachment A to this Letter Agreement, on or before January 19, 2016; or as otherwise available in the then current 737 Standard Selections Catalog and formally offered by Boeing;

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Cabin Systems Equipment

LA Page 1

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1.1.3 promptly after selecting the Options, participate with Boeing in meetings with Suppliers to ensure that Supplier's functional system specifications meet Customer's and Boeing's respective requirements. Such functional system specifications define functionality to which Boeing will test prior to delivery but are not a guarantee of functionality at delivery;

1.1.4 select Supplier part numbers;

1.1.5 negotiate and obtain agreements on product assurance, product support following Aircraft delivery (including spares support), and any other special business arrangements directly with Suppliers;

1.1.6 provide pricing information for CSE part numbers selected to Boeing by a mutually selected date;

1.1.7 negotiate and obtain agreements with any required service providers;

1.1.8 include in Customer's contract with any seat supplier a condition obligating such seat supplier to enter a bonded stores agreement with Boeing. This bonded stores agreement will set forth the terms concerning the use, handling, storage, and risk of loss of CSE during the time such equipment is under the seat supplier's control;

1.1.9 obligate Suppliers to:

1.1.9.1 assist the seat suppliers in the preparation of seat assembly functional test plans;

1.1.9.2 coordinate integration testing, and provide seat assembly functional test procedures for seat electronic parts to seat suppliers and Boeing, as determined by Boeing; and.

1.1.9.3 comply with Boeing's type design and type certification data development and protection requirements where the Supplier has type design/certification responsibility. The requirements will require Suppliers to (i) maintain type design/certificate data for the life of such type certificate for all type design and (ii) entitle Boeing to access, review, and receive such type design/certification data. These requirements will be provided to Customer and included in any applicable contracts between Customer and Supplier.

1.2 Boeing will:

1.2.1 perform the Project Manager functions stated in Attachment B;

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Cabin Systems Equipment

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- 1.2.2 provide Aircraft interface requirements to Suppliers;
- 1.2.3 assist Suppliers in the development of CSE system specifications and approve such specifications;
- 1.2.4 release purchase orders, including on-dock dates to Supplier on behalf of Customer, and manage such purchase orders;
- 1.2.5 coordinate the resolution of technical issues with Suppliers;
- 1.2.6 ensure that at the time of Aircraft delivery the CSE configuration meets the requirements of the Option(s) contained in Attachment A to this Letter Agreement as such Attachment A may be amended from time to time; and
- 1.2.7 obtain FAA certification of the Aircraft with the conforming CSE installed therein.

2. Software.

CSE systems may contain software of the following two types:

2.1 Certification Software. The software required to functionally test, operate and certify the CSE systems on the Aircraft is the Certification Software and is part of the CSE.

2.2 Customer's Software. The software which is defined by the Customer to support specified features and appearance is Customer's Software and is not part of the CSE.

2.2.1 Customer is solely responsible for specifying Customer's Software functional and performance requirements and ensuring that Customer's Software meets such requirements. Customer and Customer's Software supplier will have total responsibility for the writing, certification, modification, revision, or correction of any of Customer's Software. Boeing will not perform the functions and obligations described in paragraph 1.2 above, or the Project Manager's functions described in Attachment B, for Customer's Software.

2.2.2 The omission of any Customer's Software or the lack of any functionality of Customer's Software will not be a valid condition for Customer's rejection of the Aircraft at the time of Aircraft delivery.

2.2.3 Boeing has no obligation to approve any documentation to support Customer's Software certification. Boeing will only review and operate Customer's Software if in Boeing's reasonable opinion such review and operation is necessary to certify the CSE on the Aircraft.

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Cabin Systems Equipment

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2.2.4 Boeing will not be responsible for obtaining FAA certification for Customer's Software.

3. Changes.

3.1 After Customer's acceptance of this Letter Agreement, any changes to CSE may only be made by and between Boeing and the Supplier. Any Customer request for changes to the CSE specification after execution of this Letter Agreement will be made in writing directly to Boeing for approval and for coordination by Boeing with the Supplier. Any such change to the configuration of the Aircraft will be subject to price and offerability through Boeing's master change or other process for amendment of the Purchase Agreement. Any Supplier price increase or decrease resulting from such change will be negotiated between Customer and Supplier.

3.2 Boeing and Customer recognize that the developmental nature of the CSE may require changes to the CSE or the Aircraft in order to ensure (i) compatibility of the CSE with the Aircraft and all other Aircraft systems, and (ii) FAA certification of the Aircraft with the CSE installed therein. In such event Boeing will notify Customer and recommend to Customer the most practical means for incorporating any such change. If within fifteen (15) days after such notification Customer and Boeing cannot mutually agree on the incorporation of any such change or alternate course of action, the remedies available to Boeing in Paragraph 6 will apply.

3.3 The incorporation into the Aircraft of any mutually agreed change to the CSE may result in Boeing adjusting the price of the Option(s) contained in Attachment A to this Letter Agreement.

3.4 Boeing's obligation to obtain FAA certification of the Aircraft as it relates to CSE is limited to the CSE as described in Attachment A, as Attachment A may be amended from time to time.

4. Supplier Defaults.

Boeing will notify Customer in a timely manner in the event of a default by a Supplier under the Supplier's purchase order with Boeing. Within fifteen (15) days of Customer's receipt of such notification, Boeing and Customer will agree on an alternate Supplier or other course of action. If Boeing and Customer are unable to agree on an alternate Supplier or course of action within such time, the remedies available to Boeing in Paragraph 6 will apply.

5. Exhibits B and C to the AGTA.

CSE is deemed to be BFE for the purposes of Exhibit B, Customer Support Document, and Exhibit C, the Product Assurance Document, of the AGTA.

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Cabin Systems Equipment

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6. Boeing's Remedies.

If Customer does not perform its obligations as provided in this Letter Agreement or if supplier fails (for any reason other than a default by Boeing under the purchase order terms) to deliver conforming CSE per the schedule set forth in the purchase order, then, in addition to any other remedies which Boeing may have by contract or under law, Boeing may:

- 6.1 revise the scheduled delivery month of the Aircraft to accommodate the delay in delivery of the conforming CSE and base the calculation of the Escalation Adjustment on such revised delivery month;
- 6.2 deliver the Aircraft without part or all of the CSE installed, or with part or all of the CSE inoperative; and/or
- 6.3 increase the Aircraft Price by the amount of Boeing's additional costs attributable to such noncompliance, including but not limited to, disruption costs associated with out of sequence work by Boeing, any charges due to a Supplier's failure to perform in accordance with CSE program milestones as established by Boeing and agreed to by the Supplier and particularly with respect to late delivery of such CSE.

7. Advance Payments.

7.1 Estimated Price for the CSE. An estimated price for the CSE purchased by Boeing will be included in the Aircraft Advance Payment Base Price to establish the advance payments for each Aircraft.

7.2 Aircraft Price. The Aircraft Price will include the actual CSE prices and any associated transportation costs charged Boeing by Suppliers or otherwise incurred by Boeing.

8. Customer's Indemnification of Boeing.

Customer will indemnify and hold harmless Boeing from and against all claims and liabilities, including costs and expenses (including attorneys' fees) incident thereto or incident to successfully establishing the right to indemnification, for injury to or death of any person or persons, including employees of Customer but not employees of Boeing, or for loss of or damage to any property, including Aircraft, arising out of or in any way connected with any nonconformance or defect in any CSE, or in the installation thereof or in the provision of services hereunder, and whether or not arising in tort or occasioned in whole or in part by the negligence of Boeing. This indemnity will not apply with respect to any nonconformance or defect caused solely by Boeing's installation of the CSE.

9. Title and Risk of Loss.

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Cabin Systems Equipment

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Title of CSE will remain with Boeing until the Aircraft title is transferred to Customer. Risk of loss will remain with the entity that is in possession of the CSE prior to Aircraft delivery

If the foregoing correctly sets forth your understanding of our agreement with respect to the matters treated above, please indicate your acceptance and approval below.

Very truly yours,

AGREED AND ACCEPTED this

Date

THE BOEING COMPANY

By _____

Its Attorney-In-Fact _____

CHINA SOUTHERN AIRLINES COMPANY LIMITED

By _____

Its _____

CHINA SOUTHERN AIRLINES GROUP IMPORT AND EXPORT TRADING CORP., LTD.

By _____

Its _____

GUN-PA-03980-LA-1303685
Cabin Systems Equipment

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**Attachment A
Cabin Systems Equipment**

The following optional features (**Option(s)**) describe(s) the items of equipment that under the terms and conditions of this Letter Agreement are considered to be CSE. Each such Option is fully described in Option Document as described in Exhibit A to the Purchase Agreement. Final configuration will be based on Customer acceptance of any or all Options listed below.

Option Request Number and Title

2300CHXXXX
CABIN ENTERTAINMENT AND...

GUN-PA-03980-LA-1303685
Cabin Systems Equipment

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**Attachment B
Project Manager**

1. Project Management.

Boeing will perform the following functions for the CSE. Boeing will have authority to make day-to-day management decisions, and decisions on technical details which in Boeing's reasonable opinion do not significantly affect form, fit, function, cost, or aesthetics. Boeing will be responsible for:

- (i) managing the development of all program schedules;
- (ii) evaluating Supplier's program management and developmental plans to meet Boeing's production schedule;
- (iii) defining program metrics and status requirements;
- (iv) scheduling and conducting program design and schedule reviews with Customer and Suppliers, as needed;
- (v) monitoring compliance with schedules;
- (vi) evaluating and approving any recovery plans or plan revisions which may be required of either Suppliers or Customer;
- (vii) managing the joint development of the CSE system specification; and
- (viii) leading the development of a joint CSE project management plan (**Project Plan**).

2. System Integration.

Boeing's performance as Project Manager will include the functions of systems integrator (**Systems Integrator**). As Systems Integrator Boeing will perform the following functions:

- (i) as required, assist Suppliers in defining their system specifications for the CSE, approve such specifications and develop an overall system functional specification;

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Cabin Systems Equipment

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- (ii) ensure the Project Plan includes sufficient Supplier testing, Supplier sub-system testing, and an overall CSE system acceptance test; and
- (iii) organize and conduct technical coordination meetings with Customer and Supplier(s) to review responsibilities, functionality, Aircraft installation requirements and overall program schedule, direction and progress.

3. Seat Integration.

- (i) Boeing will coordinate the interface requirements between seat suppliers and Suppliers. Interface requirements are defined in Boeing Document No's. D6-36230, "Passenger Seat Design and Installation"; D6-36238, "Passenger Seat Structural Design and Interface Criteria"; D222W232, "Seat Wiring and Control Requirements"; and D222W013-4, "Seat Assembly Functional Test Plan", as amended and superseded from time to time.

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Cabin Systems Equipment

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The Boeing Company
P.O. Box 3707
Seattle, WA 98124-2207

GUN-PA-03980-LA-1303686

China Southern Airlines Company Limited
No. 278, Jichang Road,
Baiyun District, Guangzhou,
People's Republic of China, 510406

Subject: Clarifications and Understandings

Reference: Purchase Agreement No. PA-03980 (**Purchase Agreement**) between The Boeing Company (**Boeing**) and China Southern Airlines Company Limited (**Customer**) with China Southern Airlines Group Import and Export Trading Corp., Ltd. (**Consenting Party**) relating to Model 737-800 aircraft (**Aircraft**)

This letter agreement (**Letter Agreement**) amends and supplements the Purchase Agreement. All terms used but not defined in this Letter Agreement shall have the same meaning as in the Purchase Agreement.

1. Clarifications and Understandings. The following clarifications and understandings pertain to the indicated provisions of the Purchase Agreement:

1.1 Purchase Agreement, Article 1. Quantity, Model and Description. As set forth in the AGTA, Boeing will manufacture each aircraft to conform to the appropriate Type Certificate issued by the United States Federal Aviation Administration (FAA) for the specific model of aircraft and will obtain from the FAA and furnish to Buyer at delivery of each aircraft either a Standard Airworthiness Certificate or an Export Certificate of Airworthiness issued pursuant to Part 21 of the Federal Aviation Regulations.

The Civil Aviation Authority of China (CAAC) has indicated to the FAA that Boeing's manufacturing procedures meet the bi-lateral agreements between the responsible parties. The FAA uses FAR Part 25 to establish the Type Certificate. Similarly, the CAAC uses its CCAR 25 for its Type Certificate. CCAR 25 is not identical to the FAA, but the CAAC considers both to be sufficiently equivalent to recognize the FAA Type Certificate to be valid.

In the issuance of an Export Certificate of Airworthiness, the FAA complies with any additional CAAC requirements through the use of Advisory Circular 21-2 (AC 21-2). Such additional requirements are documented by the FAA in AC 21-2.

1.2 [*****]

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Clarifications and Understandings

LA Page 1

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Article 4.2 refers to payments due on the “effective date” of the Purchase Agreement. Article 4.3 refers to payments due “upon signing” of the Purchase Agreement. The effective date of the Purchase Agreement is the day it is signed by Boeing, Customer and the Consenting Party. Such date appears in the first sentence of the Purchase Agreement and again just above the signature blocks of the parties to the Purchase Agreement. For clarification purposes, [*****]
 [*****]

1.3 Purchase Agreement, Article 5.7. Public Disclosure.

For clarity, Customer may make a public announcement regarding Customer’s purchase of the Aircraft upon approval of Customer’s press release by Boeing’s public relations department or other authorized representative.

2. AGTA Article 5.3 Demonstration Flights.

For clarity, demonstration flights are to demonstrate the function of the Aircraft only to Customer and not for marketing or commercial activities with Boeing’s other customers.

3. AGTA Article 5.5 Special Aircraft Test Requirements.

Customer is concerned for the potential that flight and ground test hours on any Aircraft could [*****]. As an accommodation for Customer’s concern, Boeing will notify Customer for any flight and ground testing that would [*****] on an Aircraft. Customer and Boeing agree to discuss the matter if tests are for purposes other than the flight and ground tests described in Article 5.5 (i) and (ii) of the AGTA. For the avoidance of doubt, Boeing flight and ground tests [*****] Customer’s Aircraft [*****].

4. AGTA Article 6. Delivery.

Customer is concerned events may occur affecting Customer’s ability to take delivery of an Aircraft on the scheduled delivery date. As an accommodation for Customer’s concern, Boeing will work with the Customer to adjust the delivery date for [*****] in the Purchase Agreement within the scheduled delivery month as long as Customer provides a notice to Boeing within [*****] after receiving Boeing’s delivery notice on that Aircraft, and, notwithstanding Article 6.4 of the AGTA, Delay, Customer [*****] as a result of such adjustment.

5. AGTA Article 8.2 Insurance.

Customer is concerned about aircraft insurance requirements under Article 8.2 after Customer has sold an aircraft to a new owner. For clarity, after Customer has transferred the title of an aircraft to the new owner, Customer will be released from

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Clarifications and Understandings

LA Page 2

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providing certificate of insurance to Boeing for that specific aircraft after Customer has provided Boeing the notification of such post-delivery sale (AGTA Appendix III provides such a reference notice). Notwithstanding the foregoing, Customer is not released from its obligation under Articles 8.2 during any period which Customer has control or possession of an aircraft.

6. AGTA Exhibit A, Buyer Furnished Equipment.

6.1 Article 7. Title and Risk of Loss. For clarification purposes, the last sentence of Article 7.1 of Exhibit A of the AGTA will provide Customer the greater of protection [*****] [*****.] In either case, Boeing will not be liable for loss of use.

6.2 Article 9 Indemnification of Boeing. This last sentence of Article 9 shall be modified to read: "This [*****] [*****] [*****]."

7. Purchase Agreement Exhibit B, Aircraft Delivery Requirements and Responsibilities.

7.1 Article 1.1, Airworthiness and Registration Documents. The first sentence of Article 1.1 shall be modified to read: "Airworthiness and Registration Documents. Not later than [*****] prior to delivery of each Aircraft, Customer will notify Boeing of the registration number to be painted on the side of the Aircraft." Customer and Boeing also agree to work together to minimize the impact related to Customer's notification to Boeing of the aircraft SELCAL and Mode-S information.

7.2 Article 1.2, Certificate of Sanitary Construction. For clarification purposes and pursuant to Article 1.2.2, Customer has elected to receive the Certificate of Sanitary Construction at the time of Aircraft delivery.

7.3 Article 4.1, Schedule of Inspections, and Article 4.2, Schedule for Demonstration Flights. Articles identify parties that participate in such actions and the Civil Aviation Authority of China (CAAC) may also participate in these actions.

7.4 Article 4.4, Fuel Provided by Boeing. In addition to the fuel provided by Boeing pursuant to Article 4.4, Boeing assists its customers with certain unique services or accommodation [*****]. If requested, Boeing provides oil and hydraulic fluid for the ferry flight. Also, if Customer does not load its own navigation database for ferry flight, Boeing will provide a limited-time use database for the ferry flight.

7.5 Article 4.6 Delivery Papers, Documents and Data. Replace the first sentence with the following:

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“Boeing will have available at the time of delivery of the Aircraft certain delivery papers, documents and data for execution and delivery. Such documents may include, but are not limited to the following:

1. Aircraft Bill of Sale
2. FAA Export Certificate of Airworthiness
3. Weight and Balance Supplement
4. Engine Brochure
5. Miscellaneous Delivery Record Brochure
6. Aircraft Readiness Log
7. Rigging Record Brochure
8. Auxiliary Power Unit Log
9. FAA Airworthiness Directive Compliance Record Status”

7.6 Article 4.7, Delegation of Authority. For clarity, if required to complete the delivery of Aircraft, Boeing will provide a legal opinion in form and substance satisfactory to the Customer in connection with delivery of the Aircraft.

8. Purchase Agreement Supplemental Exhibit BFE1, Aircraft Delivery Requirements and Responsibilities.

Customer and Boeing agree to work together to help Customer fulfill the requirements under Supplemental Exhibit BFE1.

9. Redacted version of Purchase Agreement.

Customer has concerns regarding the confidential treatment of the Purchase Agreement when the relevant stock exchanges require certain disclosure from Customer. To accommodate Customer, Boeing will provide redacted version of the Purchase Agreement if requested by Customer for the purpose of providing disclosure to relevant stock exchanges.

10. AGTA Terms Revisions.

AGTA terms revisions in Letter Agreement 6-1165-CKR-1223 under Purchase Agreement No. 03107 will apply to Purchase Agreement No. 03980 where applicable.

11. Purchase Agreement Letter Agreement LA-1303684 Seller Purchased Equipment (SPE).

11.1 For clarification purposes concerning SPE changes, Customer may provide [*****] subject to price and offerability through Boeing’s master change or other process for amendment of the Purchase Agreement. In addition, Boeing agrees to work with Customer and suppliers in the event Boeing determines SPE changes are necessary to fulfill the Boeing’s obligations under the Purchase Agreement.

BOEING PROPRIETARY

"[*]" This information is subject to confidential treatment and has been omitted and filed separately with the commission**



11.2 Delay of an aircraft delivery caused by an event or events set out in Section 7.1 of the AGTA No. AGTA-GUN is subject to the provisions under section 7 of the AGTA. Delay of an aircraft delivery as defined in the Non-Excusable Delay Letter Agreement is subject to the provisions of the Non-Excusable Delay Letter Agreement LA-1303672. This applies to all Boeing aircraft and Boeing’s obligations under the Purchase Agreement including but not limited to Boeing’s obligations under the SPE Letter Agreement LA-1303684.

11.3 Article 10. Customer’s Indemnification of Boeing. This last sentence of SPE Letter Agreement LA-1303684 Article 10 shall be modified to read: “This [*****]”

12. Purchase Agreement Letter Agreement LA-1303685 Cabin Systems Equipment (CSE).

12.1 For clarification purposes concerning CSE changes, Customer may provide written request to Boeing for review and approval subject to price and offerability through Boeing’s master change or other process for amendment of the Purchase Agreement. In addition, Boeing agrees to work with Customer and suppliers in the event Boeing determines CSE changes are necessary to fulfill the Boeing’s obligations under the Purchase Agreement.

12.2 Delay of an aircraft delivery caused by an event or events set out in Section 7.1 of the AGTA No. AGTA-GUN is subject to the provisions under section 7 of the AGTA. Delay of an aircraft delivery as defined in the Non-Excusable Delay Letter Agreement is subject to the provisions of the Non-Excusable Delay Letter Agreement LA-1303672. This applies to all Boeing aircraft and Boeing’s obligations under the Purchase Agreement including but not limited to Boeing obligations under the CSE Letter Agreement LA-1303685.

12.3 Article 8. Customer’s Indemnification of Boeing. This last sentence of SPE Letter Agreement LA-1303685 Article 8 shall be modified to read: “This indemnity will not apply with respect to any nonconformance or defect caused solely by Boeing’s storage, handling, and installation of the CSE.”

13. Purchase Agreement Letter Agreement LA-1303677 Special Escalation Program. Customer has concerns regarding the length of time period Boeing caps the Escalation Adjustment for the Airframe, Price and Optional Features of each Aircraft in Table 1 of the Purchase Agreement. For the avoidance of doubt, [*****] [*****] in the event of aircraft delivery rescheduling.

14. CAAC regulatory information

GUN-PA-03980-LA-1303686
Clarifications and Understandings

BOEING PROPRIETARY

"[**]" This information is subject to confidential treatment and has been omitted and filed separately with the commission**



It is recognized that the Civil Aviation Authority of China (CAAC) works with certain aircraft-related information, including Type Certificate Data Sheets (TCDS), Validation of Type Certificate Data Sheets (VTCDS), Aircraft Letter of Definition (ALOD) in order to issue to Customer the necessary aircraft certificates for operating the Aircraft in China. Boeing agrees to work with the relevant regulatory entities on a timely basis to support the process providing such information to the CAAC.

15. Assignment

15.1 Notwithstanding any other provisions of the Purchase Agreement, if Customer requests to assign an Aircraft under the Purchase Agreement to an assignee which Customer or China Southern Airlines Holding Company directly controls or holds more [*****], Customer will work with Boeing in accordance with the lead-time and charges required for configuration changes and Boeing will not unreasonably withhold its consent to the assignment of Customer’s rights and obligations under the Purchase Agreement as relates to the specific Aircraft or post-delivery entitlements (collectively “Assigned Rights”), including but not limited to all rights and obligations with respect to advance payments already paid to Boeing under the Purchase Agreement.

15.2 Any such assignment will be in the form acceptable to Boeing (AGTA Appendix II provides such a reference form), including the undertaking by Customer to be bound by the DISCLAIMER AND RELEASE and EXCLUSION OF CONSEQUENTIAL AND OTHER DAMAGES provisions set forth in Article 11 of Part 2 of Exhibit C to the AGTA.

16. Confidential Treatment

The information contained herein represents confidential business information and has value precisely because it is not available generally or to other parties. Customer will limit the disclosure of its contents, except for as required by applicable laws or regulations, to employees of Customer with a need to know the contents for purposes of helping Customer perform its obligations under the Purchase Agreement and who understand they are not to disclose its contents to any other person or entity without the prior written consent of Boeing.

GUN-PA-03980-LA-1303686
Clarifications and Understandings

BOEING PROPRIETARY

"[*]" This information is subject to confidential treatment and has been omitted and filed separately with the commission**



Very truly yours,

AGREED AND ACCEPTED this

Date

THE BOEING COMPANY

By _____

Its Attorney-In-Fact _____

CHINA SOUTHERN AIRLINES COMPANY LIMITED

By _____

Its _____

CHINA SOUTHERN AIRLINES GROUP IMPORT AND EXPORT
TRADING CORP., LTD.

By _____

Its _____

GUN-PA-03980-LA-1303686
Clarifications and Understandings

BOEING PROPRIETARY

"[*]" This information is subject to confidential treatment and has been omitted and filed separately with the commission**



GUN-PA-03980-LA-1303687

China Southern Airlines Company Limited
No. 278, Jichang Road,
Baiyun District, Guangzhou,
People's Republic of China, 510406

Subject: CASC Volume Agreement

- Reference:
- a) Purchase Agreement No. PA-03980 (**Purchase Agreement**) between The Boeing Company (**Boeing**) and China Southern Airlines Company Limited (**Customer**) with China Southern Airlines Group Import and Export Trading Corp., Ltd. (**Consenting Party**) relating to Model 737-800 aircraft (**Aircraft**)
 - b) Purchase Agreement Letter Agreement GUN-PA-03980-LA-1303672, Liquidated Damages – Non-Excusable Delay
 - c) Purchase Agreement Letter Agreement GUN-PA-03980-LA-1303677, Special Escalation Program
 - d) Purchase Agreement Letter Agreement GUN-PA-03980-LA-1303688, Airworthiness Directive Cost Participation Program
 - e) Purchase Agreement Letter Agreement GUN-PA-03980-LA-1502887, Special Matters

1. Volume Agreement Option.

Boeing and Customer acknowledge that, in the future, Boeing may enter into a purchase agreement with [*****], or its successor organization, for Model 737-800 aircraft (**Volume Agreement**). If Boeing enters into a firm and unconditional Volume Agreement between the effective date of this Purchase Agreement and September 1, 2015, or any mutually agreed extension of this date, then Boeing will propose an amendment to Table 1 to the Purchase Agreement, Special Escalation Program and Special Matters as applicable and if needed, for the affected Aircraft under the Purchase Agreement which are included in the Volume Agreement, to ensure that Customer [*****], after adding up all the credit memoranda and special consideration provided in the [*****] making any applicable base

GUN-PA-03980-LA-1303687
CASC Volume Agreement

BOEING PROPRIETARY

"["*"]" This information is subject to confidential treatment and has been omitted and filed separately with the commission



[*****] between this Purchase Agreement and the Volume Agreement. Customer reserves its right to accept such proposed amendments. No other terms and conditions of the Volume Agreement will apply to this Purchase Agreement.

2. Assignment

Notwithstanding any other provisions of the Purchase Agreement, the rights and obligations described in this Letter Agreement are provided to Customer in consideration of Customer becoming the operator of the Aircraft and cannot be assigned in whole or, in part.

3. Confidential Treatment

The information contained herein represents confidential business information and has value precisely because it is not available generally or to other parties. Customer will limit the disclosure of its contents, except for as required by applicable laws or regulations, to employees of Customer with a need to know the contents for purposes of helping Customer perform its obligations under the Purchase Agreement and who understand they are not to disclose its contents to any other person or entity without the prior written consent of Boeing.

GUN-PA-03980-LA-1303687
CASC Volume Agreement

BOEING PROPRIETARY

"[*]" This information is subject to confidential treatment and has been omitted and filed separately with the commission**



Very truly yours,

AGREED AND ACCEPTED this

Date

THE BOEING COMPANY

By _____

Its Attorney-In-Fact _____

CHINA SOUTHERN AIRLINES COMPANY LIMITED

By _____

Its _____

CHINA SOUTHERN AIRLINES GROUP IMPORT AND EXPORT
TRADING CORP., LTD.

By _____

Its _____

GUN-PA-03980-LA-1303687
CASC Volume Agreement

BOEING PROPRIETARY

["***"] This information is subject to confidential treatment and has been omitted and filed separately with the commission



GUN-PA-03980-LA-1303688

China Southern Airlines Company Limited
No. 278, Jichang Road,
Baiyun District, Guangzhou,
People's Republic of China, 510406

Subject: Airworthiness Directive Cost Participation Program

Reference: Purchase Agreement No. PA-03980 (**Purchase Agreement**) between The Boeing Company (**Boeing**) and China Southern Airlines Company Limited (**Customer**) with China Southern Airlines Group Import and Export Trading Corp., Ltd. (**Consenting Party**) relating to Model 737-800 aircraft (**Aircraft**)

This letter agreement (**Letter Agreement**) amends and supplements the Purchase Agreement. It grants to Customer the Airworthiness Directive Cost Participation Program described herein (**Program**). All terms used but not defined in this Letter Agreement have the same meaning as in the Purchase Agreement.

1. Scope.

This Program applies to any Boeing Product installed in the Aircraft at the time of delivery that is modified or replaced with Boeing-designed corrective materials to comply with terminating actions specified in FAA Airworthiness Directives when the defects are of the type covered by the material and workmanship or design warranties set forth in Part 2 of Exhibit C, Product Assurance Document, of the AGTA.

2. Term.

The term of the Program is [*****] after delivery of each Aircraft.

3. Boeing Participation.

3.1 [*****] If any corrective materials are required as described under paragraph 1 above during the term of this Program, Boeing will promptly furnish such materials to Customer (including Boeing-designed standard parts but excluding industry standard parts such as MS and NAS standards) at a price determined in accordance with the following formula:

$$[****] \frac{[*****]}{[*****]}$$

GUN-PA-03980-LA-1303688
Airworthiness Directive Cost Participation Program

BOEING PROPRIETARY

LA Page 1

"[****]" This information is subject to confidential treatment and has been omitted and filed separately with the commission



- P = Price to Customer
- C = The Boeing then-current sales price for such materials
- T = Total age in months (to the nearest month) of the Aircraft in which such materials are installed from the date of delivery of such Aircraft to the date of completion of such installation.

3.2 [****] Any labor reimbursement for Customer's installation of materials in the Aircraft that Boeing is required to provide to Customer pursuant to the provisions of paragraph 1 above, will be provided to Customer in an amount as determined by the following formula:

- R = [*****]
- R = Reimbursement amount provided to Customer.
- L = The product of Customer's direct labor man-hours expended in actual installation of corrective materials in the Aircraft, but not to exceed Boeing's reasonable estimate of the man-hours required for the performance thereof by Customer, multiplied by the then-current Warranty Labor Rate.
- T = Total age in months (to the nearest month) of the Aircraft in which such materials are installed from the date of delivery of such Aircraft to the date of completion of such installation.

4. General Conditions and Limitations.

4.1 Customer's written notice of claim under this Program must be received by Boeing's Warranties Regional Manager within [*****] from the date of issuance of any applicable Airworthiness Directive.

4.2 THE DISCLAIMER AND RELEASE and EXCLUSION OF CONSEQUENTIAL AND OTHER DAMAGES provisions stated in Article 11 of Part 2 of Exhibit C of the AGTA apply to this Program.

5. Assignment.

Notwithstanding any other provisions of the Purchase Agreement, the rights and obligations described in this Letter Agreement are provided to Customer in

GUN-PA-03980-LA-1303688

Airworthiness Directive Cost Participation Program

LA Page 2

BOEING PROPRIETARY

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consideration of Customer becoming the operator of the Aircraft and cannot be assigned in whole or, in part.

6. Confidential Treatment.

The information contained herein represents confidential business information and has value precisely because it is not available generally or to other parties. Customer will limit the disclosure of its contents, except for as required by applicable laws or regulations, to employees of Customer with a need to know the contents for purposes of helping Customer perform its obligations under the Purchase Agreement and who understand they are not to disclose its contents to any other person or entity without the prior written consent of Boeing.

GUN-PA-03980-LA-1303688
Airworthiness Directive Cost Participation Program

LA Page 3

BOEING PROPRIETARY

"[*]" This information is subject to confidential treatment and has been omitted and filed separately with the commission**



Very truly yours,

AGREED AND ACCEPTED this

Date

THE BOEING COMPANY

By _____

Its Attorney-In-Fact _____

CHINA SOUTHERN AIRLINES COMPANY LIMITED

By _____

Its _____

CHINA SOUTHERN AIRLINES GROUP IMPORT AND EXPORT
TRADING CORP., LTD.

By _____

Its _____

GUN-PA-03980-LA-1303688
Airworthiness Directive Cost Participation Program

BOEING PROPRIETARY

"[*]" This information is subject to confidential treatment and has been omitted and filed separately with the commission**



The Boeing Company
P.O. Box 3707
Seattle, WA 98124-2207

GUN-PA-03980-LA-1303689

China Southern Airlines Company Limited
No. 278, Jichang Road,
Baiyun District, Guangzhou,
People's Republic of China, 510406

Subject: Payment Matters

Reference: Purchase Agreement No. PA-03980 (**Purchase Agreement**) between The Boeing Company (**Boeing**) and China Southern Airlines Company Limited (**Customer**) with China Southern Airlines Group Import and Export Trading Corp., Ltd. (**Consenting Party**) relating to Model 737-800 aircraft (**Aircraft**)

This letter agreement (**Letter Agreement**) amends and supplements the Purchase Agreement. All terms used but not defined in this Letter Agreement shall have the same meaning as in the Purchase Agreement.

1. Advance Payments for the Aircraft – Due on the Effective Date of the Purchase Agreement.

It is understood that Customer's ability to make advance payments described in Articles 4.2 and 4.3 of the Purchase Agreement may be impacted due to monetary issues. Therefore Boeing agrees all advance payments due on the effective date of the signing of the Purchase Agreement, as specified in Articles 4.2 and 4.3, may be [*****], by which time Customer will pay all advance payments specified in the Purchase Agreement as being due on or before that date.

2. Other Scheduled Advance Payments.

As defined in Article 4.2 of the Purchase Agreement, advance payments are required for each Aircraft in the percentages and at the times shown in Table 1 of the Purchase Agreement. For advance payments due to Boeing, Boeing will provide Customer with an [*****] to the date the advance payment is due. This is done as an accommodation for Customer and does not relieve Customer from providing advance payments to Boeing at the times shown in Table 1 of the Purchase Agreement.

GUN-PA-03980-LA-1303689
Payment Matters

LA Page 1

BOEING PROPRIETARY

"[***]" This information is subject to confidential treatment and has been omitted and filed separately with the commission



3. Payment at Aircraft Delivery

Pursuant to Article 4.4 of the Purchase Agreement, Customer will pay, or cause to be paid, the balance of the Aircraft Price of each Aircraft at delivery. Boeing will provide the invoice for such payment about [*****] to Aircraft delivery.

4. [*****]

Letter Agreement GUN-PA-03980-LA-1303679 "Government Approval" specifies the date by which government approval is to be obtained. After Customer obtains government approval and if Customer does not make all advance payments as specified in the Purchase Agreement, Boeing may reschedule any or all of the Aircraft at any time thereafter as it deems necessary based on Boeing's production considerations and constraints. Boeing will give Customer [*****] notice of any such Aircraft rescheduling, and will not reschedule such Aircraft if advance payments on all Aircraft are current prior to the expiration of such [*****] notification period. Boeing will work with Customer in good faith to explore alternatives to such Aircraft rescheduling as may be available.

5. Effect of Aircraft Rescheduling

If Boeing reschedules any or all of the Aircraft pursuant to the provisions of Paragraph 4 above, then Customer and Boeing will complete a Supplemental Agreement to document the revised Aircraft delivery schedules within [*****] after the [*****] notice is given.

6. Assignment

Notwithstanding any other provisions of the Purchase Agreement, the rights and obligations described in this Letter Agreement are provided to Customer in consideration of Customer becoming the operator of the Aircraft and cannot be assigned in whole or, in part.

7. Confidential Treatment

The information contained herein represents confidential business information and has value precisely because it is not available generally or to other parties. Customer will limit the disclosure of its contents, except for as required by applicable laws or regulations, to employees of Customer with a need to know the contents for purposes of helping Customer perform its obligations under the Purchase Agreement and who understand they are not to disclose its contents to any other person or entity without the prior written consent of Boeing.

BOEING PROPRIETARY

"[*]" This information is subject to confidential treatment and has been omitted and filed separately with the commission**



Very truly yours,

AGREED AND ACCEPTED this

Date

THE BOEING COMPANY

By _____

Its Attorney-In-Fact _____

CHINA SOUTHERN AIRLINES COMPANY LIMITED

By _____

Its _____

CHINA SOUTHERN AIRLINES GROUP IMPORT AND EXPORT TRADING CORP., LTD.

By _____

Its _____

GUN-PA-03980-LA-1303689
Payment Matters

BOEING PROPRIETARY

"[*]" This information is subject to confidential treatment and has been omitted and filed separately with the commission**



The Boeing Company
P.O. Box 3707
Seattle, WA 98124-2207

GUN-PA-03980/03981-LA-1502329

China Southern Airlines Company Limited
No. 278, Jichang Road,
Baiyun District, Guangzhou,
People's Republic of China, 510406

Subject: Used Aircraft Trade-In Matters

Reference: Purchase Agreement No. PA-03980 relating to Model 737-800 aircraft (**737-800 Purchase Agreement**) and Purchase Agreement No. PA-03981 relating to Model 737-8 aircraft (**737-8 Purchase Agreement**) between The Boeing Company (**Boeing**) and China Southern Airlines Company Limited (**Customer**) with China Southern Airlines Group Import and Export Trading Corp., Ltd. (**Consenting Party**) (the 737-800 Purchase Agreement and the 737-8 Purchase Agreement, each a **Purchase Agreement** and collectively the **Purchase Agreements**)

This letter agreement (**Letter Agreement**) amends the Purchase Agreements. All terms used but not defined in this Letter Agreement have the same meaning as in the Purchase Agreements.

1. Used Aircraft Acquisition Agreement.

Boeing and Customer have entered into the acquisition agreements for used aircraft no. A0203/GUN-01, A0204/GUN-02, A0205/GUN-03 (each an **Acquisition Agreement** and collectively the **Acquisition Agreements**). Boeing's purchase of the Used Aircraft and Used Aircraft Equipment as defined in the Acquisition Agreements shall be in accordance with the provisions of the Acquisition Agreements.

2. 757-200, 737-300 Aircraft, Spare Engines and Spare Parts: Trade-In Delivery and Title Transfer; Trade-in delivery conditions.

2.1 In consideration of Customer purchasing and taking delivery of [*****] 737-800 and [*****] 737-8 aircraft (**New Aircraft**), Boeing agrees to take in trade the Used Aircraft Equipment earlier than the scheduled delivery of the New Aircraft to Customer and on an "oldest-aircraft-out-first" basis in accordance with the Acquisition Agreements, including Table 1.

2.2 Trade-in delivery and title transfer to Boeing of the Used Aircraft Equipment will take place according to the provisions of Article 2 of the Acquisition

GUN-PA-03980/03981-LA-1502329
Used Aircraft Trade-in Matters

LA Page 1

BOEING PROPRIETARY

"[***]" This information is subject to confidential treatment and has been omitted and filed separately with the commission



Agreements, but no later than [*****] after the associated trade-in delivery date. The trade-in delivery and title transfer of such Used Aircraft Equipment shall be delivered on the date specified in the Acquisition Agreements and Customer shall ensure that the Used Aircraft Equipment meet the return conditions per the Acquisition Agreements at the time of the trade-in date.

2.3 Price. Boeing agrees to purchase the Used Aircraft Equipment according to the provisions of Article 3 of the Acquisition Agreements.

3. Exclusive Right to Sell.

Boeing shall have the exclusive right to sell or dispose Used Aircraft Equipment as defined in Article 1.9 of Acquisition Agreements.

4. Non-Transferable.

Boeing's agreement to purchase the Used Aircraft Equipment is provided as a financial accommodation to the Customer in consideration of Customer purchasing the New Aircraft and the purchase of the Used Aircraft Equipment by Boeing is non-transferable to a third party.

5. Assignment.

Boeing reserves the unrestricted right to transfer or assign all or a portion of its rights, title and interest in the Used Aircraft and its obligations and benefits under any Acquisition Agreements to third parties. Customer shall cooperate with Boeing in complying with reasonable documentation and insurance/indemnity requirements. Boeing agrees that no such transfer or assignment will materially change the duty of or materially increase the burden or risk imposed on Customer.

6. Confidential Treatment.

The information contained herein represents confidential business information and has value precisely because it is not available generally or to other parties. Customer will limit the disclosure of its contents, except for as required by applicable laws or regulations, to employees of Customer with a need to know the contents for purposes of helping Customer perform its obligations under the Purchase Agreements and who understand they are not to disclose its contents to any other person or entity without the prior written consent of Boeing.

BOEING PROPRIETARY

"[*]" This information is subject to confidential treatment and has been omitted and filed separately with the commission**



Very truly yours,

AGREED AND ACCEPTED this

Date

THE BOEING COMPANY

By _____

Its Attorney-In-Fact _____

CHINA SOUTHERN AIRLINES COMPANY LIMITED

By _____

Its _____

CHINA SOUTHERN AIRLINES GROUP IMPORT AND EXPORT TRADING CORP., LTD.

By _____

Its _____

GUN-PA-03980/03981-LA-1502329
Used Aircraft Trade-in Matters

BOEING PROPRIETARY

"[*]" This information is subject to confidential treatment and has been omitted and filed separately with the commission**



The Boeing Company
P.O. Box 3707
Seattle, WA 98124-2207

GUN-PA-03980-LA-1502887

China Southern Airlines Company Limited
No. 278, Jichang Road,
Baiyun District, Guangzhou,
People's Republic of China, 510406

Subject: Special Matters

Reference: Purchase Agreement No. PA-03980 (**Purchase Agreement**) between The Boeing Company (**Boeing**) and China Southern Airlines Company Limited (**Customer**) with China Southern Airlines Group Import and Export Trading Corp., Ltd. (**Consenting Party**) relating to Model 737-800 aircraft (**Aircraft**)

This letter agreement (**Letter Agreement**) amends and supplements the Purchase Agreement. All terms used but not defined in this Letter Agreement will have the same meaning as in the Purchase Agreement.

1. Credit Memoranda. In consideration of Customer's purchase of thirty (30) Aircraft, Boeing will provide to Customer the following credit memoranda:

1.1 Model 737-800 Aircraft Basic Credit Memorandum. At the time of delivery of each Model 737-800 Aircraft, Boeing will issue to Customer a basic credit memorandum (**Model 737-800 Aircraft Basic Credit Memorandum**) in an amount of [*****]

1.2 Model 737-800 Aircraft Customer Support Credit Memorandum. At the time of delivery of each Model 737-800 Aircraft, Boeing will issue to Customer a customer support credit memorandum (**Model 737-800 Aircraft Customer Support Credit Memorandum**) in the amount of [*****]

1.3 Model 737-800 Aircraft Market Value Credit Memorandum. At the time of delivery, Boeing will issue to Customer a market value credit memorandum (**Model 737-800 Aircraft Market Value Credit Memorandum**) based on the scheduled year of delivery as scheduled at the signing of the Purchase Agreement, as follows:

Model 737-800 Aircraft Scheduled Year of Delivery	Value of Model 737-800 Aircraft Market Value Credit Memorandum (U.S. Dollars)
[*****]	[*****]

GUN-PA-03980-LA-1502887
Special Matters

LA Page 1

BOEING PROPRIETARY

"[*]" This information is subject to confidential treatment and has been omitted and filed separately with the commission**



[*****]

[*****]

1.4 Model 737-800 Aircraft Quantity Bonus Credit Memorandum. At the time of delivery of each Model 737-800 Aircraft, Boeing will issue to Customer a quantity bonus credit memorandum (**Model 737-800 Aircraft Quantity Bonus Credit Memorandum**) in an amount of [*****]

1.5 Model 737-800 Aircraft Special Closing Credit Memorandum. At the time of delivery of each Model 737-800 Aircraft, Boeing will issue to Customer a special closing credit memorandum (**Model 737-800 Aircraft Special Closing Credit Memorandum**) in the amount of [*****]

1.6 Model 737-800 Aircraft Modified PDP Bonus Credit Memorandum. If Customer provides a payment of [*****] of the Advance Payment Base Price for each Model 737-800 Aircraft on the effective date of the Purchase Agreement, then at the time of delivery of each Model 737-800 Aircraft, Boeing will issue to Customer a modified PDP bonus credit memorandum (**Model 737-800 Aircraft Modified PDP Bonus Credit Memorandum**) in an amount of [*****]

1.7 Model 737-800 Final Closing Credit Memorandum. At the time of delivery, Boeing will issue to Customer a final closing credit memorandum (**Model 737-800 Aircraft Final Closing Credit Memorandum**) based on the scheduled year of delivery as scheduled at the signing of the Purchase Agreement, as follows:

Model 737-800 Aircraft Scheduled Year of Delivery	Value of Model 737-800 Aircraft Final Closing Credit Memorandum (U.S. Dollars)
[***]	[*****]
[***]	[*****]

1.8 Model 737-800 Aircraft Infrastructure Supplemental Credit Memorandum. At the time of delivery of each Model 737-800 Aircraft, Boeing will issue to Customer an infrastructure supplemental credit memorandum (**Model 737-800 Aircraft Infrastructure Supplemental Credit Memorandum**) in the amount of [*****]

1.9 Model 737-800 Aircraft Infrastructure MTOW Credit Memorandum. Boeing will issue to Customer an infrastructure MTOW credit memorandum (**Model 737-800 Aircraft Infrastructure MTOW Credit Memorandum**) in the not subject to escalation fixed-amount of [*****]. For the avoidance of doubt, the Model 737-8 Aircraft Infrastructure MTOW Credit Memorandum is a not subject to escalation, fixed-amount

GUN-PA-03980-LA-1502887
Special Matters

BOEING PROPRIETARY

"[***]" This information is subject to confidential treatment and has been omitted and filed separately with the commission



credit memorandum that may only be for the purchase of Boeing goods and services, and this is in addition to the fixed-amount [*****] [*****] Boeing already provided to Customer by offsetting against the MTOW payment required from Customer.

1.10 Model 737-800 Aircraft Infrastructure Support Credit Memorandum. As part of the [*****] fund in consideration for Customer purchasing thirty (30) Model 737-800 and fifty (50) Model 737-8 aircraft, Boeing will issue to Customer an infrastructure support credit memorandum (**Model 737-800 Aircraft Infrastructure Support Credit Memorandum**) in the not subject to escalation fixed-amount in three installments as follows:

- (i) [*****]
[*****].
- (ii) [*****]
[*****].
- (iii) [*****]
[*****].

2. Escalation of Credit Memoranda

Unless otherwise noted, the amounts of the Credit Memoranda stated in Paragraphs 1.1 through 1.8 are in [*****] base year dollars and will be escalated to the scheduled month of the respective Aircraft delivery pursuant to the Airframe Escalation formula set forth in the Purchase Agreement applicable to the Aircraft. Unless otherwise noted, amounts of the Credit Memoranda stated in Paragraphs 1.1 through 1.10, may, at the election of Customer, be (i) applied against the Aircraft Price of the respective Aircraft at the time of delivery, or (ii) used for the purchase of other Boeing goods and services (but will not be applied to advance payments).

3. Assignment

Unless otherwise noted herein, the Credit Memoranda described in this Letter Agreement are provided as a financial accommodation to Customer and in consideration of Customer's taking title to the Aircraft at time of delivery and becoming the operator of the Aircraft. This Letter Agreement cannot be assigned, in whole or in part, without the prior written consent of Boeing.

4. Confidentiality

Customer understands and agrees that the information contained herein represents confidential business information and has value precisely because it is not available generally or to other parties. Customer agrees to limit the disclosure of its contents, except for as required by applicable laws or regulations, to employees of Customer with a need to know the contents for purposes of helping Customer perform its obligations under the Purchase Agreement and who understand they are not to

BOEING PROPRIETARY

"[*]" This information is subject to confidential treatment and has been omitted and filed separately with the commission**



disclose its contents to any other person or entity without the prior written consent of Boeing. In addition to any equitable relief that may be available to Boeing in the event of a breach of this clause, Boeing may rescind the Model 737-800 Aircraft Customer Support Credit Memorandum contained in paragraph 1.2 above, in the event of any unauthorized disclosure by Customer.

Very truly yours,

AGREED AND ACCEPTED this

Date

THE BOEING COMPANY

By _____

Its Attorney-In-Fact _____

CHINA SOUTHERN AIRLINES COMPANY LIMITED

By _____

Its _____

CHINA SOUTHERN AIRLINES GROUP IMPORT AND EXPORT TRADING CORP., LTD.

By _____

Its _____

GUN-PA-03980-LA-1502887
Special Matters

BOEING PROPRIETARY

"[*]" This information is subject to confidential treatment and has been omitted and filed separately with the commission**



The Boeing Company
P.O. Box 3707
Seattle, WA 98124-2207

GUN-PA-03980-LA-1503964

China Southern Airlines Company Limited
No. 278, Jichang Road,
Baiyun District, Guangzhou,
People's Republic of China, 510406

Subject: Agreement for Deviation from Cruise Range Guarantee – Performance Guarantee Attachment A

Reference: Purchase Agreement No. PA-03980 (**Purchase Agreement**) between The Boeing Company (**Boeing**) and China Southern Airlines Company Limited (**Customer**) with China Southern Airlines Group Import and Export Trading Corp., Ltd. (**Consenting Party**) relating to Model 737-800 aircraft (**Aircraft**)

This letter agreement (**Letter Agreement**) amends and supplements the Purchase Agreement. All terms used but not defined in this Letter Agreement will have the same meaning as in the Purchase Agreement. For the avoidance of doubt, this Letter Agreement survives delivery of the Aircraft as set forth herein.

The Attachment A to Letter Agreement No. LA-1301160 contains performance guarantees (**Performance Guarantees**) for Aircraft with configuration of [*****] maximum takeoff weight and CFM56-7B26 engines (**Attachment A Aircraft**). Paragraph 2.3 of the Performance Guarantees includes a cruise range guarantee (**Cruise Range Guarantee**) applicable to the Attachment A Aircraft in accordance with such Performance Guarantees. Boeing offers the following items in the event that the guarantee compliance report furnished to Customer for any Attachment A Aircraft pursuant to Article 5.4 of the AGTA shows a demonstrated value worse than the Cruise Range Guarantee value (**Compliance Deviation**).

1. Demonstration of Compliance.

Article 5.4 of the AGTA and the Performance Guarantees provide a procedure for demonstration of compliance with the Performance Guarantees prior to Attachment A Aircraft delivery. That method will be used to demonstrate compliance with the Cruise Range Guarantee.

2. Rights and Obligations in the Event of a Compliance Deviation.

- a. Aircraft Delivery. In the event of a Compliance Deviation for any Attachment A Aircraft, at the time Boeing tenders that Attachment A Aircraft for delivery,

GUN-PA-03980-LA-1503964

Agreement for Deviation from Cruise Range Guarantee – PG Attachment A

LA Page 1

BOEING PROPRIETARY

"[***]" This information is subject to confidential treatment and has been omitted and filed separately with the commission



Boeing will provide the applicable remedies set forth in paragraph 2.2 and/or section 3. Customer cannot refuse to accept delivery of such Attachment A Aircraft because of such Compliance Deviation.

- b. Post Delivery Improvement to Reduce or Eliminate the Compliance Deviation. In the event of a Compliance Deviation for any Attachment A Aircraft, the following terms and conditions will apply:
 - i. Boeing may design, or may cause to be designed by the engine manufacturer, airframe improvement parts and/or engine improvement parts (**Improvement Parts**) which, when installed in such Attachment A Aircraft, would reduce or eliminate the Compliance Deviation.
 - ii. If Boeing elects to provide, or to cause to be provided, Improvement Parts for such Attachment A Aircraft, then Customer and Boeing will mutually agree upon the details of an Improvement Parts program. Improvement Parts will be provided at no charge to Customer; except Improvement Parts that are provided by the engine manufacturer will be at list price less a discount proportional to the remaining useful life of the part being replaced. Boeing and/or engine manufacturer, as applicable, will provide reasonable support for such a program at no charge to Customer.
 - iii. If Customer elects to install Improvement Parts in such Attachment A Aircraft, they will be installed within [*****] days after the delivery of such Improvement Parts to Customer if such installation can be accomplished during Attachment A Aircraft line maintenance. Improvement Parts which cannot be installed during Attachment A Aircraft line maintenance will be installed within a mutually agreed period of time. All Improvement Parts will be installed in accordance with Boeing and engine manufacturer instructions.
 - iv. Boeing will provide and/or will cause engine manufacturer to provide reimbursement of Customer's reasonable Direct Labor and Direct Material costs to install Improvement Parts at the warranty labor rate in effect at the time of installation between Boeing and Customer or engine manufacturer and Customer, as applicable. Improvement Parts related to engines will apply also to spare engines on terms not less favorable to Customer. Boeing and/or the engine manufacturer, as applicable, will give Customer reasonable advance written notice of the estimated on-dock date at Customer's maintenance base for any such Improvement Parts. Customer's claim for reimbursement must reference this Letter Agreement and be submitted to Boeing Warranty and Product Assurance Contracts using established warranty.

GUN-PA-03980-LA-1503964

Agreement for Deviation from Cruise Range Guarantee – PG Attachment A

LA Page 2

BOEING PROPRIETARY

"[*]" This information is subject to confidential treatment and has been omitted and filed separately with the commission**



procedures and other terms identified in the Improvement Parts program contemplated in paragraph 2.2.2 herein.

3. Payments.

In the event Boeing has not provided, or caused to be provided by the engine manufacturer, Improvement Parts which eliminate the Compliance Deviation, then Boeing will provide only the remedies described in this section 3.

i. Annual Excess Fuel Burn Amount. Boeing will pay to Customer, for a period [*****] after the delivery of each Attachment A Aircraft, an amount equal to the Annual Excess Fuel Burn Amount (as defined below) for the immediately preceding calendar year (**Annual Period**), as adjusted, if at all, pursuant to paragraph 3.3 below.

a. The **Annual Excess Fuel Burn Amount** is the sum of each Monthly Excess Fuel Burn Amount (as defined below) for all months in such Annual Period. The **Monthly Excess Fuel Burn Amount** is defined as and will be calculated in accordance with the following formula:

Monthly Excess Fuel Burn Amount = [*****]

The following definitions will apply herein:

[*****]

CRD =The average cruise range deviation, in percent. Only positive values of CRD will be used.

CRg =The Cruise Range Guarantee value.

CRd =The demonstrated cruise range value for paragraph + of the Performance Guarantees shown in the compliance report and calculated in accordance with Section 1 above.

FLTFUELy = Total fuel burned (**USG**) by the applicable Attachment A Aircraft for month (y) as determined by Customer’s monthly fuel records.

FUELCOSTy = The average fuel cost in each month (y) for the applicable Attachment A Aircraft in U.S. Dollars per USG as determined by Customer’s monthly fuel records.

GUN-PA-03980-LA-1503964

Agreement for Deviation from Cruise Range Guarantee – PG Attachment A

LA Page 3

BOEING PROPRIETARY

"[***]" This information is subject to confidential treatment and has been omitted and filed separately with the commission



- b. Customer will provide to Boeing, within [*****] following the end of each Annual Period, the FLTFUELy and FUELCOSTy data (**Fuel Data**) in a single summarized submittal for all applicable Attachment A Aircraft.
 - c. Boeing will review the Fuel Data. At its option, Boeing may request additional information from Customer to further substantiate the Fuel Data. Such additional information will not be unreasonably requested by Boeing, nor unreasonably withheld by Customer.
 - d. In the event Customer does not provide the Fuel Data within the [*****] requirement set forth above for any Annual Period, Customer will forfeit any and all rights to payment from Boeing for any such non-provided Fuel Data, and Boeing will have no further obligation to pay Customer for such non-provided Fuel Data.
- ii. Credit Memorandum. Amounts payable to Customer pursuant to this section 3 will be paid by credit memorandum issued by Boeing and/or the engine manufacturer, which may be used solely for Boeing and/or engine manufacturer goods and services, as applicable. In no event will the total aggregate amount of such credit memoranda exceed [*****] for each Attachment A Aircraft in an Annual Period. No payments will be made pursuant to this section 3 for any Attachment A Aircraft not operated by Customer.
 - iii. Credit Adjustments. The amount of performance improvement attributable to any Improvement Parts will be determined by Boeing analysis based on data certified to be correct by Boeing. The amount of such improvement will be deemed to be the amount of improvement as calculated using reasonable engineering interpretations based on the data furnished pursuant to Article 5.4 of the AGTA and the data furnished pursuant to this paragraph 3.3. If Improvement Parts are installed in an Attachment A Aircraft as set forth in paragraph 2.2 above, subsequent payments of the Annual Excess Fuel Burn Amount will be reduced by an amount consistent with the reduction in the Compliance Deviation after such Improvement Parts are installed. If Customer elects not to install Improvement Parts in any applicable Attachment A Aircraft as set forth in paragraph 2.2 above, subsequent payments of the Annual Excess Fuel Burn Amount will be reduced by an amount consistent with the reduction in the Compliance Deviation which would have been realized had such Improvement Parts been installed.

4. Duplication of Benefits.

Boeing and Customer agree it is not the intent of the parties to provide benefits hereunder that duplicate benefits to be provided (a) by Boeing under the Purchase

GUN-PA-03980-LA-1503964

Agreement for Deviation from Cruise Range Guarantee – PG Attachment A

LA Page 4

BOEING PROPRIETARY

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Agreement, or any other agreement between Boeing and Customer, or (b) by engine manufacturer under any agreement between engine manufacturer and Customer, due to the Attachment A Aircraft not satisfying any performance metric similar to the Cruise Range Guarantee or any performance metric that otherwise impacts fuel burn. Boeing may offset its obligation to provide benefits hereunder against the benefits provided or to be provided to Customer by engine manufacturer or Boeing pursuant to such other guarantee.

5. Exclusive Remedy.

Customer agrees that the remedies contained in Sections 2 and 3 herein are Customer's exclusive remedies for purposes of resolving all issues with respect to the Performance Guarantees of Customer's Attachment A Aircraft and are in lieu of all other rights, remedies, claims and causes of action Customer may have, arising at law or otherwise, in connection therewith and will constitute complete, full and final settlement and satisfaction of any and all of Boeing's obligations and liabilities to Customer in connection therewith. Customer releases Boeing and its successors, affiliates and subsidiaries from all present, past and future rights, remedies, claims and causes of action, whether arising at law or otherwise, known or unknown, relating to or arising from such Performance Guarantees.

6. Assignment.

Notwithstanding any other provisions of the Purchase Agreement, the rights and obligations described in this Letter Agreement are provided to Customer in consideration of Customer becoming the operator of the Attachment A Aircraft and cannot be assigned in whole or, in part.

7. Confidential Treatment.

The information contained herein represents confidential business information and has value precisely because it is not available generally or to other parties. Customer will limit the disclosure of its contents, except for as required by applicable laws or regulations, to employees of Customer with a need to know the contents for purposes of helping Customer perform its obligations under the Purchase Agreement and who understand they are not to disclose its contents to any other person or entity without the prior written consent of Boeing.

GUN-PA-03980-LA-1503964

Agreement for Deviation from Cruise Range Guarantee – PG Attachment A

LA Page 5

BOEING PROPRIETARY

"[*]" This information is subject to confidential treatment and has been omitted and filed separately with the commission**



Very truly yours,

AGREED AND ACCEPTED this

Date

THE BOEING COMPANY

By _____

Its Attorney-In-Fact _____

CHINA SOUTHERN AIRLINES COMPANY LIMITED

By _____

Its _____

CHINA SOUTHERN AIRLINES GROUP IMPORT AND EXPORT TRADING CORP.,
LTD.

By _____

Its _____

GUN-PA-03980-LA-1503964

Agreement for Deviation from Cruise Range Guarantee – PG Attachment A

LA Page 6

BOEING PROPRIETARY

["***"] This information is subject to confidential treatment and has been omitted and filed separately with the commission



The Boeing Company
P.O. Box 3707
Seattle, WA 98124-2207

GUN-PA-03980-LA-1503965

China Southern Airlines Company Limited
No. 278, Jichang Road,
Baiyun District, Guangzhou,
People's Republic of China, 510406

Subject: Agreement for Deviation from Cruise Range Guarantee – Performance Guarantee Attachment B

Reference: Purchase Agreement No. PA-03980 (**Purchase Agreement**) between The Boeing Company (**Boeing**) and China Southern Airlines Company Limited (**Customer**) with China Southern Airlines Group Import and Export Trading Corp., Ltd. (**Consenting Party**) relating to Model 737-800 aircraft (**Aircraft**)

This letter agreement (**Letter Agreement**) amends and supplements the Purchase Agreement. All terms used but not defined in this Letter Agreement will have the same meaning as in the Purchase Agreement. For the avoidance of doubt, this Letter Agreement survives delivery of the Aircraft as set forth herein.

The Attachment B to Letter Agreement No. LA-1301160 contains performance guarantees (**Performance Guarantees**) for Aircraft with configuration of [*****] [*****] maximum takeoff weight and CFM56-7B26 engines (**Attachment B Aircraft**). Paragraph 2.3 of the Performance Guarantees includes a cruise range guarantee (**Cruise Range Guarantee**) applicable to the Attachment B Aircraft in accordance with such Performance Guarantees. Boeing offers the following items in the event that the guarantee compliance report furnished to Customer for any Attachment B Aircraft pursuant to Article 5.4 of the AGTA shows a demonstrated value worse than the Cruise Range Guarantee value (**Compliance Deviation**).

1. Demonstration of Compliance.

Article 5.4 of the AGTA and the Performance Guarantees provide a procedure for demonstration of compliance with the Performance Guarantees prior to Attachment B Aircraft delivery. That method will be used to demonstrate compliance with the Cruise Range Guarantee.

2. Rights and Obligations in the Event of a Compliance Deviation.

- a. Aircraft Delivery. In the event of a Compliance Deviation for any Attachment B Aircraft, at the time Boeing tenders that Attachment B Aircraft for delivery,

GUN-PA-03980-LA-1503965

Agreement for Deviation from Cruise Range Guarantee – PG Attachment B

LA Page 1

BOEING PROPRIETARY

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Boeing will provide the applicable remedies set forth in paragraph 2.2 and/or section 3. Customer cannot refuse to accept delivery of such Attachment B Aircraft because of such Compliance Deviation.

- b. Post Delivery Improvement to Reduce or Eliminate the Compliance Deviation. In the event of a Compliance Deviation for any Attachment B Aircraft, the following terms and conditions will apply:
 - i. Boeing may design, or may cause to be designed by the engine manufacturer, airframe improvement parts and/or engine improvement parts (**Improvement Parts**) which, when installed in such Attachment B Aircraft, would reduce or eliminate the Compliance Deviation.
 - ii. If Boeing elects to provide, or to cause to be provided, Improvement Parts for such Attachment B Aircraft, then Customer and Boeing will mutually agree upon the details of an Improvement Parts program. Improvement Parts will be provided at no charge to Customer; except Improvement Parts that are provided by the engine manufacturer will be at list price less a discount proportional to the remaining useful life of the part being replaced. Boeing and/or engine manufacturer, as applicable, will provide reasonable support for such a program at no charge to Customer.
 - iii. If Customer elects to install Improvement Parts in such Attachment B Aircraft, they will be installed within [*****] after the delivery of such Improvement Parts to Customer if such installation can be accomplished during Attachment B Aircraft line maintenance. Improvement Parts which cannot be installed during Attachment B Aircraft line maintenance will be installed within a mutually agreed period of time. All Improvement Parts will be installed in accordance with Boeing and engine manufacturer instructions.
 - iv. Boeing will provide and/or will cause engine manufacturer to provide reimbursement of Customer’s reasonable Direct Labor and Direct Material costs to install Improvement Parts at the warranty labor rate in effect at the time of installation between Boeing and Customer or engine manufacturer and Customer, as applicable. Improvement Parts related to engines will apply also to spare engines on terms not less favorable to Customer. Boeing and/or the engine manufacturer, as applicable, will give Customer reasonable advance written notice of the estimated on-dock date at Customer’s maintenance base for any such Improvement Parts. Customer’s claim for reimbursement must reference this Letter Agreement and be submitted to Boeing Warranty and Product Assurance Contracts using established warranty

GUN-PA-03980-LA-1503965

Agreement for Deviation from Cruise Range Guarantee – PG Attachment B

LA Page 2

BOEING PROPRIETARY

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procedures and other terms identified in the Improvement Parts program contemplated in paragraph 2.2.2 herein.

3. Payments.

In the event Boeing has not provided, or caused to be provided by the engine manufacturer, Improvement Parts which eliminate the Compliance Deviation, then Boeing will provide only the remedies described in this section 3.

i. Annual Excess Fuel Burn Amount. Boeing will pay to Customer, for a period [*****] after the delivery of each Attachment B Aircraft, an amount equal to the Annual Excess Fuel Burn Amount (as defined below) for the immediately preceding calendar year (**Annual Period**), as adjusted, if at all, pursuant to paragraph 3.3 below.

a. The **Annual Excess Fuel Burn Amount** is the sum of each Monthly Excess Fuel Burn Amount (as defined below) for all months in such Annual Period. The **Monthly Excess Fuel Burn Amount** is defined as and will be calculated in accordance with the following formula:

Monthly Excess Fuel Burn Amount = [*****]

The following definitions will apply herein:

[*****]

CRD =The average cruise range deviation, in percent. Only positive values of CRD will be used.

CRg =The Cruise Range Guarantee value.

CRd =The demonstrated cruise range value for paragraph + of the Performance Guarantees shown in the compliance report and calculated in accordance with Section 1 above.

FLTFUELy = Total fuel burned (USG) by the applicable Attachment B Aircraft for month (y) as determined by Customer’s monthly fuel records.

FUELCOSTy = The average fuel cost in each month (y) for the applicable Attachment B Aircraft in U.S. Dollars per USG as determined by Customer’s monthly fuel records.

GUN-PA-03980-LA-1503965

Agreement for Deviation from Cruise Range Guarantee – PG Attachment B

LA Page 3

BOEING PROPRIETARY

"[***]" This information is subject to confidential treatment and has been omitted and filed separately with the commission



- b. Customer will provide to Boeing, within [*****] following the end of each Annual Period, the FLTFUELY and FUELCOSTy data (**Fuel Data**) in a single summarized submittal for all applicable Attachment B Aircraft.
 - c. Boeing will review the Fuel Data. At its option, Boeing may request additional information from Customer to further substantiate the Fuel Data. Such additional information will not be unreasonably requested by Boeing, nor unreasonably withheld by Customer.
 - d. In the event Customer does not provide the Fuel Data within the [*****] requirement set forth above for any Annual Period, Customer will forfeit any and all rights to payment from Boeing for any such non-provided Fuel Data, and Boeing will have no further obligation to pay Customer for such non-provided Fuel Data.
- ii. Credit Memorandum. Amounts payable to Customer pursuant to this section 3 will be paid by credit memorandum issued by Boeing and/or the engine manufacturer, which may be used solely for Boeing and/or engine manufacturer goods and services, as applicable. In no event will the total aggregate amount of such credit memoranda exceed [*****] [*****] for each Attachment B Aircraft in an Annual Period. No payments will be made pursuant to this section 3 for any Attachment B Aircraft not operated by Customer.
 - iii. Credit Adjustments. The amount of performance improvement attributable to any Improvement Parts will be determined by Boeing analysis based on data certified to be correct by Boeing. The amount of such improvement will be deemed to be the amount of improvement as calculated using reasonable engineering interpretations based on the data furnished pursuant to Article 5.4 of the AGTA and the data furnished pursuant to this paragraph 3.3. If Improvement Parts are installed in an Attachment B Aircraft as set forth in paragraph 2.2 above, subsequent payments of the Annual Excess Fuel Burn Amount will be reduced by an amount consistent with the reduction in the Compliance Deviation after such Improvement Parts are installed. If Customer elects not to install Improvement Parts in any applicable Attachment B Aircraft as set forth in paragraph 2.2 above, subsequent payments of the Annual Excess Fuel Burn Amount will be reduced by an amount consistent with the reduction in the Compliance Deviation which would have been realized had such Improvement Parts been installed.

4. Duplication of Benefits.

Boeing and Customer agree it is not the intent of the parties to provide benefits hereunder that duplicate benefits to be provided (a) by Boeing under the Purchase

GUN-PA-03980-LA-1503965

Agreement for Deviation from Cruise Range Guarantee – PG Attachment B

LA Page 4

BOEING PROPRIETARY

<p>"[***]" This information is subject to confidential treatment and has been omitted and filed separately with the commission</p>



Agreement, or any other agreement between Boeing and Customer, or (b) by engine manufacturer under any agreement between engine manufacturer and Customer, due to the Attachment B Aircraft not satisfying any performance metric similar to the Cruise Range Guarantee or any performance metric that otherwise impacts fuel burn. Boeing may offset its obligation to provide benefits hereunder against the benefits provided or to be provided to Customer by engine manufacturer or Boeing pursuant to such other guarantee.

5. Exclusive Remedy.

Customer agrees that the remedies contained in Sections 2 and 3 herein are Customer's exclusive remedies for purposes of resolving all issues with respect to the Performance Guarantees of Customer's Attachment B Aircraft and are in lieu of all other rights, remedies, claims and causes of action Customer may have, arising at law or otherwise, in connection therewith and will constitute complete, full and final settlement and satisfaction of any and all of Boeing's obligations and liabilities to Customer in connection therewith. Customer releases Boeing and its successors, affiliates and subsidiaries from all present, past and future rights, remedies, claims and causes of action, whether arising at law or otherwise, known or unknown, relating to or arising from such Performance Guarantees.

6. Assignment.

Notwithstanding any other provisions of the Purchase Agreement, the rights and obligations described in this Letter Agreement are provided to Customer in consideration of Customer becoming the operator of the Attachment B Aircraft and cannot be assigned in whole or, in part.

7. Confidential Treatment.

The information contained herein represents confidential business information and has value precisely because it is not available generally or to other parties. Customer will limit the disclosure of its contents, except for as required by applicable laws or regulations, to employees of Customer with a need to know the contents for purposes of helping Customer perform its obligations under the Purchase Agreement and who understand they are not to disclose its contents to any other person or entity without the prior written consent of Boeing.

GUN-PA-03980-LA-1503965

Agreement for Deviation from Cruise Range Guarantee – PG Attachment B

LA Page 5

BOEING PROPRIETARY

"[*]" This information is subject to confidential treatment and has been omitted and filed separately with the commission**



Very truly yours,

AGREED AND ACCEPTED this

Date

THE BOEING COMPANY

By _____

Its Attorney-In-Fact _____

CHINA SOUTHERN AIRLINES COMPANY LIMITED

By _____

Its _____

CHINA SOUTHERN AIRLINES GROUP IMPORT AND EXPORT TRADING CORP.,
LTD.

By _____

Its _____

GUN-PA-03980-LA-1503965

Agreement for Deviation from Cruise Range Guarantee – PG Attachment B

LA Page 6

BOEING PROPRIETARY

["***"] This information is subject to confidential treatment and has been omitted and filed separately with the commission



The Boeing Company
P.O. Box 3707
Seattle, WA 98124-2207

GUN-PA-03980-LA-1504067

China Southern Airlines Company Limited
No. 278, Jichang Road,
Baiyun District, Guangzhou,
People's Republic of China, 510406

Subject: Customer Support Matters

Reference: Purchase Agreement No. PA-03980 (**Purchase Agreement**) between The Boeing Company (**Boeing**) and China Southern Airlines Company Limited (**Customer**) with China Southern Airlines Group Import and Export Trading Corp., Ltd. (**Consenting Party**) relating to Model 737-800 aircraft (**Aircraft**)

This letter agreement (**Letter Agreement**) amends and supplements the Purchase Agreement. All terms used but not defined in this Letter Agreement will have the same meaning as in the Purchase Agreement.

1. Customer Support Document.

AGTA Exhibit B, Part 1, Article 5.3 is modified to the following:

If the training is based at Boeing's facility and the aircraft is damaged during such training, Boeing will make all necessary repairs to the aircraft as promptly as possible. Customer will pay Boeing's reasonable charge, including the price of parts and materials, for making the repairs. If Boeing's estimated labor charge for the repair exceeds [*****] Boeing and Customer will enter into an agreement for additional services before beginning the repair work. For the avoidance of doubt, any training using an aircraft will occur only after delivery and will be at the request of Customer.

2. Assignment.

Notwithstanding any other provisions of the Purchase Agreement, the rights and obligations described in this Letter Agreement are provided to Customer in consideration of Customer becoming the operator of the Aircraft and cannot be assigned in whole or, in part.

3. Confidential Treatment.

GUN-PA-03980-LA-1504067
Customer Support Matters

LA Page 1

BOEING PROPRIETARY

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The information contained herein represents confidential business information and has value precisely because it is not available generally or to other parties. Customer will limit the disclosure of its contents, except for as required by applicable laws or regulations, to employees of Customer with a need to know the contents for purposes of helping Customer perform its obligations under the Purchase Agreement and who understand they are not to disclose its contents to any other person or entity without the prior written consent of Boeing.

Very truly yours,

AGREED AND ACCEPTED this

Date

THE BOEING COMPANY

By _____

Its Attorney-In-Fact _____

CHINA SOUTHERN AIRLINES COMPANY LIMITED

By _____

Its _____

CHINA SOUTHERN AIRLINES GROUP IMPORT AND EXPORT TRADING CORP., LTD.

By _____

Its _____

GUN-PA-03980-LA-1504067
Customer Support Matters

BOEING PROPRIETARY

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GUN-PA-03980/03981-LA-1502330

China Southern Airlines Company Limited
No. 278, Jichang Road,
Baiyun District, Guangzhou,
People's Republic of China, 510406

Subject: Purchase and Trade-in Framework Agreement

Reference: 1) Purchase Agreement No. PA-03980 relating to Model 737-800 aircraft (**737-800 Purchase Agreement**) and Purchase Agreement No. PA-03981 relating to Model 737-8 aircraft (**737-8 Purchase Agreement**) between The Boeing Company and China Southern Airlines Company Limited with China Southern Airlines Group Import and Export Trading Corp., Ltd. (the 737-800 Purchase Agreement and the 737-8 Purchase Agreement, each a **Purchase Agreement** and collectively the **Purchase Agreements**)

2) Acquisition Agreements for Used Aircraft No. A0203/GUN-01, A0204/GUN-02, A0205/GUN-03 between Boeing Aircraft Holding Company and China Southern Airlines Company Limited with China Southern Airlines Group Import and Export Trading Corp., Ltd., China Southern Airlines (Group) Xinjiang Import & Export Trading Co., Ltd., and China Southern Airlines Henan Company Limited (each an **Acquisition Agreement**, collectively the **Acquisition Agreements**)

This letter agreement (**Letter Agreement**) amends and supplements the Purchase Agreements. All terms used but not defined in this Letter Agreement have the same meaning as in the Purchase Agreement.

1. Definition of Parties. For the purposes of this Letter Agreement only, the parties shall be defined as follows:

1.1 China Southern Airlines Company Limited, China Southern Airlines Group Import and Export Trading Corp., Ltd., China Southern Airlines (Group) Xinjiang Import & Export Trading Co., Ltd., and China Southern Airlines Henan Company Limited are collectively defined as **China Southern**.

1.2 The Boeing Company and Boeing Aircraft Holding Company (**BAHC**) are collectively defined as **Boeing**.

GUN-PA-03980/03981-LA-1502330
Purchase and Trade-in Framework Agreement

LA Page 1

BOEING PROPRIETARY

"[*]" This information is subject to confidential treatment and has been omitted and filed separately with the commission**



2. [*****].

In addition to Article 3.11 of the Acquisition Agreements and as a sole remedy, if BAHC breaches its obligations under the Acquisition Agreements to purchase Used Aircraft despite China Southern being in full compliance with its obligations under the Purchase Agreements and the Acquisition Agreements, China Southern [*****] with prior written notice to Boeing [*****] before [*****] in order to reestablish the intended [*****]. [*****] by China Southern of [*****], Boeing shall return to China Southern all advanced payments received for [*****] within [*****].

3. Confidential Treatment.

The information contained herein represents confidential business information and has value precisely because it is not available generally or to other parties. China Southern will limit the disclosure of its contents, except for as required by applicable laws or regulations, to employees of China Southern with a need to know the contents for purposes of helping China Southern perform its obligations under the Purchase Agreements and the Acquisition Agreement and who understand they are not to disclose its contents to any other person or entity without the prior written consent of Boeing.

GUN-PA-03980/03981-LA-1502330
Purchase and Trade-in Framework Agreement

BOEING PROPRIETARY

"[*]" This information is subject to confidential treatment and has been omitted and filed separately with the commission**





Very truly yours,

AGREED AND ACCEPTED this

Date

THE BOEING COMPANY

By _____

Its Attorney-In-Fact _____

BOEING AIRCRAFT HOLDING COMPANY

By _____

Its Attorney-In-Fact _____

CHINA SOUTHERN AIRLINES CO., LTD.

By _____

Its _____

CHINA SOUTHERN AIRLINES GROUP IMPORT AND EXPORT TRADING CORP., LTD.

By _____

Its _____

CHINA SOUTHERN AIRLINES (GROUP) XINJIANG IMPORT & EXPORT TRADING CO., LTD.

By _____

Its _____

CHINA SOUTHERN AIRLINES HENAN COMPANY LIMITED

By _____

Its _____

GUN-PA-03980/03981-LA-1502330
Purchase and Trade-in Framework Agreement

LA Page 3

BOEING PROPRIETARY

"[*]" This information is subject to confidential treatment and has been omitted and filed separately with the commission**

PURCHASE AGREEMENT NUMBER PA-03981

between

THE BOEING COMPANY

and

CHINA SOUTHERN AIRLINES COMPANY LIMITED

with

CHINA SOUTHERN AIRLINES GROUP IMPORT AND EXPORT TRADING CORP., LTD.

as Consenting Party

Relating to Boeing Model 737-8 Aircraft

(Contract Reference No. 15SIES2016US)

GUN-PA-03981

PA Page 1

BOEING PROPRIETARY

“[*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission**

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BOEING PROPRIETARY

“[***]” This information is subject to confidential treatment and has been omitted and filed separately with the commission



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GUN-PA-03981

PA Page 3

BOEING PROPRIETARY

“[*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission**

Purchase Agreement No. PA-03981

between

THE BOEING COMPANY

and

CHINA SOUTHERN AIRLINES COMPANY LIMITED

with

CHINA SOUTHERN AIRLINES GROUP IMPORT AND EXPORT TRADING CORP., LTD.

as Consenting Party

This Purchase Agreement No. PA-03981 between The Boeing Company, a Delaware corporation, (**Boeing**) and China Southern Airlines Company Limited (**Customer**) with China Southern Airlines Group Import and Export Trading Corp., Ltd. As consenting party (**Consenting Party**) relating to the purchase and sale of Model 737-8 aircraft together with all tables, exhibits, supplemental exhibits, letter agreements and other attachments thereto, if any, (**Purchase Agreement**) incorporates the terms and conditions (except as specifically set forth below) of the Aircraft General Terms Agreement dated as of September 19, 2000, between Boeing and Consenting Party (formerly known as China Southern Airlines Group Import and Export Trading Corp., Ltd.), identified as AGTA-GUN (**AGTA**). All capitalized terms used but not defined in this Purchase Agreement have the same meaning as in the AGTA, except that the term "Customer" in this Purchase Agreement shall mean "Buyer" in the AGTA.

1. Quantity, Model and Description.

The aircraft to be delivered to Customer will be designated as Model 737-8 aircraft (**Aircraft**). Boeing will manufacture and sell to Customer Aircraft conforming to the configuration described in Exhibit A in the quantities listed in Table 1 to the Purchase Agreement.

2. Delivery Schedule.

The scheduled months of delivery of the Aircraft are listed in the attached Table 1. Exhibit B describes certain responsibilities for both Customer and Boeing in order to accomplish the delivery of the Aircraft.

3. Price.

3.1 Aircraft Basic Price. The Aircraft Basic Price is listed in Table 1 and is subject to escalation in accordance with the terms of this Purchase Agreement.

3.2 Advance Payment Base Prices. The Advance Payment Base Prices listed in Table 1 were calculated using the 737-8 Airframe Price and average optional features

GUN-PA-03981

PA Page 4

BOEING PROPRIETARY

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price as of the date of this Purchase Agreement escalated at a rate of three percent (3%) per year to the scheduled delivery year.

4. Payment.

4.1 Boeing acknowledges receipt of a deposit in the amount shown in Table 1 for each Aircraft (**Deposit**).

4.2 The standard advance payment schedule for the Model 737-8 aircraft requires Customer to make certain advance payments, expressed in a percentage of the Advance Payment Base Price of each Aircraft beginning with a payment of [***** *****] less the Deposit, on the effective date of the Purchase Agreement for the Aircraft. Additional advance payments for each Aircraft are due as specified in and on the first business day of the months listed in the attached Table 1.

4.3 For any Aircraft whose scheduled month of delivery is less than twenty-four (24) months from the date of this Purchase Agreement, the total amount of advance payments due for payment upon signing of this Purchase Agreement will include all advance payments which are past due in accordance with the standard advance payment schedule set forth in paragraph 4.2 above.

4.4 Customer will pay the balance of the Aircraft Price of each Aircraft at delivery.

5. Additional Terms.

5.1 Aircraft Information Table. Table 1 consolidates information contained in Articles 1, 2, 3 and 4 with respect to (i) quantity of Aircraft, (ii) applicable Detail Specification, (iii) month and year of scheduled deliveries, (iv) Aircraft Basic Price, (v) applicable escalation factors and (vi) Advance Payment Base Prices and advance payments and their schedules.

5.2 Escalation Adjustment/Airframe and Optional Features. Supplemental Exhibit AE1 contains the applicable airframe and optional features escalation formula.

5.3 Buyer Furnished Equipment Variables. Supplemental Exhibit BFE1 contains supplier selection dates, on dock dates and other variables applicable to the Aircraft.

5.4 Customer Support Variables. Information, training, services and other things furnished by Boeing in support of introduction of the Aircraft into Customer's fleet are described in Supplemental Exhibit CS1. The level of support to be provided under Supplemental Exhibit CS1 (**Entitlements**) assumes that at the time of delivery of Customer's first Aircraft under the Purchase Agreement, Customer has not taken possession of a Boeing Model 737-8 aircraft whether such Model 737-8 aircraft was purchased, leased or otherwise obtained by Customer from Boeing or another party. If prior to the delivery of Customer's first Aircraft, Customer has taken possession of a Model 737-8 aircraft, Boeing will revise the Entitlements to reflect the level of support normally provided by Boeing to operators already operating such aircraft. Under no circumstances under the Purchase Agreement or any other agreement will Boeing provide the Entitlements more than once to support Customer's operation of Model 737-8 aircraft.

“[*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission**

5.5 Engine Escalation Variables. Supplemental Exhibit EE1 describes the applicable engine escalation formula and contains the engine warranty and the engine patent indemnity for the Aircraft.

5.6 Service Life Policy Component Variables. Supplemental Exhibit SLP1 lists the SLP Components covered by the Service Life Policy for the Aircraft.

5.7 Public Announcement. Boeing reserves the right to make a public announcement regarding Customer's purchase of the Aircraft upon approval of Boeing's press release by Customer's public relations department or other authorized representative.

5.8 Negotiated Agreement; Entire Agreement. This Purchase Agreement, including the provisions of Article 8.2 of the AGTA relating to insurance, and Article 11 of Part 2 of Exhibit C of the AGTA relating to DISCLAIMER AND RELEASE and EXCLUSION OF CONSEQUENTIAL AND OTHER DAMAGES, has been the subject of discussion and negotiation and is understood by the parties; the Aircraft Price and other agreements of the parties stated in this Purchase Agreement were arrived at in consideration of such provisions. This Purchase Agreement, including the AGTA, contains the entire agreement between the parties and supersedes all previous proposals, understandings, commitments or representations whatsoever, oral or written, and may be changed only in writing signed by authorized representatives of the parties.

AGREED AND ACCEPTED this

Date

THE BOEING COMPANY

By _____

Its Attorney-In-Fact _____

CHINA SOUTHERN AIRLINES COMPANY LIMITED

By _____

Its _____

CHINA SOUTHERN AIRLINES GROUP IMPORT AND EXPORT TRADING CORP., LTD.

By _____

Its _____

GUN-PA-03981

PA Page 6

BOEING PROPRIETARY

["***"] This information is subject to confidential treatment and has been omitted and filed separately with the commission

**Table 1 To
Purchase Agreement No. PA-03981
Aircraft Delivery, Description, Price and Advance Payments**

Airframe Model/MTOW:	737-8	167600 pounds	Detail Specification:	D019A008-K (5/29/2015)
Engine Model/Thrust:	CFMLEAP-1B27	26400 pounds	Airframe Price Base Year/Escalation Formula:	[*****] [*****]
Airframe Price:		[*****]	Engine Price Base Year/Escalation Formula:	[*****] [*****]
Optional Features:		[*****]		
Sub-Total of Airframe and Features:		[*****]	<u>Airframe Escalation Data:</u>	
Engine Price (Per Aircraft):		[*****]	Base Year Index (ECI):	[*****]
Aircraft Basic Price (Excluding BFE/SPE):		[*****]	Base Year Index (ICI):	[*****]
Buyer Furnished Equipment (BFE) Estimate:		[*****]		
Seller Purchased Equipment (SPE) Estimate:		[*****]		
Refundable Deposit/Aircraft at Proposal Accept:		[*****]		

Delivery Date	Number of Aircraft	Escalation Factor (Airframe)	Escalation Estimate Adv Payment Base Price Per A/P	Advance Payment Per Aircraft (Amts. Due/Mos. Prior to Delivery):				
				[*****]	[*****]	[*****]	[*****]	[*****]
Oct-2017	1		[*****]	[*****]	[*****]	[*****]	[*****]	[*****]
Nov-2017	2		[*****]	[*****]	[*****]	[*****]	[*****]	[*****]
Dec-2017	3		[*****]	[*****]	[*****]	[*****]	[*****]	[*****]
Jan-2018	1		[*****]	[*****]	[*****]	[*****]	[*****]	[*****]
Mar-2018	1		[*****]	[*****]	[*****]	[*****]	[*****]	[*****]
Jun-2018	1		[*****]	[*****]	[*****]	[*****]	[*****]	[*****]
Aug-2018	2		[*****]	[*****]	[*****]	[*****]	[*****]	[*****]
Oct-2018	2		[*****]	[*****]	[*****]	[*****]	[*****]	[*****]
Nov-2018	2		[*****]	[*****]	[*****]	[*****]	[*****]	[*****]
Dec-2018	1		[*****]	[*****]	[*****]	[*****]	[*****]	[*****]
Jan-2019	1		[*****]	[*****]	[*****]	[*****]	[*****]	[*****]
Feb-2019	1		[*****]	[*****]	[*****]	[*****]	[*****]	[*****]
Apr-2019	2		[*****]	[*****]	[*****]	[*****]	[*****]	[*****]

GUN-PA-03981 81153-1F.TXT

Boeing Proprietary

Page 1

“[***]” This information is subject to confidential treatment and has been omitted and filed separately with the commission

**Table 1 To
Purchase Agreement No. PA-03981
Aircraft Delivery, Description, Price and Advance Payments**

Delivery Date	Number of Aircraft	Escalation Factor (Airframe)	Escalation Estimate Adv Payment Base Price Per A/P	Advance Payment Per Aircraft (Amts. Due/Mos. Prior to Delivery):				
				[*****]	[*****]	[*****]	[*****]	[*****]
Jun-2019	1		[*****]	[*****]	[*****]	[*****]	[*****]	[*****]
Jul-2019	3		[*****]	[*****]	[*****]	[*****]	[*****]	[*****]
Aug-2019	3		[*****]	[*****]	[*****]	[*****]	[*****]	[*****]
Sep-2019	2		[*****]	[*****]	[*****]	[*****]	[*****]	[*****]
Oct-2019	1		[*****]	[*****]	[*****]	[*****]	[*****]	[*****]
Nov-2019	2		[*****]	[*****]	[*****]	[*****]	[*****]	[*****]
Jan-2020	2		[*****]	[*****]	[*****]	[*****]	[*****]	[*****]
Jul-2020	2		[*****]	[*****]	[*****]	[*****]	[*****]	[*****]
Sep-2020	1		[*****]	[*****]	[*****]	[*****]	[*****]	[*****]
Nov-2020	1		[*****]	[*****]	[*****]	[*****]	[*****]	[*****]
Dec-2020	2		[*****]	[*****]	[*****]	[*****]	[*****]	[*****]
Jan-2021	1		[*****]	[*****]	[*****]	[*****]	[*****]	[*****]
Mar-2021	1		[*****]	[*****]	[*****]	[*****]	[*****]	[*****]
Apr-2021	1		[*****]	[*****]	[*****]	[*****]	[*****]	[*****]
May-2021	1		[*****]	[*****]	[*****]	[*****]	[*****]	[*****]
Jun-2021	1		[*****]	[*****]	[*****]	[*****]	[*****]	[*****]
Jul-2021	1		[*****]	[*****]	[*****]	[*****]	[*****]	[*****]
Aug-2021	1		[*****]	[*****]	[*****]	[*****]	[*****]	[*****]
Sep-2021	1		[*****]	[*****]	[*****]	[*****]	[*****]	[*****]
Oct-2021	1		[*****]	[*****]	[*****]	[*****]	[*****]	[*****]
Dec-2021	1		[*****]	[*****]	[*****]	[*****]	[*****]	[*****]
Total:	50							

“[***]”This information is subject to confidential treatment and has been omitted and filed separately with the commission

AIRCRAFT CONFIGURATION

between

THE BOEING COMPANY

and

CHINA SOUTHERN AIRLINES COMPANY LIMITED

with

**CHINA SOUTHERN AIRLINES GROUP IMPORT AND EXPORT TRADING
CORP., LTD.**

as Consenting Party

Exhibit A to Purchase Agreement Number PA-03981

GUN-PA-03981-EXA

BOEING PROPRIETARY

EXA Page 1

“[***]” This information is subject to confidential treatment and has been omitted and filed separately with the commission

Exhibit A
AIRCRAFT CONFIGURATION

relating to

BOEING MODEL 737-8 AIRCRAFT

The Detail Specification is Boeing document number [*****] dated when released. The Detail Specification provides further description of Customer's configuration set forth in this Exhibit A. Such Detail Specification will be comprised of Boeing configuration specification [*****], as amended to incorporate the optional features (**Options**) listed below, including the effects on Manufacturer's Empty Weight (**MEW**) and Operating Empty Weight (**OEW**). As soon as practicable, Boeing will furnish to Customer copies of the Detail Specification, which copies will reflect such Options. The Aircraft Basic Price reflects and includes all effects of such Options, except such Aircraft Basic Price does not include the price effects of any Buyer Furnished Equipment or Seller Purchased Equipment.

The content of this Exhibit A will be defined pursuant to the provisions of Letter Agreement GUN-PA-03981-LA-1303709 to the Purchase Agreement, entitled "Open Matters".

GUN-PA-03981-EXA

EXA Page 2

BOEING PROPRIETARY

["***"] This information is subject to confidential treatment and has been omitted and filed separately with the commission

AIRCRAFT DELIVERY REQUIREMENTS AND RESPONSIBILITIES

between

THE BOEING COMPANY

and

CHINA SOUTHERN AIRLINES COMPANY LIMITED

with

**CHINA SOUTHERN AIRLINES GROUP IMPORT AND EXPORT TRADING
CORP., LTD.**

as Consenting Party

Exhibit B to Purchase Agreement Number PA-03981

GUN-PA-03981-EXB

BOEING PROPRIETARY

EXB Page 1

“***” This information is subject to confidential treatment and has been omitted and filed separately with the commission

Exhibit B

AIRCRAFT DELIVERY REQUIREMENTS AND RESPONSIBILITIES

relating to

BOEING MODEL 737-8 AIRCRAFT

Both Boeing and Customer have certain documentation and approval responsibilities at various times during the construction cycle of Customer's Aircraft that are critical to making the delivery of each Aircraft a positive experience for both parties. This Exhibit B documents those responsibilities and indicates recommended completion deadlines for the actions to be accomplished.

1. GOVERNMENT DOCUMENTATION REQUIREMENTS.

Certain actions are required to be taken by Customer in advance of the scheduled delivery month of each Aircraft with respect to obtaining certain government issued documentation.

1.1 Airworthiness and Registration Documents. Not later than [*****] [*****] of each Aircraft, Customer will notify Boeing of the registration number to be painted on the side of the Aircraft. If required by the regulatory authority, Customer will authorize, by letter to the regulatory authority having jurisdiction, the display of such registration numbers by Boeing during the pre-delivery testing of the Aircraft, no later than [*****] of each Aircraft.

Customer is responsible for furnishing any Temporary or Permanent Registration Certificates required by any governmental authority having jurisdiction to be displayed aboard the Aircraft after delivery.

1.2 Certificate of Sanitary Construction.

1.2.1 U.S. Registered Aircraft. Boeing will obtain from the United States Public Health Service, a United States Certificate of Sanitary Construction to be displayed aboard each Aircraft after delivery to Customer. The above Boeing obligation only applies to commercial passenger-configured aircraft.

1.2.2 Non-U.S. Registered Aircraft. If Customer requires a United States Certificate of Sanitary Construction at the time of delivery of the Aircraft, Customer will give written notice thereof to Boeing at least [*****]. Boeing will then use commercially reasonable efforts to obtain the Certificate from the United States Public Health Service and present it to Customer at the time of Aircraft delivery. The above Boeing obligation only applies to commercial passenger-configured aircraft.

1.3 Customs Documentation.

1.3.1 Import Documentation. If the Aircraft is intended to be exported from the United States, Customer must notify Boeing not later than [*****] [*****] of each Aircraft of any documentation required by the customs authorities or by any other agency of the country of import including the CAAC.

1.3.2 General Declaration - U.S. If the Aircraft is intended to be exported from the United States, Boeing will prepare Customs Form 7507, General Declaration, for execution by U.S. Customs immediately prior to the ferry flight of the Aircraft. For this purpose, Customer will furnish to Boeing not later than [*****] **to delivery** all information required by U.S. Customs and Border Protection, including without limitation (i) a complete crew and passenger list identifying the names, birth dates, passport numbers and passport expiration dates of all crew and passengers and (ii) a complete ferry flight itinerary, including point of exit from the United States for the Aircraft.

If Customer intends, during the ferry flight of an Aircraft, to land at a U.S. airport after clearing Customs at delivery, Customer must notify Boeing not later than [*****] of such intention. If Boeing receives such notification, Boeing will provide to Customer the documents constituting a Customs permit to proceed, allowing such Aircraft to depart after any such landing. Sufficient copies of completed Form 7507, along with passenger manifest, will be furnished to Customer to cover U.S. stops scheduled for the ferry flight.

1.3.3 Export Declaration - U.S. If the Aircraft is intended to be exported from the United States following delivery, and (i) Customer is a non-U.S. customer, Boeing will file an export declaration electronically with U.S. Customs and Border Protection (CBP), or (ii) Customer is a U.S. customer, it is the responsibility of the U.S. customer, as the exporter of record, to file the export declaration with CBP.

2. Insurance Certificates.

Unless provided earlier, Customer will provide to Boeing not later than [*****] [*****] of the first Aircraft, a copy of the requisite annual insurance certificate in accordance with the requirements of Article 8 of the AGTA.

3. NOTICE OF FLYAWAY CONFIGURATION.

Not later than [*****] of the Aircraft, Customer will provide to Boeing a configuration letter stating the requested "flyaway configuration" of the Aircraft for its ferry flight. This configuration letter should include:

- (i) the name of the company which is to furnish fuel for the ferry flight and any scheduled post-delivery flight training, the method of payment for such fuel, and fuel load for the ferry flight;
- (ii) the cargo to be loaded and where it is to be stowed on board the Aircraft, the address where cargo is to be shipped after flyaway and notification of any hazardous materials requiring special handling;
- (iii) any BFE equipment to be removed prior to flyaway and returned to Boeing BFE stores for installation on Customer's subsequent Aircraft;
- (iv) a complete list of names and citizenship of each crew member and non-revenue passenger who will be aboard the ferry flight; and
- (v) a complete ferry flight itinerary.

BOEING PROPRIETARY

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4. DELIVERY ACTIONS BY BOEING.

4.1 Schedule of Inspections. All FAA, Boeing, Customer and, if required, U.S. Customs Bureau inspections will be scheduled by Boeing for completion prior to delivery or departure of the Aircraft. Customer will be informed of such schedules.

4.2 Schedule of Demonstration Flights. All FAA and Customer demonstration flights will be scheduled by Boeing for completion prior to delivery of the Aircraft.

4.3 Schedule for Customer's Flight Crew. Boeing will inform Customer of the date that a flight crew is required for acceptance routines associated with delivery of the Aircraft.

4.4 Fuel Provided by Boeing. Boeing will provide to Customer, without charge, the amount of fuel shown in U.S. gallons in the table below for the model of Aircraft being delivered and full capacity of engine oil at the time of delivery or prior to the ferry flight of the Aircraft.

<u>Aircraft Model</u>	<u>Fuel Provided</u>
737	[***]

4.5 Flight Crew and Passenger Consumables. Boeing will provide reasonable quantities of food, coat hangers, towels, toilet tissue, drinking cups and soap for the first segment of the ferry flight for the Aircraft.

4.6 Delivery Papers, Documents and Data. Boeing will have available at the time of delivery of the Aircraft certain delivery papers, documents and data for execution and delivery. If title for the Aircraft will be transferred to Customer through a Boeing subsidiary and if the Aircraft will be registered with the FAA, Boeing will pre-position in Oklahoma City, Oklahoma, for filing with the FAA at the time of delivery of the Aircraft an executed original Form 8050-2, Aircraft Bill of Sale, indicating transfer of title to the Aircraft from Boeing's subsidiary to Customer.

4.7 Delegation of Authority. If specifically requested in advance by Customer, Boeing will present a certified copy of a Resolution of Boeing's Board of Directors, designating and authorizing certain persons to act on its behalf in connection with delivery of the Aircraft.

5. DELIVERY ACTIONS BY CUSTOMER.

5.1 Aircraft Radio Station License. At delivery Customer will provide its Aircraft Radio Station License to be placed on board the Aircraft following delivery.

5.2 Aircraft Flight Log. At delivery Customer will provide the Aircraft Flight Log for the Aircraft.

5.3 Delegation of Authority. Customer will present to Boeing at delivery of the Aircraft an original or certified copy of Customer's Delegation of Authority designating and authorizing certain persons to act on its behalf in connection with delivery of the specified Aircraft.

5.4 TSA Waiver Approval. Customer may be required to have an approved Transportation Security Administration (TSA) waiver for the ferry flight depending upon the Customer's en-route stop(s) and destination unless the Customer already has a TSA approved security program in place. Customer is responsible for application for

the TSA waiver and obtaining TSA approval. Customer will provide a copy of the approved TSA waiver to Boeing upon arrival at the Boeing delivery center.

5.5 Electronic Advance Passenger Information System. Should the ferry flight of an Aircraft leave the United States, the Department of Homeland Security office requires Customer to comply with the Electronic Advance Passenger Information System (eAPIS). Customer needs to establish their own account with US Customs and Border Protection in order to file for departure. A copy of the eAPIS forms is to be provided by Customer to Boeing upon arrival of Customer's acceptance team at the Boeing delivery center.

BOEING PROPRIETARY

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**ESCALATION ADJUSTMENT
AIRFRAME AND OPTIONAL FEATURES**

between

THE BOEING COMPANY

and

CHINA SOUTHERN AIRLINES COMPANY LIMITED

with

**CHINA SOUTHERN AIRLINES GROUP IMPORT AND EXPORT TRADING
CORP., LTD.**

as Consenting Party

**Supplemental Exhibit AE1
to Purchase Agreement Number PA-03981**

GUN-PA-03981-AE1

AE1 Page 1

BOEING PROPRIETARY

“[***]” This information is subject to confidential treatment and has been omitted and filed separately with the commission

**ESCALATION ADJUSTMENT
AIRFRAME AND OPTIONAL FEATURES**

relating to

BOEING MODEL 737-8 AIRCRAFT

1. Formula.

Airframe and Optional Features price adjustments (**Airframe Price Adjustment**) are used to allow prices to be stated in current year dollars at the signing of this Purchase Agreement and to adjust the amount to be paid by Customer at delivery for the effects of economic fluctuation. The Airframe Price Adjustment will be determined at the time of Aircraft delivery in accordance with the following formula:

[*****]

Where:

P_a = Airframe Price Adjustment. (For Models 737-600, 737-700, 737-800, 737-900, 737-900ER, 747-8, 777-200LR, 777-F, and 777-300ER the Airframe Price includes the Engine Price at its basic thrust level.)

P = Airframe Price plus the price of the Optional Features (as set forth in Table 1 of this Purchase Agreement).

[*****] $\frac{[**]}{[**]}$

Where:

[**] is the base year airframe escalation index (as set forth in Table 1 of this Purchase Agreement);

[**] is a value determined using the U.S. Department of Labor, Bureau of Labor Statistics, Employment Cost Index for [*****] [*****] calculated by establishing a three-month arithmetic average value (expressed as a decimal and rounded to the nearest tenth) using the values for the 11th, 12th and 13th months prior to the month of scheduled delivery of the applicable Aircraft. As the Employment Cost Index values are only released on a quarterly basis, the value released for the first quarter will be used for the months of January, February, and March; the value released for the second quarter will be used for the months of April, May, and June; the value released for the third quarter will be used for the months of July, August, and September; the value released for the fourth quarter will be used for the months of October, November, and December.

[*****] $\frac{[**]}{[**]}$

[**] This information is subject to confidential treatment and has been omitted and filed separately with the commission

Where:

[***] is the base year index (as set forth in Table 1 of this Purchase Agreement); and

[**] is a value determined using the U.S. Department of Labor, Bureau of Labor [*****] ID [*****], calculated as a three (3) month arithmetic average of the released monthly values (expressed as a decimal and rounded to the nearest tenth) using the values for the 11th, 12th, and 13th months prior to the month of scheduled delivery of the applicable Aircraft.

[*****]

Where:

N is the number of calendar months which have elapsed from the Airframe Price base year and month up to and including the month of delivery, both as shown in Table 1 of the Purchase Agreement. The entire calculation of [*****] will be rounded to 4 places, and the final value of B will be rounded to the nearest dollar.

As an example, for an Aircraft scheduled to be delivered in the month of July, the months of June, July, and August of the preceding year will be utilized in determining the value of [*****]

Note:

- (i) In determining the values of L and M, all calculations and resulting values will be expressed as a decimal rounded to the nearest ten-thousandth.
- (ii) [***] is the numeric ratio attributed to labor in the Airframe Price Adjustment formula.
- (iii) [***] is the numeric ratio attributed to materials in the Airframe Price Adjustment formula.
- (iv) The denominators (base year indices) are the actual average values reported by the U.S. Department of Labor, Bureau of Labor Statistics. The actual average values are calculated as a three (3) month arithmetic average of the released monthly values (expressed as a decimal and rounded to the nearest tenth) using the values for the 11th, 12th and 13th months prior to the airframe base year. The applicable base year and corresponding denominator is provided by Boeing in Table 1 of this Purchase Agreement.
- (v) The final value of P_a will be rounded to the nearest dollar.

(vi) The Airframe Price Adjustment will not be made if it will result in a decrease in the Aircraft Basic Price.

2. Values to be Utilized in the Event of Unavailability.

2.1 If the Bureau of Labor Statistics substantially revises the methodology used for the determination of the values to be used to determine the ECI and ICI values (in contrast to benchmark adjustments or other corrections of previously released values), or for any reason has not released values needed to determine the applicable Airframe Price Adjustment, the parties will, prior to the delivery of any such Aircraft, select a substitute from other Bureau of Labor Statistics data or similar data reported by non-governmental organizations. Such substitute will result in the same adjustment, insofar as possible, as would have been calculated utilizing the original values adjusted for fluctuation during the applicable time period. However, if within twenty-four (24) months after delivery of the Aircraft, the Bureau of Labor Statistics should resume releasing values for the months needed to determine the Airframe Price Adjustment; such values will be used to determine any increase or decrease in the Airframe Price Adjustment for the Aircraft from that determined at the time of delivery of the Aircraft.

2.2 Notwithstanding Article 2.1 above, if prior to the scheduled delivery month of an Aircraft the Bureau of Labor Statistics changes the base year for determination of the ECI and ICI values as defined above, such re-based values will be incorporated in the Airframe Price Adjustment calculation.

2.3 In the event escalation provisions are made non-enforceable or otherwise rendered void by any agency of the United States Government, the parties agree, to the extent they may lawfully do so, to equitably adjust the Aircraft Price of any affected Aircraft to reflect an allowance for increases or decreases consistent with the applicable provisions of paragraph 1 of this Supplemental Exhibit AE1 in labor compensation and material costs occurring since August of the year prior to the price base year shown in the Purchase Agreement.

2.4 If within twelve (12) months of Aircraft delivery, the published index values are revised due to an acknowledged error by the Bureau of Labor Statistics, the Airframe Price Adjustment will be re-calculated using the revised index values (this does not include those values noted as preliminary by the Bureau of Labor Statistics). A credit memorandum or supplemental invoice will be issued for the Airframe Price Adjustment difference. Interest charges will not apply for the period of original invoice to issuance of credit memorandum or supplemental invoice.

Note:

- (i) The values released by the Bureau of Labor Statistics and available to Boeing thirty (30) days prior to the first day of the scheduled delivery month of an Aircraft will be used to determine the ECI and ICI values for the applicable months (including those noted as preliminary by the Bureau of Labor Statistics) to calculate the Airframe Price Adjustment for the Aircraft invoice at the time of delivery. The values will be considered final and no Airframe Price Adjustments will be made after Aircraft delivery for any subsequent changes in

GUN-PA-03981-AE1

AE1 Page 4

BOEING PROPRIETARY

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published index values, subject always to paragraph 2.4 above.

- (ii) The maximum number of digits to the right of the decimal after rounding utilized in any part of the Airframe Price Adjustment equation will be 4, where rounding of the fourth digit will be increased to the next highest digit when the 5th digit is equal to five (5) or greater.

BOEING PROPRIETARY

“*” This information is subject to confidential treatment and has been omitted and filed separately with the commission**

BUYER FURNISHED EQUIPMENT VARIABLES

between

THE BOEING COMPANY

and

CHINA SOUTHERN AIRLINES COMPANY LIMITED

with

**CHINA SOUTHERN AIRLINES GROUP IMPORT AND
EXPORT TRADING CORP., LTD.**

as Consenting Party

**Supplemental Exhibit BFE1
to Purchase Agreement Number PA-03981**

GUN-PA-03981-BFE1

BFE1 Page 1

BOEING PROPRIETARY

“[***]” This information is subject to confidential treatment and has been omitted and filed separately with the commission

BUYER FURNISHED EQUIPMENT VARIABLES

relating to

BOEING MODEL 737-8 AIRCRAFT

This Supplemental Exhibit BFE1 contains supplier selection dates, on-dock dates and other requirements applicable to the Aircraft.

1. Supplier Selection.

Customer will:

Select and notify Boeing of the suppliers and part numbers of the following BFE items by the following dates:

Galley System	August 1, 2016
Galley Inserts	August 1, 2016
Seats (passenger)	August 1, 2016
Overhead & Audio System	August 1, 2016
In-Seat Video System	August 1, 2016
Miscellaneous Emergency Equipment	October 1, 2016
Cargo Handling Systems* (Single Aisle Programs only)	February 1, 2017

*For a new certification, supplier requires notification [*****] prior to Cargo Handling System on-dock date.

Customer will enter into initial agreements with the selected Galley System, Galley Inserts, Seats, and In-Seat Video System suppliers on or before [*****] after the above supplier selection dates to actively participate with Customer and Boeing in coordination actions including the Initial Technical Coordination Meeting (ITCM).

2. On-dock Dates and Other Information.

On or before [*****], Boeing will provide to Customer the BFE Requirements electronically through My Boeing Fleet (MBF in My Boeing Configuration (MBC)). These requirements may be periodically revised, setting forth the items, quantities, on-dock dates and shipping instructions and other requirements relating to the in-sequence installation of BFE. For planning purposes, preliminary BFE on-dock dates are set forth below:

GUN-PA-03981-BFE1

BFE1 Page 2

BOEING PROPRIETARY

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Nominal Del Date	Aircraft Qty	Seats	Galley / Furnishings	Antennas & Mounting Equipment	Avionics	Cabin Systems Equipment	Misc. Emergency Equipment	Textiles / Raw Materials	Cargo Systems	Provision Kits	Radomes
Oct 2017	1	08/22/17	08/15/17	06/23/17	08/15/17	08/15/17	08/15/17	05/09/17	08/01/17	04/06/17	07/17/17
Nov 2017	2	09/22/17	09/15/17	07/26/17	09/15/17	09/15/17	09/15/17	06/09/17	08/31/17	05/08/17	08/16/17
Dec 2017	3	10/20/17	10/13/17	08/23/17	10/13/17	10/13/17	10/13/17	07/10/17	09/29/17	06/06/17	09/14/17
Jan 2018	1	11/13/17	11/06/17	09/15/17	11/06/17	11/06/17	11/06/17	08/01/17	10/23/17	06/28/17	10/06/17
Mar 2018	1	01/22/18	01/15/18	11/14/17	01/15/18	01/15/18	01/15/18	09/29/17	12/22/17	08/28/17	12/07/17
Jun 2018	1	04/24/18	04/17/18	02/26/18	04/17/18	04/17/18	04/17/18	01/11/18	04/03/18	12/01/17	03/19/18
Aug 2018	2	06/22/18	06/15/18	04/26/18	06/15/18	06/15/18	06/15/18	03/13/18	06/01/18	02/08/18	05/17/18
Oct 2018	2	08/22/18	08/15/18	06/26/18	08/15/18	08/15/18	08/15/18	05/11/18	08/01/18	04/10/18	07/17/18
Nov 2018	2	09/24/18	09/17/18	07/27/18	09/17/18	09/17/18	09/17/18	06/13/18	09/03/18	05/11/18	08/17/18
Dec 2018	1	10/24/18	10/17/18	08/28/18	10/17/18	10/17/18	10/17/18	07/13/18	10/03/18	06/12/18	09/18/18
Jan 2019	1	11/22/18	11/15/18	09/26/18	11/15/18	11/15/18	11/15/18	08/13/18	11/01/18	07/11/18	10/17/18
Feb 2019	1	12/25/18	12/18/18	10/29/18	12/18/18	12/18/18	12/18/18	09/13/18	12/04/18	08/13/18	11/19/18
Apr 2019	2	02/20/19	02/13/19	12/25/18	02/13/19	02/13/19	02/13/19	11/09/18	01/30/19	10/09/18	01/15/19
Jun 2019	1	04/24/19	04/17/19	02/26/19	04/17/19	04/17/19	04/17/19	01/11/19	04/03/19	12/11/18	03/19/19
Jul 2019	3	05/22/19	05/15/19	03/26/19	05/15/19	05/15/19	05/15/19	02/08/19	05/01/19	01/08/19	04/16/19
Aug 2019	3	06/24/19	06/17/19	04/26/19	06/17/19	06/17/19	06/17/19	03/13/19	06/03/19	02/08/19	05/17/19
Sep 2019	2	07/24/19	07/17/19	05/28/19	07/17/19	07/17/19	07/17/19	04/12/19	07/03/19	03/12/19	06/18/19
Oct 2019	1	08/22/19	08/15/19	06/26/19	08/15/19	08/15/19	08/15/19	05/13/19	08/01/19	04/10/19	07/17/19
Nov 2019	2	09/24/19	09/17/19	07/29/19	09/17/19	09/17/19	09/17/19	06/13/19	09/03/19	05/13/19	08/19/19
Jan 2020	2	11/22/19	11/15/19	09/26/19	11/15/19	11/15/19	11/15/19	08/13/19	11/01/19	07/11/19	10/17/19
Jul 2020	2	05/22/20	05/15/20	03/26/20	05/15/20	05/15/20	05/15/20	02/11/20	05/01/20	01/09/20	04/16/20
Sep 2020	1	07/23/20	07/16/20	05/27/20	07/16/20	07/16/20	07/16/20	04/13/20	07/02/20	03/11/20	06/17/20
Nov 2020	1	09/23/20	09/16/20	07/28/20	09/16/20	09/16/20	09/16/20	06/12/20	09/02/20	05/12/20	08/18/20
Dec 2020	2	10/22/20	10/15/20	08/26/20	10/15/20	10/15/20	10/15/20	07/13/20	10/01/20	06/10/20	09/16/20

(Continued on next page)

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BOEING PROPRIETARY

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Nominal Del Date	Aircraft Qty	Seats	Galley / Furnishings	Antennas & Mounting Equipment	Avionics	Cabin Systems Equipment	Misc. Emergency Equipment	Textiles / Raw Materials	Cargo Systems	Provision Kits	Radomes
Jan 2021	1	11/24/20	11/17/20	09/28/20	11/17/20	11/17/20	11/17/20	08/13/20	11/03/20	07/13/20	10/19/20
Mar 2021	1	01/20/21	01/13/21	11/24/20	01/13/21	01/13/21	01/13/21	10/09/20	12/30/20	09/08/20	12/15/20
Apr 2021	1	02/22/21	02/15/21	12/25/20	02/15/21	02/15/21	02/15/21	11/11/20	02/01/21	10/09/20	01/15/21
May 2021	1	03/24/21	03/17/21	01/26/21	03/17/21	03/17/21	03/17/21	12/11/20	03/03/21	11/10/20	02/16/21
Jun 2021	1	04/22/21	04/15/21	02/24/21	04/15/21	04/15/21	04/15/21	01/11/21	04/01/21	12/09/20	03/17/21
Jul 2021	1	05/24/21	05/17/21	03/26/21	05/17/21	05/17/21	05/17/21	02/10/21	05/03/21	01/08/21	04/16/21
Aug 2021	1	06/23/21	06/16/21	04/27/21	06/16/21	06/16/21	06/16/21	03/12/21	06/02/21	02/09/21	05/18/21
Sep 2021	1	07/23/21	07/16/21	05/27/21	07/16/21	07/16/21	07/16/21	04/13/21	07/02/21	03/11/21	06/17/21
Oct 2021	1	08/24/21	08/17/21	06/28/21	08/17/21	08/17/21	08/17/21	05/13/21	08/03/21	04/12/21	07/19/21
Dec 2021	1	10/22/21	10/15/21	08/26/21	10/15/21	10/15/21	10/15/21	07/13/21	10/01/21	06/10/21	09/16/21
Total Aircraft	50										

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BOEING PROPRIETARY

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3. Additional Delivery Requirements - Import.

Customer will be the “**importer of record**” (as defined by the U.S. Customs and Border Protection) for all BFE imported into the United States, and as such, it has the responsibility to ensure all of Customer’s BFE shipments comply with U.S. Customs Service regulations. In the event Customer requests Boeing, in writing, to act as importer of record for Customer’s BFE, and Boeing agrees to such request, Customer is responsible for ensuring Boeing can comply with all U.S. Customs Import Regulations by making certain that, at the time of shipment, all BFE shipments comply with the requirements in the “International Shipment Routing Instructions”, including the Customs Trade Partnership Against Terrorism (**C-TPAT**), as set out on the Boeing website referenced below. Customer agrees to include the International Shipment Routing Instructions, including C-TPAT requirements, in each contract between Customer and BFE supplier.

http://www.boeing.com/companyoffices/doingbiz/supplier_portal/index_general.html

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BOEING PROPRIETARY

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CUSTOMER SUPPORT VARIABLES

between

THE BOEING COMPANY

and

CHINA SOUTHERN AIRLINES COMPANY LIMITED

with

**CHINA SOUTHERN AIRLINES GROUP IMPORT AND
EXPORT TRADING CORP., LTD.**

as Consenting Party

**Supplemental Exhibit CS1
to Purchase Agreement Number PA-03981**

GUN-PA-03981-CS1

CS1 Page 1

BOEING PROPRIETARY

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CUSTOMER SUPPORT VARIABLES

relating to

BOEING MODEL 737-8 AIRCRAFT

Customer and Boeing will conduct planning conferences approximately twelve (12) months prior to delivery of the first Aircraft, or as mutually agreed, in order to develop and schedule a customized Customer Support Program to be furnished by Boeing in support of the Aircraft.

The customized Customer Support Program will be based upon and equivalent to the entitlements summarized below.

1. Maintenance Training.

1.1 Systems Differences Maintenance Course; [*****] [*****]

1.2 Engine Run Maintenance Course; [*****] students;

1.3 Fiber Optics Maintenance Course; [*****];

1.4 Aircraft Rigging Course; [*****];

1.5 Advanced Composite Repair Course; [*****].

1.6 Training materials will be provided to each student. In addition, one set of training materials as used in Boeing's training program, including Interactive Media (formerly Computer Based Training Courseware), instrument panel wall charts, DVD programs, and Student Reference Guide, etc. will be provided for use in Customer's own training program.

2. Flight Training.

2.1 Boeing will provide flight crew differences training to acquaint up to [*****] with operational, systems and performance differences between Customer's newly-purchased Aircraft and an aircraft of the same model currently operated by Customer.

2.2 The schedule for performance engineer training is published twice yearly.

2.3 Training materials will be provided to each student. In addition, one set of training materials as used in Boeing's training program, including Interactive Media (Flight Differences Computer Based Training Courseware), instrument panel wall charts, DVD Programs, Flight Attendant Manuals, etc. will be provided for use in Customer's own training program.

3. Planning Assistance.

3.1 Maintenance Engineering. Notwithstanding anything in Exhibit B to the AGTA seemingly to the contrary, Boeing will provide the following Maintenance Engineering support:

3.1.1 Maintenance Planning Assistance. Upon request, Boeing will provide [*****] on-site visit to Customer's main base to assist with maintenance

BOEING PROPRIETARY

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program development and to provide consulting related to maintenance planning. Consultation with Customer will be based on ground rules and requirements information provided in advance by Customer.

3.1.2 ETOPS Maintenance Planning Assistance. Upon request, Boeing will provide [*****] on site visit to Customer's main base to assist with the development of their ETOPS maintenance program and to provide consultation related to ETOPS maintenance planning. Consultation with Customer will be based on ground rules and requirements information provided in advance by the Customer.

3.1.3 GSE/Shops/Tooling Consulting. Upon request, Boeing will provide consulting and data for ground support equipment, maintenance tooling and requirements for maintenance shops. Consultation with Customer will be based on ground rules and requirements information provided in advance by Customer.

3.1.4 Maintenance Engineering Evaluation. Upon request, Boeing will provide [*****] on-site visit to Customer's main base to evaluate Customer's maintenance and engineering organization for conformance with industry best practices. The result of which will be documented by Boeing in a maintenance engineering evaluation presentation. Customer will be provided with a copy of the maintenance engineering evaluation presentation. Consultation with Customer will be based on ground rules and requirements information provided in advance by Customer.

3.2 Spares.

- (i) Recommended Spares Parts List (RSPL). A customized RSPL, data and documents will be provided to identify spare parts required for Customer's support program.
- (ii) Illustrated Parts Catalog (IPC). A customized IPC in accordance with ATA 100 will be provided.
- (iii) Provisioning Training. Provisioning training will be provided for Customer's personnel at Boeing's facilities, where documentation and technical expertise are available. Training is focused on the initial provisioning process and calculations reflected in the Boeing RSPL.
- (iv) Spares Provisioning Conference. A provisioning conference will be conducted, normally at Boeing's facilities where technical data and personnel are available.

4. Technical Data and Documents.

The following will be provided in mutually agreed formats and quantities:

4.1 Flight Operations.

Airplane Flight Manual
Airplane Rescue and Fire Fighting Information
Dispatch Deviation Guide
ETOPS Guide Vol. III

FMC Supplementary Data Document
Flight Crew Operations Manual and Quick Reference Handbook
Flight Crew Training Manual
Performance Engineer's Tool
Jet Transport Performance Methods
Operational Performance Software
Weight and Balance Manual Chapter 1 Control and Loading

4.2 Maintenance.

Aircraft Maintenance Manual
Component Maintenance Manual
Fault Isolation Manual
Fault Reporting Manual
Fuel Measuring Stick Manual
Illustrated Parts Catalog
Nondestructive Test Manual
Power Plant Buildup Manual
Service Bulletins and Index
Standard Overhaul Practices Manual Chapter 20
Standard Wiring Practices Manual Chapter 20
Structural Repair Manual
System Schematic Manual
Wiring Diagram Manual

4.3 Service Engineering.

Maintenance Tips
Service Letters

4.4 Maintenance Programs Engineering.

Airline Maintenance Inspection Intervals
ETOPS Configuration, Maintenance and Procedures
ETOPS Guide Vol. I and II
Maintenance Planning Data Document
Maintenance Task Cards and Index

4.5 Facilities and Equipment Planning.

Airplane Recovery Document
Engine Ground Handling Document
GSE Tooling Drawings (Bill of Material, 2D Drawings and Drawing Notes)
Illustrated Tool and Equipment Manual
Maintenance Facility and Equipment Planning Document
Special Tool and Ground Handling Equipment Drawing and Index

4.6 Airport Technology.

Airplane Characteristics for Airport Planning

4.7 Supplier Technical Data.

Overhaul Manual/Component Maintenance Manual Index

Product Support Supplier Directory
Supplier Assembly Drawings
Supplier Component Maintenance Manuals
Supplier Ground Support Equipment List
Supplier Product Support and Assurance Agreements Documents Vol. I and II
Supplier Publications Index
Supplier Service Bulletins
Supplier Spare Part Price Catalog

4.8 Product Standard.

Product Standard Data System

4.9 Fleet Statistical Data and Reports.

Fleet reliability views, charts, and reports

5. Aircraft Information.

5.1 Aircraft Information is defined as that data provided by Customer to Boeing which falls into one of the following categories: (i) aircraft operational information (including, but not limited to, flight hours, departures, schedule reliability, engine hours, number of aircraft, aircraft registries, landings, and daily utilization and schedule interruptions for Boeing model aircraft); (ii) summary and detailed shop findings data; (iii) line maintenance data; (iv) airplane message data, (v) scheduled maintenance data; (vi) service bulletin incorporation; and (vii) aircraft data generated or received by equipment installed on Customer's aircraft in analog or digital form including but not limited to information regarding the state, condition, performance, location, setting, or path of the aircraft and associated systems, sub-systems and components.

5.2 License Grant. To the extent Customer has or obtains rights to Aircraft Information, Customer grants to Boeing a perpetual, world-wide, non-exclusive license to use and disclose Aircraft Information and create derivatives thereof in Boeing data and information and products and services provided Customer identification information as originating from Customer is removed. Customer identification information may be retained as necessary for Boeing to provide products and services Customer has requested from Boeing or for Boeing to inform Customer of additional Boeing products and services. This grant is in addition to any other grants of rights in the agreements governing provision of such information to Boeing regardless of whether that information is identified as Aircraft Information in such agreement including any information submitted under the In Service Data Program (**ISDP**).

For purposes of this article, Boeing is defined as The Boeing Company and its wholly owned subsidiaries.

Customer will provide Aircraft Information to Boeing through an automated software feed necessary to support Fleet Statistical Analysis. Boeing will provide assistance to Customer under a separate agreement for mapping services to enable the automated software feed.

**ENGINE ESCALATION,
ENGINE WARRANTY AND PATENT INDEMNITY**

between

THE BOEING COMPANY

and

CHINA SOUTHERN AIRLINES COMPANY LIMITED

with

**CHINA SOUTHERN AIRLINES GROUP IMPORT AND
EXPORT TRADING CORP., LTD.**

as Consenting Party

**Supplemental Exhibit EE1
to Purchase Agreement Number PA-03981**

GUN-PA-03981-EE1

EE1 Page 1

BOEING PROPRIETARY

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**ENGINE ESCALATION
ENGINE WARRANTY AND PATENT INDEMNITY**

relating to

BOEING MODEL 737-8 AIRCRAFT

1. ENGINE ESCALATION.

No separate engine escalation methodology is defined for the 737-7/8/9/ Aircraft. Pursuant to the AGTA, the engine prices for these Aircraft are included in and will be escalated in the same manner as the Airframe.

2. ENGINE WARRANTY AND PRODUCT SUPPORT PLAN.

Boeing has obtained from CFM International, Inc. (or CFM International, S.A., as the case may be) (**CFM**) the right to extend to Customer the provisions of CFM's warranty as set forth below (herein referred to as **Warranty**); subject, however, to Customer's acceptance of the conditions set forth herein. Accordingly, Boeing hereby extends to Customer and Customer hereby accepts the provisions of CFM's Warranty as hereinafter set forth, and such Warranty will apply to all CFM56-7 AND CFM LEAP-1B type Engines (including all Modules and Parts thereof) installed in the Aircraft at the time of delivery or purchased from Boeing by Customer for support of the Aircraft except that, if Customer and CFM have executed, or hereafter execute, a General Terms Agreement, then the terms of that Agreement will be substituted for and supersede the provisions of [*****] below and paragraphs 2.1 through 2.10 below will be of no force or effect and neither Boeing nor CFM will have any obligation arising therefrom. In consideration for Boeing's extension of the CFM Warranty to Customer, Customer hereby releases and discharges Boeing from any and all claims, obligations and liabilities whatsoever arising out of the purchase or use of such CFM56-7 AND CFM LEAP-1B type Engines and Customer hereby waives, releases and renounces all its rights in all such claims, obligations and liabilities. In addition, Customer hereby releases and discharges CFM from any and all claims, obligations and liabilities whatsoever arising out of the purchase or use of such CFM56-7 AND CFM LEAP-1B type Engines except as otherwise expressly assumed by CFM in such CFM Warranty or General Terms Agreement between Customer and CFM and Customer hereby waives, releases and renounces all its rights in all such claims, obligations and liabilities.

2.1 Title. CFM warrants that at the date of delivery, CFM has legal title to and good and lawful right to sell its CFM56-7 AND CFM LEAP-1B type Engine and Products and furthermore warrants that such title is free and clear of all claims, liens and encumbrances of any nature whatsoever.

2.2 Patents.

2.2.1 CFM will handle all claims and defend any suit or proceeding brought against Customer insofar as based on a claim that any product or part furnished under this Agreement constitutes an infringement of any patent of the United States, and will pay all damages and costs awarded therein against Customer. This paragraph will not apply to any product or any part manufactured to Customer's design or to the

BOEING PROPRIETARY

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aircraft manufacturer's design. As to such product or part, CFM assumes no liability for patent infringement.

2.2.2 CFM's liability hereunder is conditioned upon Customer promptly notifying CFM in writing and giving CFM authority, information and assistance (at CFM's expense) for the defense of any suit. In case said equipment or part is held in such suit to constitute infringement and the use of said equipment or part is enjoined, CFM will expeditiously, at its own expense and at its option, either (i) procure for Customer the rights to continue using said product or part; (ii) replace the same with a satisfactory and non-infringing product or part; or (iii) modify the same so it becomes satisfactory and non-infringing. The foregoing will constitute the sole remedy of Customer and the sole liability of CFM for patent infringement.

2.2.3 The above provisions also apply to products which are the same as those covered by this Agreement and are delivered to Customer as part of the installed equipment on CFM56-7 AND CFM LEAP-1B powered Aircraft.

2.3 Initial Warranty. CFM warrants that CFM56-7 AND CFM LEAP-1B Engine products will conform to CFM's applicable specifications and will be free from defects in material and workmanship prior to Customer's initial use of such products.

2.4 Warranty Pass-On.

2.4.1 If requested by Customer and agreed to by CFM in writing, CFM will extend warranty support for Engines sold by Customer to commercial airline operators, or to other aircraft operators. Such warranty support will be limited to the New Engine Warranty, New Parts Warranty, Ultimate Life Warranty and Campaign Change Warranty and will require such operator(s) to agree in writing to be bound by and comply with all the terms and conditions, including the limitations, applicable to such warranties.

2.4.2 Any warranties set forth herein will not be transferable to a third party, merging company or an acquiring entity of Customer.

2.4.3 In the event Customer is merged with, or acquired by, another aircraft operator which has a general terms agreement with CFM, the Warranties as set forth herein will apply to the Engines, Modules, and Parts.

2.5 New Engine Warranty.

2.5.1 CFM warrants each new Engine and Module against Failure for the initial 3000 Flight Hours as follows:

- (i) Parts Credit Allowance will be granted for any Failed Parts.
- (ii) Labor Allowance for disassembly, reassembly, test and Parts repair of any new Engine Part will be granted for replacement of Failed Parts.
- (iii) Such Parts Credit Allowance and Labor Allowance will be: [*****]
[*****] and decreasing pro rata from [*****] at two
[*****] Flight Hours to

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zero percent (0%) at [*****].

2.5.2 As an alternative to the above allowances, CFM will, upon request of Customer:

- (i) Arrange to have the failed Engines and Modules repaired, as appropriate, at a facility designated by CFM at no charge to Customer for the first [*****] [*****] Flight Hours and at a charge to Customer increasing pro rata from zero percent (0%) of CFM's repair cost at [*****] [*****] to one hundred percent (100%) of such CFM repair costs [*****] [*****].
- (ii) Transportation to and from the designated facility will be at Customer's expense.

2.6 New Parts Warranty. In addition to the warranty granted for new Engines and new Modules, CFM warrants Engine and Module Parts as follows:

2.6.1 During the [*****] Flight Hours for such Parts and Expendable Parts, CFM will grant [*****] Parts Credit Allowance or Labor Allowance for repair labor for failed Parts.

2.6.2 CFM will grant a pro rata Parts Credit Allowance for Scrapped Parts decreasing from one hundred percent (100%) at [*****] Part Time to zero percent (0%) at the applicable hours designated in Table 1.

2.7 Ultimate Life Warranty.

2.7.1 CFM warrants Ultimate Life limits on the following Parts:

- (i) Fan and Compressor Disks/Drums
- (ii) Fan and Compressor Shafts
- (iii) Compressor Discharge Pressure Seal (CDP)
- (iv) Turbine Disks
- (v) HPT Forward and Stub Shaft
- (vi) LPT Driving Cone
- (vii) LPT Shaft and Stub Shaft

2.7.2 CFM will grant a pro rata Parts Credit Allowance decreasing from one hundred percent (100%) when new to zero percent at [*****] [*****], whichever comes earlier. Credit will be granted only when such Parts are permanently removed from service by a CFM or a U.S. and/or French Government imposed Ultimate Life limitation of less [*****] or [*****].

2.8 Campaign Change Warranty.

2.8.1 A campaign change will be declared by CFM when a new Part design introduction, Part modification, Part Inspection, or premature replacement of an Engine or Module is required by a mandatory time compliance CFM Service Bulletin or FAA Airworthiness Directive. Campaign change may also be declared for CFM Service Bulletins requesting new Part introduction no later than the next Engine or Module shop visit. CFM will grant following Parts Credit Allowances:

Engines and Modules

- (i) [*****] for Parts in inventory or removed from service when new or with [*****] [*****] or less total Part Time.
- (ii) [*****] for Parts in inventory or removed from service with over [*****] [*****] since new, regardless of warranty status.

2.8.2 Labor Allowance - CFM will grant [*****] Labor Allowance for disassembly, reassembly, modification, testing, or Inspection of CFM supplied Engines, Modules, or Parts therefore when such action is required to comply with a mandatory time compliance CFM Service Bulletin or FAA Airworthiness Directive. A Labor Allowance will be granted by CFM for other CFM issued Service Bulletins if so specified in such Service Bulletins.

2.8.3 Life Controlled Rotating Parts retired by Ultimate Life limits including FAA and/or EASA Airworthiness Directive, are excluded from Campaign Change Warranty.

2.9 Limitations. THE PROVISIONS SET FORTH HEREIN ARE EXCLUSIVE AND ARE IN LIEU OF ALL OTHER WARRANTIES WHETHER WRITTEN, ORAL OR IMPLIED. THERE ARE NO IMPLIED WARRANTIES OF FITNESS OR MERCHANTABILITY. SAID PROVISIONS SET FORTH THE MAXIMUM LIABILITY OF CFM WITH RESPECT TO CLAIMS OF ANY KIND, INCLUDING NEGLIGENCE, ARISING OUT OF MANUFACTURE, SALE, POSSESSION, USE OR HANDLING OF THE PRODUCTS OR PARTS THEREOF OR THEREFORE, AND IN NO EVENT WILL CFM'S LIABILITY TO CUSTOMER EXCEED THE PURCHASE PRICE OF THE PRODUCT GIVING RISE TO CUSTOMER'S CLAIM OR INCLUDE INCIDENTAL OR CONSEQUENTIAL DAMAGES.

2.10 Indemnity and Contribution.

2.10.1 IN THE EVENT CUSTOMER ASSERTS A CLAIM AGAINST A THIRD PARTY FOR DAMAGES OF THE TYPE LIMITED OR EXCLUDED IN LIMITATIONS, PARAGRAPH 2.9. ABOVE, CUSTOMER WILL INDEMNIFY AND HOLD CFM HARMLESS FROM AND AGAINST ANY CLAIM BY OR LIABILITY TO SUCH THIRD PARTY FOR CONTRIBUTION OR INDEMNITY, INCLUDING COSTS AND EXPENSES (INCLUDING ATTORNEYS' FEES) INCIDENT THERETO OR INCIDENT TO ESTABLISHING SUCCESSFULLY THE RIGHT TO INDEMNIFICATION UNDER THIS PROVISION. THIS INDEMNITY WILL APPLY WHETHER OR NOT SUCH DAMAGES WERE OCCASIONED IN WHOLE OR IN PART BY THE FAULT OR NEGLIGENCE OF CFM, WHETHER ACTIVE, PASSIVE OR IMPUTED.

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2.10.2 CUSTOMER WILL INDEMNIFY AND HOLD CFM HARMLESS FROM ANY DAMAGE, LOSS, CLAIM, AND LIABILITY OF ANY KIND (INCLUDING EXPENSES OF LITIGATION AND ATTORNEYS' FEES) FOR PHYSICAL INJURY TO OR DEATH OF ANY PERSON, OR FOR PROPERTY DAMAGE OF ANY TYPE, ARISING OUT OF THE ALLEGED DEFECTIVE NATURE OF ANY PRODUCT OR SERVICE FURNISHED UNDER THIS AGREEMENT, TO THE EXTENT THAT THE PAYMENTS MADE OR REQUIRED TO BE MADE BY CFM EXCEED ITS ALLOCATED SHARE OF THE TOTAL FAULT OR LEGAL RESPONSIBILITY OF ALL PERSONS ALLEGED TO HAVE CAUSED SUCH DAMAGE, LOSS, CLAIM, OR LIABILITY BECAUSE OF A LIMITATION OF LIABILITY ASSERTED BY CUSTOMER OR BECAUSE CUSTOMER DID NOT APPEAR IN AN ACTION BROUGHT AGAINST CFM. CUSTOMER'S OBLIGATION TO INDEMNIFY CFM HEREUNDER WILL BE APPLICABLE AT SUCH TIME AS CFM IS REQUIRED TO MAKE PAYMENT PURSUANT TO A FINAL JUDGEMENT IN AN ACTION OR PROCEEDING IN WHICH CFM WAS A PARTY, PERSONALLY APPEARED, AND HAD THE OPPORTUNITY TO DEFEND ITSELF. THIS INDEMNITY WILL APPLY WHETHER OR NOT CUSTOMER'S LIABILITY IS OTHERWISE LIMITED.

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**TABLE 1
CFM LEAP-1B WARRANTY PARTS LIST
FLIGHT HOURS**

Flight Hours

[***] [***] [***] [***] [***] [***]

[Boeing and CFM International, Inc. are in the process of finalizing the content of the Table 1 for the CFM LEAP-1B engine. Boeing will update this agreement by providing the completed Table 1 once the information is available.]

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BOEING PROPRIETARY

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SERVICE LIFE POLICY COMPONENTS

between

THE BOEING COMPANY

and

CHINA SOUTHERN AIRLINES COMPANY LIMITED

with

**CHINA SOUTHERN AIRLINES GROUP IMPORT AND
EXPORT TRADING CORP., LTD.**

as Consenting Party

**Supplemental Exhibit SLP1
to Purchase Agreement Number PA-03981**

GUN-PA-03981-SLP1

SLP1 Page 1

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SERVICE LIFE POLICY COMPONENTS

relating to

BOEING MODEL 737-8 AIRCRAFT

This is the listing of SLP Components for the Aircraft which relate to Part 3, Boeing Service Life Policy of Exhibit C, Product Assurance Document to the AGTA and is a part of Purchase Agreement No. PA-03981.

1. Wing.

- (i) Upper and lower wing skins and stiffeners between the forward and rear wing spars.
- (ii) Wing spar webs, chords and stiffeners.
- (iii) Inspar wing ribs.
- (iv) Inspar splice plates and fittings.
- (v) Main landing gear support structure.
- (vi) Wing center section lower beams, spanwise beams and floor beams, but not the seat tracks attached to floor beams.
- (vii) Wing-to-body structural attachments.
- (viii) Engine strut support fittings attached directly to wing primary structure.
- (ix) Support structure in the wing for spoilers and spoiler actuators; for aileron hinges and reaction links; and for leading edge devices and trailing edge flaps.
- (x) Trailing edge flap tracks and carriages.
- (xi) Aileron leading edge device and trailing edge flap internal, fixed attachment and actuator support structure.

2. Body.

- (i) External surface skins and doublers, longitudinal stiffeners, longerons and circumferential rings and frames between the forward pressure bulkhead and the vertical stabilizer rear spar bulkhead and structural support and enclosure for the APU but excluding all system components and related installation and connecting devices, insulation, lining, and decorative panels and related installation and connecting devices.



- (ii) Window and windshield structure but excluding the windows and windshields.
- (iii) Fixed attachment structure of the passenger doors, cargo doors and emergency exits, excluding door mechanisms and movable hinge components. Sills and frames around the body openings for the passenger doors, cargo doors and emergency exits, excluding scuff plates and pressure seals.
- (iv) Nose wheel well structure, including the wheel well walls, pressure deck, bulkheads, and gear support structure.
- (v) Main gear wheel well structure including pressure deck and landing gear beam support structure.
- (vi) Floor beams and support posts in the control cab and passenger cabin area, but excluding seat tracks.
- (vii) Forward and aft pressure bulkheads.
- (viii) Keel structure between the wing front spar bulkhead and the main gear wheel well aft bulkhead including splices.
- (ix) Wing front and rear spar support bulkheads, and vertical and horizontal stabilizer front and rear spar support bulkheads including terminal fittings but excluding all system components and related installation and connecting devices, insulation, lining, and decorative panels and related installation and connecting devices.
- (x) Support structure in the body for the stabilizer pivot and stabilizer screw.

3. Vertical Stabilizer.

- (i) External skins between front and rear spars.
- (ii) Front, rear and auxiliary spar chords, webs and stiffeners and attachment fittings.
- (iii) Inspar ribs.
- (iv) Rudder hinges and supporting ribs, excluding bearings.
- (v) Support structure in the vertical stabilizer for rudder hinges, reaction links and actuators.
- (vi) Rudder internal, fixed attachment and actuator support structure.

4. Horizontal Stabilizer.

- (i) External skins between front and rear spars.



- (ii) Front and rear spar chords, webs and stiffeners.
- (iii) Inspar ribs.
- (iv) Stabilizer center section including hinge and screw support structure.
- (v) Support structure in the horizontal stabilizer for the elevator hinges, reaction links and actuators.
- (vi) Elevator internal, fixed attachment and actuator support structure.

5. Engine Strut.

- (i) Strut external surface skin and doublers and stiffeners.
- (ii) Internal strut chords, frames and bulkheads.
- (iii) Strut to wing fittings and diagonal brace.
- (iv) Engine mount support fittings attached directly to strut structure and including the engine-mounted support fittings.

6. Main Landing Gear.

- (i) Outer cylinder.
- (ii) Inner cylinder, including axles.
- (iii) Upper and lower side struts, including spindles, universals and reaction links.
- (iv) Drag strut.
- (v) Orifice support tube.
- (vi) Downlock links including spindles and universals.
- (vii) Torsion links.
- (viii) Bell crank.
- (ix) Trunnion link.
- (x) Actuator beam, support link and beam arm.

7. Nose Landing Gear.

- (i) Outer cylinder.
- (ii) Inner cylinder, including axles.
- (iii) Orifice support tube.
- (iv) Upper and lower drag strut, including lock links.
- (v) Steering plates and steering collars.



(vi) Torsion links.

NOTE: The Service Life Policy does not cover any bearings, bolts, bushings, clamps, brackets, actuating mechanisms or latching mechanisms used in or on the SLP Components.

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GUN-PA-03981-LA-1301175

China Southern Airlines Company Limited
No. 278, Jichang Road,
Baiyun District, Guangzhou,
People's Republic of China, 510406

Subject: Aircraft Performance Guarantees

Reference: Purchase Agreement No. PA-03981 (**Purchase Agreement**) between The Boeing Company (**Boeing**) and China Southern Airlines Company Limited (**Customer**) with China Southern Airlines Group Import and Export Trading Corp., Ltd. (**Consenting Party**) relating to Model 737-8 aircraft (**Aircraft**)

This letter agreement (**Letter Agreement**) amends and supplements the Purchase Agreement. All terms used but not defined in this Letter Agreement will have the same meaning as in the Purchase Agreement.

Boeing agrees to provide Customer with the performance guarantees in the Attachments A and B. The performance guarantees in Attachment A to this Letter Agreement are applicable to the Aircraft set forth in Table 1 of the Purchase Agreement with configuration of [*****] maximum takeoff weight and CFM LEAP-1B27 engines. If Customer modifies the Aircraft configuration to [*****] maximum takeoff weight and CFM LEAP-1B28 engines, in accordance with Boeing's standard price and offerability process, then the performance guarantees in Attachment B to this Letter Agreement will be applicable to the relevant Aircraft. These guarantees are exclusive and expire upon delivery of the Aircraft to Customer.

1. Assignment.

Notwithstanding any other provisions of the Purchase Agreement, the rights and obligations described in this Letter Agreement are provided to Customer in consideration of Customer becoming the operator of the Aircraft and cannot be assigned in whole or, in part.

2. Confidential Treatment.

The information contained herein represents confidential business information and has value precisely because it is not available generally or to other parties. Customer will limit the disclosure of its contents, except for as required by applicable laws or regulations, to employees of Customer with a need to know the contents for purposes of helping Customer perform its obligations under the Purchase Agreement and who understand they are not to disclose its contents to any other person or entity without the prior written consent of Boeing.

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Performance Guarantees

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Very truly yours,

AGREED AND ACCEPTED this

Date

THE BOEING COMPANY

By _____

Its Attorney-In-Fact _____

CHINA SOUTHERN AIRLINES COMPANY LIMITED

By _____

Its _____

CHINA SOUTHERN AIRLINES GROUP IMPORT AND EXPORT
TRADING CORP., LTD.

By _____

Its _____

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Performance Guarantees

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“**[***]**” **This information is subject to confidential treatment and has been omitted and filed separately with the commission**

**MODEL 737-8 PERFORMANCE GUARANTEES
FOR CHINA SOUTHERN AIRLINES COMPANY LIMITED**

SECTION	CONTENTS
1	AIRCRAFT MODEL APPLICABILITY
2	FLIGHT PERFORMANCE
3	AIRCRAFT CONFIGURATION
4	GUARANTEE CONDITIONS
5	GUARANTEE COMPLIANCE
6	EXCLUSIVE GUARANTEES

P.A. No. 3981
AERO-B-BBA4-M13-1056A

SS13-0357

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1 AIRCRAFT MODEL APPLICABILITY

The guarantees contained in this Attachment (the "Performance Guarantees") are applicable to the 737-8 Aircraft with a maximum takeoff weight of [*****], a maximum landing weight of [*****], and a maximum zero fuel weight of [*****], and equipped with Boeing furnished LEAP-1B27 engines.

2 FLIGHT PERFORMANCE

2.1 Takeoff

2.1.1 The FAA approved takeoff gross weight at the start of ground roll, at a temperature of [****], at an altitude of [*****], from a [****] meter runway, and satisfying the conditions defined below, and using maximum takeoff thrust, shall not be less than the following guarantee value:

[*****]
[*****]
[*****]

Conditions:

The stopway is [*****].

The runway slope is [*****].

The following obstacle definition is based on a straight-out departure where obstacle height and distance are specified with reference to the liftoff end of the runway:

	Distance	Height
1.	[*****]	206 feet
2.	[*****]	324 feet
3.	[*****]	577 feet
4.	[*****]	757 feet
5.	[*****]	1,299 feet
6.	[*****]	1,423 feet

2.1.2 The FAA approved takeoff gross weight at the start of ground roll, at a temperature of [*****], at an altitude of [*****], from a [*****] meter runway, and satisfying the conditions defined below, and

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using maximum takeoff thrust, shall not be less than the following guarantee value:

[*****]
[*****]
[*****]

Conditions:

The runway slope is 0.06 percent downhill.

The following obstacle definition is based on a straight-out departure where obstacle height and distance are specified with reference to the liftoff end of the runway:

	Distance	Height
1.	[*****]	78 feet
2.	[*****]	104 feet
3.	[*****]	396 feet
4.	[*****]	1,193 feet

2.1.3 The FAA approved takeoff gross weight at the start of ground roll, at a temperature of 30°C, at an altitude of 3,736 feet, from a 3,200 meter runway, and satisfying the conditions defined below, and using maximum takeoff thrust, shall not be less than the following guarantee value:

[*****]
[*****]
[*****]

Conditions:

The clearway is [*****].

The stopway is [*****].

The runway slope is [*****] uphill.

The following obstacle definition is based on a straight-out departure where obstacle height and distance are specified with reference to the liftoff end of the runway:

	Distance	Height
1.	[*****]	220 feet
2.	[*****]	358 feet
3.	[*****]	401 feet
4.	[*****]	440 feet
5.	[*****]	699 feet

2.1.4 The FAA approved takeoff field length at a gross weight at the start of the ground roll of [*****], at a temperature of 30°C, at a sea level altitude, and using maximum takeoff thrust, shall not be more than the following guarantee value:

[*****]
[*****]
[*****]

2.2 **Landing**

The FAA approved landing field length at a gross weight of [*****] pounds and at a sea level altitude, shall not be more than the following guarantee value:

[*****]
[*****]
[*****]

2.3 **Mission**

2.3.1 **Mission Payload**

The payload for a stage length of [*****] in still air (equivalent to a distance of [*****] with an 83 knot headwind, representative of a [*****] route) using the conditions and operating rules defined below, shall not be less than the following guarantee value:

[*****]
[*****]
[*****]

Conditions and operating rules:

- Stage Length: The stage length is defined as the sum of the distances for the climbout maneuver, climb, cruise, and descent.
- Takeoff: The airport altitude is 50 feet.
The takeoff gross weight is not limited by the airport conditions.
For information purposes, the takeoff conditions are defined as follows:
The airport temperature is 36°C.
The runway length is 3,800 meters.
The runway slope is 0.02 percent uphill.
Maximum takeoff thrust is used for the takeoff.
The takeoff gross weight shall conform to FAA Regulations.
- Climbout Maneuver: Following the takeoff to 35 feet, the Aircraft accelerates to 250 KCAS while climbing to 1,500 feet above the departure airport altitude and retracting flaps and landing gear.
- Climb: The Aircraft climbs from 1,500 feet above the departure airport altitude to 10,000 feet altitude at 250 KCAS.
The Aircraft then accelerates at a rate of climb of 500 feet per minute to the recommended climb speed for minimum block fuel.
The climb continues at the recommended climb speed for minimum block fuel until 0.79 Mach number is reached.
The climb continues at 0.79 Mach number to the initial cruise altitude.

The temperature is standard day during climb.
Maximum climb thrust is used during climb.

Cruise: The Aircraft cruises at the Long Range Cruise (LRC) speed.
The initial cruise altitude is 36,000 feet.
A step climb of 2,000 feet altitude may be used when beneficial to minimize fuel burn.
The temperature is standard day during cruise.
The cruise thrust is not to exceed maximum cruise thrust except during a step climb when maximum climb thrust may be used.

Descent: The Aircraft descends from the final cruise altitude at 250 KCAS to an altitude of 1,500 feet above the destination airport altitude.
Throughout the descent, the cabin pressure will be controlled to a maximum rate of descent equivalent to 300 feet per minute at sea level.
The temperature is standard day during descent.

Approach and Landing Maneuver: The Aircraft decelerates to the final approach speed while extending landing gear and flaps, then descends and lands.
The destination airport altitude is 27 feet.

Fixed Allowances: For the purpose of this guarantee and for the purpose of establishing compliance with this guarantee, the following shall be used as fixed quantities and allowances:

Taxi-Out:
Fuel 106 Kilograms

Takeoff and Climbout Maneuver:
Fuel 209 Kilograms
Distance 3.9 Nautical Miles

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Approach and Landing Maneuver:
Fuel 84 Kilograms

Taxi-In (shall be consumed from the reserve fuel):
Fuel 106 Kilograms

APU (shall be consumed from the reserve fuel):
Fuel 102 Kilograms

Usable reserve fuel remaining upon completion of the approach and landing maneuver: 4,070 Kilograms

For information purposes, the reserve fuel is based on a standard day temperature and a) a contingency fuel allowance equivalent to 10 percent of the trip time from takeoff through the completion of the approach and landing maneuver at the destination airport, starting at the end of the mission cruise at an LRC Mach number and 2 percent company fuel, b) a missed approach and flight to a 334 nautical mile alternate, c) an approach and landing maneuver at the alternate airport, and d) a 30 minute hold at 1,500 feet above the alternate airport altitude of 252 feet. The minimum reserve fuel is 4,000 Kilograms.

2.3.2 Mission Block Fuel

The block fuel for a stage length of [*****] in still air with a [*****] using the conditions and operating rules defined below, shall not be more than the following guarantee value:

[*****]
[*****]
[*****]

“[***]” This information is subject to confidential treatment and has been omitted and filed separately with the commission

Conditions and operating rules:

- Stage Length: The stage length is defined as the sum of the distances for the climbout maneuver, climb, cruise, and descent.
- Block Fuel: The block fuel is defined as the sum of the fuel used for taxi-out, takeoff and climbout maneuver, climb, cruise, descent, approach and landing maneuver, taxi-in, and APU.
- Takeoff: The airport altitude is sea level.
The takeoff gross weight is not limited by the airport conditions.
Maximum takeoff thrust is used for the takeoff.
The takeoff gross weight shall conform to FAA Regulations.
- Climbout Maneuver: Following the takeoff to 35 feet, the Aircraft accelerates to 250 KCAS while climbing to 1,500 feet above the departure airport altitude and retracting flaps and landing gear.
- Climb: The Aircraft climbs from 1,500 feet above the departure airport altitude to 10,000 feet altitude at 250 KCAS.
The Aircraft then accelerates at a rate of climb of 500 feet per minute to the recommended climb speed for minimum block fuel.
The climb continues at the recommended climb speed for minimum block fuel to the cruise altitude.
The temperature is standard day during climb.
Maximum climb thrust is used during climb.
- Cruise: The Aircraft cruises at the Long Range Cruise (LRC) speed.

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The cruise altitude is 28,000 feet.

The temperature is standard day during cruise.

The cruise thrust is not to exceed maximum cruise thrust except during a step climb when maximum climb thrust may be used.

Descent:

The Aircraft descends from the final cruise altitude at 250 KCAS to an altitude of 1,500 feet above the destination airport altitude.

Throughout the descent, the cabin pressure is controlled to a maximum rate of descent equivalent to 300 feet per minute at sea level.

The temperature is standard day during descent.

Approach
and Landing Maneuver:

The Aircraft decelerates to the final approach speed while extending landing gear and flaps, then descends and lands.

The destination is a sea level airport.

Fixed Allowances:

For the purpose of this guarantee and for the purpose of establishing compliance with this guarantee, the following shall be used as fixed quantities and allowances:

Taxi-Out:

Fuel 106 Kilograms

Takeoff and Climbout Maneuver:

Fuel 186 Kilograms
Distance 3.4 Nautical Miles

Approach and Landing Maneuver:

Fuel 84 Kilograms

Taxi-In (shall be consumed from the reserve fuel):

Fuel 106 Kilograms

APU (shall be consumed from the reserve fuel):

Fuel 102 Kilograms

Usable reserve fuel remaining upon completion of the approach and landing maneuver: 4,000 Kilograms

For information purposes, the reserve fuel is based on a standard day temperature and a) a contingency fuel allowance equivalent to 10 percent of the trip time from takeoff through the completion of the approach and landing maneuver at the destination airport, starting at the end of the mission cruise at an LRC Mach number and 2 percent company fuel, b) a missed approach and flight to a 200 nautical mile alternate, c) an approach and landing maneuver at the alternate airport, and d) a 30 minute hold at 1,500 feet above the alternate airport altitude of sea level. The minimum reserve fuel is 4,000 Kilograms.

2.3.3 Mission Block Fuel

The block fuel for a stage length of [*****] in still air with a [*****] using the conditions and operating rules defined below, shall not be more than the following guarantee value:

[*****]
[*****]
[*****]

Conditions and operating rules:

Stage Length: The stage length is defined as the sum of the distances for the climbout maneuver, climb, cruise, and descent.

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Block Fuel: The block fuel is defined as the sum of the fuel used for taxi-out, takeoff and climbout maneuver, climb, cruise, descent, approach and landing maneuver, taxi-in, and APU.

Takeoff: The airport altitude is sea level.
The takeoff gross weight is not limited by the airport conditions.
Maximum takeoff thrust is used for the takeoff.
The takeoff gross weight shall conform to FAA Regulations.

Climbout Maneuver: Following the takeoff to 35 feet, the Aircraft accelerates to 250 KCAS while climbing to 1,500 feet above the departure airport altitude and retracting flaps and landing gear.

Climb: The Aircraft climbs from 1,500 feet above the departure airport altitude to 10,000 feet altitude at 250 KCAS.
The Aircraft then accelerates at a rate of climb of 500 feet per minute to the recommended climb speed for minimum block fuel.
The climb continues at the recommended climb speed for minimum block fuel until 0.79 Mach number is reached.
The climb continues at 0.79 Mach number to the cruise altitude.
The temperature is standard day during climb.
Maximum climb thrust is used during climb.

Cruise: The Aircraft cruises at the Long Range Cruise (LRC) speed.
The cruise altitude is 35,000 feet.
The temperature is standard day during cruise.
The cruise thrust is not to exceed maximum cruise thrust except during a step climb when maximum climb thrust may be used.

Descent: The Aircraft descends from the final cruise altitude at 250 KCAS to an altitude of 1,500 feet above the destination airport altitude.
Throughout the descent, the cabin pressure is controlled to a maximum rate of descent equivalent to 300 feet per minute at sea level.
The temperature is standard day during descent.

Approach and Landing Maneuver: The Aircraft decelerates to the final approach speed while extending landing gear and flaps, then descends and lands.
The destination is a sea level airport.

Fixed Allowances: For the purpose of this guarantee and for the purpose of establishing compliance with this guarantee, the following shall be used as fixed quantities and allowances:

Taxi-Out:
Fuel 106 Kilograms

Takeoff and Climbout Maneuver:
Fuel 196 Kilograms
Distance 3.6 Nautical Miles

Approach and Landing Maneuver:
Fuel 84 Kilograms

Taxi-In (shall be consumed from the reserve fuel):
Fuel 106 Kilograms

APU (shall be consumed from the reserve fuel):
Fuel 102 Kilograms

Usable reserve fuel remaining upon completion of the approach and landing maneuver: 4,000
Kilograms

For information purposes, the reserve fuel is based on a standard day temperature and a) a contingency fuel allowance equivalent to 10 percent of the trip time from takeoff through the completion of the approach and landing maneuver at the destination airport, starting at the end of the mission cruise at an LRC Mach number and 2 percent company fuel, b) a missed approach and flight to a 200 nautical mile alternate, c) an approach and landing maneuver at the alternate airport, and d) a 30 minute hold at 1,500 feet above the alternate airport altitude of sea level. The minimum reserve fuel is 4,000 Kilograms.

2.3.4 Operational Empty Weight Basis

The Operational Empty Weight (OEW) derived in Paragraph 2.3.5 is the basis for the mission guarantees of Paragraphs 2.3.1, 2.3.2, and 2.3.3.

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2.3.5 737-8 Weight Summary – China Southern Airlines

Kilograms

Standard Model Specification MEW	[*****]
Configuration Specification [*****]	
[*****] Class Passengers	
[*****] Engines	
[*****] Maximum Taxi Weight	
Changes for China Southern Airlines	
Interior Change to 164 Passengers (8 BC / 156 EC) *	674
(Ref: LOPA - B379327) Boeing Sky Interior	
168,100 lb (76,248 kg) Maximum Taxi Weight	0
In-Flight Entertainment System	425
Dual HF / Triple VHF Communications	78
Flight Deck Entry Video Surveillance	21
Extended Operations (ETOPS)	24
Supplemental Oxygen - 22-Minute Chemical Oxygen Generators	49
Heavy Duty Cargo Compartment Linings/Panels	85
Centerline Overhead Stowage Compartments (3)	80
Customer Options Allowance	160

China Southern Airlines Manufacturer's Empty Weight (MEW) [*****]

Standard and Operational Items Allowance [*****]
 (Paragraph 2.3.6)

China Southern Airlines Operational Empty Weight (OEW) [*****]

	Quantity	Kilograms	Kilograms
* Seat Weight Included:			[***]
Business Class Double	4	275	
Economy Class Triple	50	1,881	
Economy Class Triple w/3 In-Arm Food Trays	2	93	

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2.3.6 Standard and Operational Items Allowance

	<u>Qty</u>	<u>Kilograms</u>	<u>Kilograms</u>	<u>Kilograms</u>
Standard Items Allowance				735
Unusable Fuel			58	
Oil			116	
Oxygen Equipment			13	
Passenger Portable / Disposable Mask	4	10		
Crew Masks / Goggles	4	3		
Miscellaneous Equipment			21	
Crash Axe	1	1		
Megaphones	2	2		
Flashlights	8	5		
Demo Kits	4	3		
Smoke Hoods	4	9		
Seat Belt Extension	1	1		
Galley Structure & Fixed Inserts			527	
Operational Items Allowance				1,924
Crew and Crew Baggage			650	
Flight Crew & Flight Bag	2	160		
Flight Attendant and Kit	6	480		
Navigation Bags & Manuals	1	10		
Catering Allowance & Removable Inserts			531	
Business Class	8	17		
Economy Class	156	333		
Service Cart Weights (8 Full / 2 Half Carts)		181		
Passenger Service Equipment	164		149	
Potable Water - 60 USG			233	
Waste Tank Disinfectant			23	
Emergency Equipment			338	
Escape Slides - Forward	2	43		
Escape Slides - Aft	2	43		
Life Vests - Crew and Passengers	184	93		
Life Rafts	4	157		
Auto Radio Beacon (ELT)	1	2		
Total Standard and Operational Items Allowance				2,659

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3 AIRCRAFT CONFIGURATION

- 3.1** The guarantees contained in this Attachment are based on the Aircraft configuration as defined in the original release of Detail Specification TBD (hereinafter referred to as the Detail Specification). Appropriate adjustment shall be made for changes in such Detail Specification approved by the Customer and Boeing or otherwise allowed by the Purchase Agreement which cause changes to the flight performance and/or weight and balance of the Aircraft. Such adjustment shall be accounted for by Boeing in its evidence of compliance with the guarantees.
- 3.2** The guarantee payload of Paragraph 2.3.1 and the specified payloads of Paragraph 2.3.2 and 2.3.3 block fuel guarantees will be adjusted by Boeing for the effect of the following on OEW in its evidence of compliance with the guarantees:
- (1) Changes to the Detail Specification or any other changes mutually agreed upon between the Customer and Boeing or otherwise allowed by the Purchase Agreement.
 - (2) The difference between the component weight allowances given in Appendix IV of the Detail Specification and the actual weights.

4 GUARANTEE CONDITIONS

- 4.1** All guaranteed performance data are based on the International Standard Atmosphere (ISA) and specified variations therefrom; altitudes are pressure altitudes.
- 4.2** For the purposes of these 737-8 guarantees the Federal Aviation Administration (FAA) regulations referred to in this Attachment are, unless otherwise specified, the 737-900ER Certification Basis regulations specified in the Type Certificate Data Sheet A16WE, Revision 41, dated July 31, 2007.
- 4.3** In the event a change is made to any law, governmental regulation or requirement, or in the interpretation of any such law, governmental regulation or requirement that affects the certification basis for the Aircraft as described in Paragraph 4.2, and as a result thereof, a change is made to the configuration and/or the performance of the Aircraft in order to obtain certification, the guarantees set forth in this Attachment shall be appropriately modified to reflect any such change.

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- 4.4 The takeoff and landing guarantees and the takeoff portion of the mission guarantees are based on hard surface, level and dry runways with no wind or obstacles, no clearway or stopway, 225 mph tires, with Category B brakes and anti-skid operative, and with the Aircraft center of gravity at the most forward limit unless otherwise specified. The takeoff performance is based on no engine bleed for air conditioning or thermal anti-icing and the Auxiliary Power Unit (APU) turned off unless otherwise specified. Unbalanced field length calculations and the improved climb performance procedure will be used for takeoff as required. The landing performance is based on the use of automatic spoilers.
- 4.5 The climb, cruise and descent portions of the mission guarantees include allowances for normal power extraction and engine bleed for normal operation of the air conditioning system. The digital bleed is set for the Customer interior in Paragraph 2.3.5. No bleed or power extraction for thermal anti-icing is provided unless otherwise specified. The APU is turned off unless otherwise specified.
- 4.6 Long Range Cruise (LRC) speed is defined to be the highest speed where cruise fuel mileage is 99 percent of the maximum cruise fuel mileage.
- 4.7 The climb, cruise and descent portions of the mission guarantees are based on an Aircraft center of gravity location, as determined by Boeing, not to be aft of 26.2 percent of the mean aerodynamic chord.
- 4.8 Performance, where applicable, is based on a fuel Lower Heating Value (LHV) of 18,580 BTU per pound and a fuel density of 6.5 pounds per U.S. gallon.
- 5 GUARANTEE COMPLIANCE**
- 5.1 Compliance with the guarantees of Section 2 shall be based on the conditions specified in that section, the Aircraft configuration of Section 3 and the guarantee conditions of Section 4.
- 5.2 Compliance with the takeoff and landing guarantees and the takeoff portion of the mission guarantee shall be based on the FAA approved Airplane Flight Manual for the Model 737-8.
- 5.3 Compliance with the climb, cruise and descent portions of the mission guarantees shall be established by calculations based on flight test data obtained from an aircraft in a configuration similar to that defined by the Detail Specification.

- 5.4 The OEW used for compliance with the mission guarantees shall be the actual MEW plus the Standard and Operational Items Allowance in Paragraph 03-60-00 of the Detail Specification.
- 5.5 The data derived from tests shall be adjusted as required by conventional methods of correction, interpolation or extrapolation in accordance with established engineering practices to show compliance with these guarantees.
- 5.6 Compliance shall be based on the performance of the airframe and engines in combination, and shall not be contingent on the engine meeting its manufacturer's performance specification.

6 EXCLUSIVE GUARANTEES

The only performance guarantees applicable to the Aircraft are those set forth in this Attachment.

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**MODEL 737-8 PERFORMANCE GUARANTEES
FOR CHINA SOUTHERN AIRLINES COMPANY LIMITED**

SECTION	CONTENTS
1	AIRCRAFT MODEL APPLICABILITY
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“[***]” This information is subject to confidential treatment and has been omitted and filed separately with the commission

1 AIRCRAFT MODEL APPLICABILITY

The guarantees contained in this Attachment (the "Performance Guarantees") are applicable to the 737-8 Aircraft with a maximum takeoff weight of [*****], a maximum landing weight of [*****], and a maximum zero fuel weight of [*****] kilograms, and equipped with Boeing furnished LEAP-1B28 engines.

2 FLIGHT PERFORMANCE

2.1 Takeoff

2.1.1 The FAA approved takeoff gross weight at the start of ground roll, at a temperature of [****], at an altitude of [*****], from a [*****] meter runway, and satisfying the conditions defined below, and using maximum takeoff thrust, shall not be less than the following guarantee value:

[*****]

Conditions:

The runway slope is 0.02 percent uphill.

The following obstacle definition is based on a straight-out departure where obstacle height and distance are specified with reference to the liftoff end of the runway:

	Distance	Height
1.	[*****]	50 feet
2.	[*****]	56 feet
3.	[*****]	198 feet
4.	[*****]	492 feet
5.	[*****]	702 feet
6.	[*****]	840 feet
7.	[*****]	1,184 feet

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2.1.2 The FAA approved takeoff gross weight at the start of ground roll, at a temperature of [*****], at an altitude of [*****], from a [*****] meter runway, and satisfying the conditions defined below, and using maximum takeoff thrust, shall not be less than the following guarantee value:

[*****]
[*****]
[*****]

Conditions:

The clearway is [*****].

The stopway is [*****].

The runway slope is [****] percent uphill.

The following obstacle definition is based on a straight-out departure where obstacle height and distance are specified with reference to the liftoff end of the runway:

	Distance	Height
1.	[*****]	220 feet
2.	[*****]	358 feet
3.	[*****]	401 feet
4.	[*****]	440 feet
5.	[*****]	699 feet

2.1.3 The FAA approved takeoff gross weight at the start of ground roll, at a temperature of [*****], at an altitude of [*****] feet, from a [****] meter runway, and satisfying the conditions defined below, and using maximum takeoff thrust, shall not be less than the following guarantee value:

[*****]

Conditions:

The clearway is [*****].

The stopway is [*****]

The runway slope is [*****] percent downhill.

The following obstacle definition is based on a straight-out departure where obstacle height and distance are specified with reference to the liftoff end of the runway:

	Distance	Height
1.	[*****]	55 feet
2.	[*****]	304 feet
3.	[*****]	403 feet

2.1.4 The FAA approved takeoff field length at a gross weight at the start of the ground roll of [*****], at a temperature of [****], at a sea level altitude, and using maximum takeoff thrust, shall not be more than the following guarantee value:

[*****]
[*****]
[*****]

2.2 Landing

The FAA approved landing field length at a gross weight of [*****] kilograms and at a sea level altitude, shall not be more than the following guarantee value:

[*****]
[*****]
[*****]

2.3 Mission

2.3.1 Mission Payload

The payload for a stage length of [*****] in still air (representative of a [*****]) using the conditions and operating rules defined below, shall not be less than the following guarantee value:

[*****]
[*****]
[*****]

“[***]” This information is subject to confidential treatment and has been omitted and filed separately with the commission

Conditions and operating rules:

Stage Length: The stage length is defined as the sum of the distances for the climbout maneuver, climb, cruise, and descent.

Takeoff: The airport altitude is 50 feet.

The takeoff gross weight is not limited by the airport conditions.

For information purposes, the takeoff conditions are defined as follows:

The airport temperature is 36°C.

The runway length is 3,800 meters.

The runway slope is 0.02 percent uphill.

Maximum takeoff thrust is used for the takeoff.

The takeoff gross weight shall conform to FAA Regulations.

Climbout Maneuver: Following the takeoff to 35 feet, the Aircraft accelerates to 250 KCAS while climbing to 1,500 feet above the departure airport altitude and retracting flaps and landing gear.

Climb: The Aircraft climbs from 1,500 feet above the departure airport altitude to 10,000 feet altitude at 250 KCAS.

The Aircraft then accelerates at a rate of climb of 500 feet per minute to the recommended climb speed for minimum block fuel.

The climb continues at the recommended climb speed for minimum block fuel until 0.79 Mach number is reached.

The climb continues at 0.79 Mach number to the initial cruise altitude.

The temperature is standard day during climb.
Maximum climb thrust is used during climb.

Cruise: The Aircraft cruises at the Long Range Cruise (LRC) speed.
The initial cruise altitude is 34,000 feet.
A step climb of 2,000 feet altitude may be used when beneficial to minimize fuel burn.
The temperature is standard day during cruise.
The cruise thrust is not to exceed maximum cruise thrust except during a step climb when maximum climb thrust may be used.

Descent: The Aircraft descends from the final cruise altitude at 250 KCAS to an altitude of 1,500 feet above the destination airport altitude.
Throughout the descent, the cabin pressure will be controlled to a maximum rate of descent equivalent to 300 feet per minute at sea level.
The temperature is standard day during descent.

Approach and Landing Maneuver: The Aircraft decelerates to the final approach speed while extending landing gear and flaps, then descends and lands.
The destination airport altitude is 777 feet.

Fixed Allowances: For the purpose of this guarantee and for the purpose of establishing compliance with this guarantee, the following shall be used as fixed quantities and allowances:
Taxi-Out:
Fuel 112 Kilograms

Takeoff and Climbout Maneuver:
Fuel 231 Kilograms
Distance 4.4 Nautical Miles

Approach and Landing Maneuver:
Fuel 86 Kilograms

Taxi-In (shall be consumed from the reserve fuel):
Fuel 112 Kilograms

APU (shall be consumed from the reserve fuel):
Fuel 102 Kilograms

Usable reserve fuel remaining upon completion of the approach and landing maneuver: 4,096 Kilograms

For information purposes, the reserve fuel is based on a standard day temperature and a) a contingency fuel allowance equivalent to 10 percent of the trip time from takeoff through the completion of the approach and landing maneuver at the destination airport, starting at the end of the mission cruise at an LRC Mach number and 2 percent company fuel, b) a missed approach and flight to a 230 nautical mile alternate, c) an approach and landing maneuver at the alternate airport, and d) a 30 minute hold at 1,500 feet above the alternate airport altitude of 404 feet. The minimum reserve fuel is 4,000 Kilograms.

2.3.2 Mission Block Fuel

The block fuel for a stage length of [*****] in still air with a [*****] payload using the conditions and operating rules defined below, shall not be more than the following guarantee value:

[*****]
[*****]
[*****]

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Conditions and operating rules:

Stage Length:	The stage length is defined as the sum of the distances for the climbout maneuver, climb, cruise, and descent.
Block Fuel:	The block fuel is defined as the sum of the fuel used for taxi-out, takeoff and climbout maneuver, climb, cruise, descent, approach and landing maneuver, taxi-in, and APU.
Takeoff:	The airport altitude is sea level. The takeoff gross weight is not limited by the airport conditions. Maximum takeoff thrust is used for the takeoff. The takeoff gross weight shall conform to FAA Regulations.
Climbout Maneuver:	Following the takeoff to 35 feet, the Aircraft accelerates to 250 KCAS while climbing to 1,500 feet above the departure airport altitude and retracting flaps and landing gear.
Climb:	The Aircraft climbs from 1,500 feet above the departure airport altitude to 10,000 feet altitude at 250 KCAS. The Aircraft then accelerates at a rate of climb of 500 feet per minute to the recommended climb speed for minimum block fuel. The climb continues at the recommended climb speed for minimum block fuel to the cruise altitude. The temperature is standard day during climb. Maximum climb thrust is used during climb.
Cruise:	The Aircraft cruises at the Long Range Cruise (LRC) speed.

The cruise altitude is 31,000 feet.

The temperature is standard day during cruise.

The cruise thrust is not to exceed maximum cruise thrust except during a step climb when maximum climb thrust may be used.

Descent:

The Aircraft descends from the final cruise altitude at 250 KCAS to an altitude of 1,500 feet above the destination airport altitude.

Throughout the descent, the cabin pressure is controlled to a maximum rate of descent equivalent to 300 feet per minute at sea level.

The temperature is standard day during descent.

Approach
and Landing Maneuver:

The Aircraft decelerates to the final approach speed while extending landing gear and flaps, then descends and lands.

The destination airport altitude is a sea level airport.

Fixed Allowances:

For the purpose of this guarantee and for the purpose of establishing compliance with this guarantee, the following shall be used as fixed quantities and allowances:

Taxi-Out:

Fuel 112 Kilograms

Takeoff and Climbout Maneuver:

Fuel 191 Kilograms

Distance 3.6 Nautical Miles

Approach and Landing Maneuver:

Fuel 85 Kilograms

Taxi-In (shall be consumed from the reserve fuel):

Fuel 112 Kilograms

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APU (shall be consumed from the reserve fuel):
Fuel 102 Kilograms

Usable reserve fuel remaining upon completion of the approach and landing maneuver: 4,000 Kilograms

For information purposes, the reserve fuel is based on a standard day temperature and a) a contingency fuel allowance equivalent to 10 percent of the trip time from takeoff through the completion of the approach and landing maneuver at the destination airport, starting at the end of the mission cruise at an LRC Mach number and 2 percent company fuel, b) a missed approach and flight to a 200 nautical mile alternate, c) an approach and landing maneuver at the alternate airport, and d) a 30 minute hold at 1,500 feet above the alternate airport altitude of sea level. The minimum reserve fuel is 4,000 Kilograms.

2.3.3 Mission Block Fuel

The block fuel for a stage length of [*****] in still air with a [*****] payload using the conditions and operating rules defined below, shall not be more than the following guarantee value:

[*****]
[*****]
[*****]

Conditions and operating rules:

Stage Length: The stage length is defined as the sum of the distances for the climbout maneuver, climb, cruise, and descent.

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Block Fuel: The block fuel is defined as the sum of the fuel used for taxi-out, takeoff and climbout maneuver, climb, cruise, descent, approach and landing maneuver, taxi-in, and APU.

Takeoff: The airport altitude is sea level.

The takeoff gross weight is not limited by the airport conditions.

Maximum takeoff thrust is used for the takeoff.

The takeoff gross weight shall conform to FAA Regulations.

Climbout Maneuver: Following the takeoff to 35 feet, the Aircraft accelerates to 250 KCAS while climbing to 1,500 feet above the departure airport altitude and retracting flaps and landing gear.

Climb: The Aircraft climbs from 1,500 feet above the departure airport altitude to 10,000 feet altitude at 250 KCAS.

The Aircraft then accelerates at a rate of climb of 500 feet per minute to the recommended climb speed for minimum block fuel.

The climb continues at the recommended climb speed for minimum block fuel until 0.79 Mach number is reached.

The climb continues at 0.79 Mach number to the initial cruise altitude.

The temperature is standard day during climb.

Maximum climb thrust is used during climb.

Cruise: The Aircraft cruises at the Long Range Cruise (LRC) speed.

The initial cruise altitude is 35,000 feet.

A step climb of 2,000 feet altitude may be used when beneficial to minimize fuel burn.

The temperature is standard day during cruise.

The cruise thrust is not to exceed maximum cruise thrust except during a step climb when maximum climb thrust may be used.

Descent:

The Aircraft descends from the final cruise altitude at 250 KCAS to an altitude of 1,500 feet above the destination airport altitude.

Throughout the descent, the cabin pressure is controlled to a maximum rate of descent equivalent to 300 feet per minute at sea level.

The temperature is standard day during descent.

Approach and Landing Maneuver:

The Aircraft decelerates to the final approach speed while extending landing gear and flaps, then descends and lands.

The destination airport altitude is a sea level airport.

Fixed Allowances:

For the purpose of this guarantee and for the purpose of establishing compliance with this guarantee, the following shall be used as fixed quantities and allowances:

Taxi-Out:

Fuel 112 Kilograms

Takeoff and Climbout Maneuver:

Fuel 207 Kilograms

Distance 3.9 Nautical Miles

Approach and Landing Maneuver:

Fuel 85 Kilograms

Taxi-In (shall be consumed from the reserve fuel):

Fuel 112 Kilograms

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“[***]” This information is subject to confidential treatment and has been omitted and filed separately with the commission

APU (shall be consumed from the reserve fuel):
Fuel 102 Kilograms

Usable reserve fuel remaining upon completion of the approach and landing maneuver: 4,000 Kilograms

For information purposes, the reserve fuel is based on a standard day temperature and a) a contingency fuel allowance equivalent to 10 percent of the trip time from takeoff through the completion of the approach and landing maneuver at the destination airport, starting at the end of the mission cruise at an LRC Mach number and 2 percent company fuel, b) a missed approach and flight to a 200 nautical mile alternate, c) an approach and landing maneuver at the alternate airport, and d) a 30 minute hold at 1,500 feet above the alternate airport altitude of sea level. The minimum reserve fuel is 4,000 Kilograms.

2.3.4 Operational Empty Weight Basis

The Operational Empty Weight (OEW) derived in Paragraph 2.3.5 is the basis for the mission guarantees of Paragraphs 2.3.1, 2.3.2, and 2.3.3.

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2.3.5 737-8 Weight Summary – China Southern Airlines

Kilograms

Standard Model Specification MEW	[*****]
Configuration Specification [*****]	
[*****] Class Passengers	
[*****] Engines	
[*****] Maximum Taxi Weight	
Changes for China Southern Airlines	
Interior Change to 164 Passengers (8 BC / 156 EC) *	674
(Ref: LOPA - B379327) Boeing Sky Interior	
181,700 lb (82,417 kg) Maximum Taxi Weight	0
In-Flight Entertainment System	425
Dual HF / Triple VHF Communications	78
Flight Deck Entry Video Surveillance	21
Extended Operations (ETOPS)	24
Supplemental Oxygen - 22-Minute Chemical Oxygen Generators	49
Heavy Duty Cargo Compartment Linings/Panels	85
Centerline Overhead Stowage Compartments (3)	80
Customer Options Allowance	160

China Southern Airlines Manufacturer's Empty Weight (MEW) [*****]

Standard and Operational Items Allowance [*****]
 (Paragraph 2.3.6)

China Southern Airlines Operational Empty Weight (OEW) [***]**

	<u>Quantity</u>	<u>Kilograms</u>	<u>Kilograms</u>
* Seat Weight Included:			2,249
Business Class Double	4	275	
Economy Class Triple	50	1,881	
Economy Class Triple w/3 In-Arm Food Trays	2	93	

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2.3.6 Standard and Operational Items Allowance

	<u>Qty</u>	<u>Kilograms</u>	<u>Kilograms</u>	<u>Kilograms</u>
Standard Items Allowance				735
Unusable Fuel			58	
Oil			116	
Oxygen Equipment			13	
Passenger Portable / Disposable Mask	4	10		
Crew Masks / Goggles	4	3		
Miscellaneous Equipment				21
Crash Axe	1	1		
Megaphones	2	2		
Flashlights	8	5		
Demo Kits	4	3		
Smoke Hoods	4	9		
Seat Belt Extension	1	1		
Galley Structure & Fixed Inserts				527
Operational Items Allowance				1,924
Crew and Crew Baggage				650
Flight Crew & Flight Bag	2	160		
Flight Attendant and Kit	6	480		
Navigation Bags & Manuals	1	10		
Catering Allowance & Removable Inserts				531
Business Class	8	17		
Economy Class	156	333		
Service Cart Weights (8 Full / 2 Half Carts)				181
Passenger Service Equipment	164			149
Potable Water - 60 USG				233
Waste Tank Disinfectant				23
Emergency Equipment				338
Escape Slides - Forward	2	43		
Escape Slides - Aft	2	43		
Life Vests - Crew and Passengers	184	93		
Life Rafts	4	157		
Auto Radio Beacon (ELT)	1	2		
Total Standard and Operational Items Allowance				2,659

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3 AIRCRAFT CONFIGURATION

- 3.1** The guarantees contained in this Attachment are based on the Aircraft configuration as defined in the original release of Detail Specification TBD (hereinafter referred to as the Detail Specification). Appropriate adjustment shall be made for changes in such Detail Specification approved by the Customer and Boeing or otherwise allowed by the Purchase Agreement which cause changes to the flight performance and/or weight and balance of the Aircraft. Such adjustment shall be accounted for by Boeing in its evidence of compliance with the guarantees.
- 3.2** The guarantee payload of Paragraph 2.3.1 and the specified payloads of Paragraph 2.3.2 and 2.3.3 block fuel guarantees will be adjusted by Boeing for the effect of the following on OEW in its evidence of compliance with the guarantees:
- (1) Changes to the Detail Specification or any other changes mutually agreed upon between the Customer and Boeing or otherwise allowed by the Purchase Agreement.
 - (2) The difference between the component weight allowances given in Appendix IV of the Detail Specification and the actual weights.

4 GUARANTEE CONDITIONS

- 4.1** All guaranteed performance data are based on the International Standard Atmosphere (ISA) and specified variations therefrom; altitudes are pressure altitudes.
- 4.2** For the purposes of these 737-8 guarantees the Federal Aviation Administration (FAA) regulations referred to in this Attachment are, unless otherwise specified, the 737-900ER Certification Basis regulations specified in the Type Certificate Data Sheet A16WE, Revision 41, dated July 31, 2007.
- 4.3** In the event a change is made to any law, governmental regulation or requirement, or in the interpretation of any such law, governmental regulation or requirement that affects the certification basis for the Aircraft as described in Paragraph 4.2, and as a result thereof, a change is made to the configuration and/or the performance of the Aircraft in order to obtain certification, the

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guarantees set forth in this Attachment shall be appropriately modified to reflect any such change.

- 4.4** The takeoff and landing guarantees and the takeoff portion of the mission guarantees are based on hard surface, level and dry runways with no wind or obstacles, no clearway or stopway, 225 mph tires, with Category B brakes and anti-skid operative, and with the Aircraft center of gravity at the most forward limit unless otherwise specified. The takeoff performance is based on no engine bleed for air conditioning or thermal anti-icing and the Auxiliary Power Unit (APU) turned off unless otherwise specified. Unbalanced field length calculations and the improved climb performance procedure will be used for takeoff as required. The landing performance is based on the use of automatic spoilers.
- 4.5** The climb, cruise and descent portions of the mission guarantees include allowances for normal power extraction and engine bleed for normal operation of the air conditioning system. The digital bleed is set for the Customer interior in Paragraph 2.3.5. No bleed or power extraction for thermal anti-icing is provided unless otherwise specified. The APU is turned off unless otherwise specified.
- 4.6** Long Range Cruise (LRC) speed is defined to be the highest speed where cruise fuel mileage is 99 percent of the maximum cruise fuel mileage.
- 4.7** The climb, cruise and descent portions of the mission guarantees are based on an Aircraft center of gravity location, as determined by Boeing, not to be aft of 26.2 percent of the mean aerodynamic chord.
- 4.8** Performance, where applicable, is based on a fuel Lower Heating Value (LHV) of 18,580 BTU per pound and a fuel density of 6.5 pounds per U.S. gallon.
- 5** **GUARANTEE COMPLIANCE**
- 5.1** Compliance with the guarantees of Section 2 shall be based on the conditions specified in that section, the Aircraft configuration of Section 3 and the guarantee conditions of Section 4.
- 5.2** Compliance with the takeoff and landing guarantees and the takeoff portion of the mission guarantee shall be based on the FAA approved Airplane Flight Manual for the Model 737-8.

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- 5.3 Compliance with the climb, cruise and descent portions of the mission guarantees shall be established by calculations based on flight test data obtained from an aircraft in a configuration similar to that defined by the Detail Specification.
- 5.4 The OEW used for compliance with the mission guarantees shall be the actual MEW plus the Standard and Operational Items Allowance in Paragraph 03-60-00 of the Detail Specification.
- 5.5 The data derived from tests shall be adjusted as required by conventional methods of correction, interpolation or extrapolation in accordance with established engineering practices to show compliance with these guarantees.
- 5.6 Compliance shall be based on the performance of the airframe and engines in combination, and shall not be contingent on the engine meeting its manufacturer's performance specification.

6 EXCLUSIVE GUARANTEES

The only performance guarantees applicable to the Aircraft are those set forth in this Attachment.

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The Boeing Company
P.O. Box 3707
Seattle, WA 98124-2207

GUN-PA-03981-LA-1301176

China Southern Airlines Company Limited
Bai Yun International Airport
Guangzhou 510405
People's Republic of China

Subject: Integrated Performance Remedy – Performance Guarantee Attachment A

Reference: Purchase Agreement No. PA-03981 (**Purchase Agreement**) between The Boeing Company (**Boeing**) and China Southern Airlines Company Limited (**Customer**) with China Southern Airlines Group Import and Export Trading Corp., Ltd. (**Consenting Party**) relating to Model 737-8 aircraft (**Aircraft**)

This letter agreement (**Letter Agreement**) amends and supplements the Purchase Agreement. All terms used but not defined in this Letter Agreement will have the same meaning as in the Purchase Agreement. For the avoidance of doubt, this Letter Agreement survives delivery of the Aircraft as set forth herein.

1. Compliance Deviation.

The Attachment A to Letter Agreement No. LA-1301175 contains performance guarantees (**Performance Guarantees**) for Aircraft with configuration of [*****] [*****] maximum takeoff weight and CFM LEAP-1B27 engines (**Attachment A Aircraft**). The Performance Guarantees include mission payload guarantees (**Payload Guarantee**) and block fuel guarantees (**Block Fuel Guarantee**) applicable to the Attachment A Aircraft in accordance with such Performance Guarantees. Boeing offers the following remedies in the event that the guarantee compliance report furnished to Customer for the Attachment A Aircraft pursuant to Article 5.4 of the AGTA shows a demonstrated value worse than the Block Fuel Guarantee or Payload Guarantee (each a **Compliance Deviation**). Customer cannot refuse to accept delivery of such Attachment A Aircraft because of such Compliance Deviation.

2. Cure Period.

2.1. Within [*****] from the delivery of an Attachment A Aircraft with a Compliance Deviation (**Cure Period**), Boeing or the engine manufacturer may design airframe improvement parts or engine improvement parts (**Improvement Parts**) which, when installed on such Attachment A Aircraft, would reduce or eliminate the Compliance Deviation. Such Improvement Parts may include, but is not limited to, [*****]

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Integrated Performance Remedy – PG Attachment A

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2.2. If Boeing elects to provide, or to cause to be provided, Improvement Parts for such Attachment A Aircraft, then Customer and Boeing will mutually agree upon the details of an Improvement Parts program. Improvement Parts will be provided to Customer at no charge at a location to be mutually agreed. Boeing or the engine manufacturer, as applicable, will provide reasonable support for an Improvement Parts program at no charge to Customer.

2.3. If Customer elects to install Improvement Parts in such Attachment A Aircraft, then they will be installed within [*****] after the delivery of such Improvement Parts to Customer if such installation can be accomplished during aircraft line maintenance (ALM). Improvement Parts which cannot be installed during ALM will be installed within a mutually agreed to period of time. All Improvement Parts will be installed in accordance with Boeing and the engine manufacturer instructions.

2.4. Boeing will provide or will cause the engine manufacturer to provide reimbursement of Customer’s reasonable Direct Labor and Direct Material costs to install Improvement Parts at the warranty labor rate in effect at the time of installation between Boeing and Customer or the engine manufacturer and Customer, as applicable. Improvement Parts related to engines will apply also to spare engines on terms not less favorable to Customer. Boeing or the engine manufacturer, as applicable, will give Customer reasonable advance written notice of the estimated on-dock date at Customer’s maintenance base for any such Improvement Parts.

3. Performance Remedy Credit Memorandum.

For a Compliance Deviation which has not been remedied during the Cure Period, Boeing shall provide Customer with a credit memorandum in the amounts determined in 3.1 and 3.2, below (**Performance Remedy Credit Memorandum**). The Performance Remedy Credit Memorandum may be used for the purchase of Boeing goods and services or engine manufacturer goods and services, as applicable.

3.1. Block Fuel Adjustment

In the event of a Compliance Deviation from the Block Fuel Guarantee for an Attachment A Aircraft, Boeing will credit to the Performance Remedy Credit Memorandum [*****] for [*****] [*****] of such Block Fuel Guarantee Compliance Deviation, prorated for partial percentage points, up to a [*****] [*****]

3.2. Mission Payload Adjustment

In the event of a Compliance Deviation from the Mission Payload Guarantee for an Attachment A Aircraft, Boeing will credit to the Performance Remedy Credit Memorandum [*****] of such Mission

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Integrated Performance Remedy – PG Attachment A

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Payload Compliance Deviation up to a [*****] [*****]

4. Duplication of Benefits.

Boeing and Customer agree it is not the intent of the parties to provide benefits hereunder that duplicate the benefits to be provided (a) by Boeing under the Purchase Agreement, or any other agreement between Boeing and Customer, or (b) by the engine manufacturer under any agreement between engine manufacturer and Customer, due to the Attachment A Aircraft not satisfying any performance metric similar to the Payload Guarantee, Block Fuel Guarantee or any performance metric that otherwise impacts payload. Boeing may offset its obligation to provide benefits hereunder against the benefits provided or to be provided to Customer by the engine manufacturer or Boeing pursuant to such other guarantee.

5. Exclusive Remedy.

Customer agrees that the remedies contained in this Letter Agreement herein are Customer’s exclusive remedies for purposes of resolving all issues with respect to the Performance Guarantees and are in lieu of all other rights, remedies, claims and causes of action Customer may have, arising at law or otherwise, in connection therewith and shall constitute complete, full and final settlement and satisfaction of any and all of Boeing’s obligations and liabilities to Customer in connection therewith. Customer releases Boeing and its successors, affiliates and subsidiaries from all present, past and future rights, remedies, claims and causes of action, whether arising at law or otherwise, known or unknown, relating to or arising from such Performance Guarantees.

6. Assignment.

Notwithstanding any other provisions of the Purchase Agreement, the rights and obligations described in this Letter Agreement are provided to Customer in consideration of Customer’s becoming the operator of the Attachment A Aircraft and cannot be assigned in whole or, in part.

7. Confidential Treatment.

The information contained herein represents confidential business information and has value precisely because it is not available generally or to other parties. Customer will limit the disclosure of its contents, except for as required by applicable laws or regulations, to employees of Customer with a need to know the contents for purposes of helping Customer perform its obligations under the Purchase Agreement and who understand they are not to disclose its contents to any other person or entity without the prior written consent of Boeing.

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“[*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission**



Very truly yours,

AGREED AND ACCEPTED this

THE BOEING COMPANY

By _____

Its Attorney-In-Fact _____

CHINA SOUTHERN AIRLINES COMPANY LIMITED

By _____

Its _____

CHINA SOUTHERN AIRLINES GROUP IMPORT AND EXPORT TRADING CORP., LTD.

By _____

Its _____

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Integrated Performance Remedy – PG Attachment A

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The Boeing Company
P.O. Box 3707
Seattle, WA 98124-2207

GUN-PA-03981-LA-1301177

China Southern Airlines Company Limited
Bai Yun International Airport
Guangzhou 510405
People's Republic of China

Subject: Integrated Performance Remedy – Performance Guarantee Attachment B

Reference: Purchase Agreement No. PA-03981 (**Purchase Agreement**) between The Boeing Company (**Boeing**) and China Southern Airlines Company Limited (**Customer**) with China Southern Airlines Group Import and Export Trading Corp., Ltd. (**Consenting Party**) relating to Model 737-8 aircraft (**Aircraft**)

This letter agreement (**Letter Agreement**) amends and supplements the Purchase Agreement. All terms used but not defined in this Letter Agreement will have the same meaning as in the Purchase Agreement. For the avoidance of doubt, this Letter Agreement survives delivery of the Aircraft as set forth herein.

1. Compliance Deviation.

The Attachment B to Letter Agreement No. LA-1301175 contains performance guarantees (**Performance Guarantees**) for Aircraft with configuration of [*****] [*****] maximum takeoff weight and CFM LEAP-1B28 engines (**Attachment B Aircraft**). The Performance Guarantees include mission payload guarantees (**Payload Guarantee**) and block fuel guarantees (**Block Fuel Guarantee**) applicable to the Attachment B Aircraft in accordance with such Performance Guarantees. Boeing offers the following remedies in the event that the guarantee compliance report furnished to Customer for the Attachment B Aircraft pursuant to Article 5.4 of the AGTA shows a demonstrated value worse than the Block Fuel Guarantee or Payload Guarantee (each a **Compliance Deviation**). Customer cannot refuse to accept delivery of such Attachment B Aircraft because of such Compliance Deviation.

2. Cure Period.

2.1. Within [*****] from the delivery of an Attachment B Aircraft with a Compliance Deviation (**Cure Period**), Boeing or the engine manufacturer may design airframe improvement parts or engine improvement parts (**Improvement Parts**) which, when installed on such Attachment B Aircraft, would reduce or eliminate the Compliance Deviation. Such Improvement Parts may include, but is not limited to, [*****]

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Integrated Performance Remedy – PG Attachment B

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2.2. If Boeing elects to provide, or to cause to be provided, Improvement Parts for such Attachment B Aircraft, then Customer and Boeing will mutually agree upon the details of an Improvement Parts program. Improvement Parts will be provided to Customer at no charge at a location to be mutually agreed. Boeing or the engine manufacturer, as applicable, will provide reasonable support for an Improvement Parts program at no charge to Customer.

2.3. If Customer elects to install Improvement Parts in such Attachment B Aircraft, then they will be installed within [*****] after the delivery of such Improvement Parts to Customer if such installation can be accomplished during aircraft line maintenance (ALM). Improvement Parts which cannot be installed during ALM will be installed within a mutually agreed to period of time. All Improvement Parts will be installed in accordance with Boeing and the engine manufacturer instructions.

2.4. Boeing will provide or will cause the engine manufacturer to provide reimbursement of Customer's reasonable Direct Labor and Direct Material costs to install Improvement Parts at the warranty labor rate in effect at the time of installation between Boeing and Customer or the engine manufacturer and Customer, as applicable. Improvement Parts related to engines will apply also to spare engines on terms not less favorable to Customer. Boeing or the engine manufacturer, as applicable, will give Customer reasonable advance written notice of the estimated on-dock date at Customer's maintenance base for any such Improvement Parts.

3. Performance Remedy Credit Memorandum.

For a Compliance Deviation which has not been remedied during the Cure Period, Boeing shall provide Customer with a credit memorandum in the amounts determined in 3.1 and 3.2, below (**Performance Remedy Credit Memorandum**). The Performance Remedy Credit Memorandum may be used for the purchase of Boeing goods and services or engine manufacturer goods and services, as applicable.

3.1. Block Fuel Adjustment

In the event of a Compliance Deviation from the Block Fuel Guarantee for an Attachment B Aircraft, Boeing will credit to the Performance Remedy Credit Memorandum [*****] for [*****] [*****] of such Block Fuel Guarantee Compliance Deviation, prorated for partial percentage points, up to a [*****] [*****]

3.2. Mission Payload Adjustment

In the event of a Compliance Deviation from the Mission Payload Guarantee for an Attachment B Aircraft, Boeing will credit to the Performance Remedy Credit Memorandum [*****] for [*****] of such Mission

GUN-PA-03981-LA-1301177

Integrated Performance Remedy – PG Attachment B

LA Page 2

BOEING PROPRIETARY

“[***]” This information is subject to confidential treatment and has been omitted and filed separately with the commission



Payload Compliance Deviation up to [*****]
[*****]

4. Duplication of Benefits.

Boeing and Customer agree it is not the intent of the parties to provide benefits hereunder that duplicate the benefits to be provided (a) by Boeing under the Purchase Agreement, or any other agreement between Boeing and Customer, or (b) by the engine manufacturer under any agreement between engine manufacturer and Customer, due to the Attachment B Aircraft not satisfying any performance metric similar to the Payload Guarantee, Block Fuel Guarantee or any performance metric that otherwise impacts payload. Boeing may offset its obligation to provide benefits hereunder against the benefits provided or to be provided to Customer by the engine manufacturer or Boeing pursuant to such other guarantee.

5. Exclusive Remedy.

Customer agrees that the remedies contained in this Letter Agreement herein are Customer’s exclusive remedies for purposes of resolving all issues with respect to the Performance Guarantees and are in lieu of all other rights, remedies, claims and causes of action Customer may have, arising at law or otherwise, in connection therewith and shall constitute complete, full and final settlement and satisfaction of any and all of Boeing’s obligations and liabilities to Customer in connection therewith. Customer releases Boeing and its successors, affiliates and subsidiaries from all present, past and future rights, remedies, claims and causes of action, whether arising at law or otherwise, known or unknown, relating to or arising from such Performance Guarantees.

6. Assignment.

Notwithstanding any other provisions of the Purchase Agreement, the rights and obligations described in this Letter Agreement are provided to Customer in consideration of Customer’s becoming the operator of the Attachment B Aircraft and cannot be assigned in whole or, in part.

7. Confidential Treatment.

The information contained herein represents confidential business information and has value precisely because it is not available generally or to other parties. Customer will limit the disclosure of its contents, except for as required by applicable laws or regulations, to employees of Customer with a need to know the contents for purposes of helping Customer perform its obligations under the Purchase Agreement and who understand they are not to disclose its contents to any other person or entity without the prior written consent of Boeing.

BOEING PROPRIETARY

“[*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission**



Very truly yours,

AGREED AND ACCEPTED this

Date

THE BOEING COMPANY

By _____

Its Attorney-In-Fact _____

CHINA SOUTHERN AIRLINES COMPANY LIMITED

By _____

Its _____

CHINA SOUTHERN AIRLINES GROUP IMPORT AND EXPORT TRADING CORP., LTD.

By _____

Its _____

GUN-PA-03981-LA-1301177

Integrated Performance Remedy – PG Attachment B

LA Page 4

BOEING PROPRIETARY

“**[***]**” This information is subject to confidential treatment and has been omitted and filed separately with the commission



The Boeing Company
P.O. Box 3707
Seattle, WA 98124-2207

GUN-PA-03981-LA-1303700

China Southern Airlines Company Limited
No. 278, Jichang Road,
Baiyun District, Guangzhou,
People's Republic of China, 510406

Subject: Liquidated Damages – Non-Excusable Delay

Reference: Purchase Agreement No. PA-03981 (**Purchase Agreement**) between The Boeing Company (**Boeing**) and China Southern Airlines Company Limited (**Customer**) with China Southern Airlines Group Import and Export Trading Corp., Ltd. (**Consenting Party**) relating to Model 737-8 aircraft (**Aircraft**)

This letter agreement (**Letter Agreement**) amends and supplements the Purchase Agreement. All terms used but not defined in this Letter Agreement will have the same meaning as in the Purchase Agreement.

Definition of Terms:

Non-Excusable Delay: Delay in delivery of any Aircraft beyond the last day of the delivery month (**Scheduled Delivery Month**) established in the Purchase Agreement by any cause that is not an Excusable Delay pursuant to Article 7 of the AGTA and for which Customer is otherwise entitled to a remedy from Boeing pursuant to applicable law.

1. Liquidated Damages.

Boeing agrees to pay Customer liquidated damages for each day of Non-Excusable Delay in [*****] (collectively the **Non-Excusable Delay Payment Period**) at a rate of [*****] per Aircraft not [*****] [*****]. [*****] (**Liquidated Damages**). Liquidated Damages will be payable at actual delivery of the Aircraft.

2. Interest.

In addition to the Liquidated Damages in section 1, for each day of Non-Excusable Delay in [*****] after the Scheduled Delivery Month, Boeing will pay Customer interest calculated as follows (**Interest**):

GUN-PA-03981-LA-1303700

Liquidated Damages Non-Excusable Delay

LA Page 1

BOEING PROPRIETARY

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The product of the daily interest rate (computed by dividing the interest rate in effect for each day by three [*****], as the case may be) times the entire amount of advance payments received by Boeing for such Aircraft. The interest rate in effect for each day shall be computed [*****], effective the first business day of the calendar quarter and reset each calendar quarter.

Such interest will be calculated on a [*****] and paid in full at actual delivery of the Aircraft.

3. [*****]

In the event any Aircraft has been delayed beyond the Scheduled Delivery due to [*****].

4. [*****]

Customer will not have the right to refuse to accept delivery of any Aircraft because of a Non-Excusable Delay unless and until the aggregate duration of the Non-Excusable Delay for such Aircraft [*****] (Non-Excusable Delay Period). Within [*****] receipt of written notice from Boeing that delivery of an Aircraft will be delayed beyond the Non-Excusable Delay Period, either party [*****] Purchase Agreement as to such Aircraft by written or telegraphic notice given to the other. If neither Party terminates the Purchase Agreement within said [*****], then the Purchase Agreement will remain in effect for that Aircraft.

5. [*****]

If the Purchase Agreement is terminated with respect to any Aircraft for a Non-Excusable Delay, Boeing will pay Customer:

- (i) Liquidated Damages at the later to occur of: (a) the [*****] of the Scheduled Delivery Month, or (b) [*****] the effective date of the termination.
- (ii) for Interest calculated and paid in full as described above, except the period of interest calculation will end on the date Boeing returns such advance payments, excluding the actual day of return, [*****] days after the effective date of the termination.



(iii) for the entire principal amount of the advance payments received by Boeing for such Aircraft, [*****] after the effective date of the termination.

6. Exclusive Remedies.

The remedies set forth in this Letter Agreement are Customer's exclusive remedies for a Non-Excusable Delay and are in lieu of all other damages, claims, and remedies of Customer arising at law or otherwise for any Non-Excusable Delay in the Aircraft delivery. Customer hereby waives and renounces all other claims and remedies arising at law or otherwise for any such Non-Excusable Delay.

7. Assignment.

Notwithstanding any other provisions of the Purchase Agreement, the rights and obligations described in this Letter Agreement are provided to Customer in consideration of Customer becoming the operator of the Aircraft and cannot be assigned in whole or, in part.

8. Confidential Treatment.

The information contained herein represents confidential business information and has value precisely because it is not available generally or to other parties. Customer will limit the disclosure of its contents, except for as required by applicable laws or regulations, to employees of Customer with a need to know the contents for purposes of helping Customer perform its obligations under the Purchase Agreement and who understand they are not to disclose its contents to any other person or entity without the prior written consent of Boeing.

GUN-PA-03981-LA-1303700
Liquidated Damages Non-Excusable Delay

LA Page 3

BOEING PROPRIETARY

“[*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission**



Very truly yours,

AGREED AND ACCEPTED this

Date

THE BOEING COMPANY

By _____

Its Attorney-In-Fact _____

CHINA SOUTHERN AIRLINES COMPANY LIMITED

By _____

Its _____

CHINA SOUTHERN AIRLINES GROUP IMPORT AND EXPORT TRADING CORP., LTD.

By _____

Its _____

GUN-PA-03981-LA-1303700

Liquidated Damages Non-Excusable Delay

LA Page 4

BOEING PROPRIETARY

“[*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission**



The Boeing Company
P.O. Box 3707
Seattle, WA 98124-2207

GUN-PA-03981-LA-1303703

China Southern Airlines Company Limited
No. 278, Jichang Road,
Baiyun District, Guangzhou,
People's Republic of China, 510406

Subject: Spare Parts Initial Provisioning

Reference: Purchase Agreement No. PA-03981 (**Purchase Agreement**) between The Boeing Company (**Boeing**) and China Southern Airlines Company Limited (**Customer**) with China Southern Airlines Group Import and Export Trading Corp., Ltd. (**Consenting Party**) relating to Model 737-8 aircraft (**Aircraft**)

b) Customer Services General Terms Agreement No. 1B-1 (**CSGTA**) between Boeing and Customer.

This letter agreement (**Letter Agreement**) is entered into on the date below and amends and supplements the CSGTA. All capitalized terms used but not defined in this Letter Agreement have the same meaning as in the CSGTA, except for "Aircraft" which will have the meaning as defined in the Purchase Agreement.

In order to define the process by which Boeing and Customer will i) identify those Spare Parts and Standards critical to Customer's successful introduction of the Aircraft into service and its continued operation, ii) place Orders under the provisions of the CSGTA as supplemented by the provisions of this Letter Agreement for those Spare Parts and Standards, and iii) manage the return of certain of those Spare Parts which Customer does not use, the parties agree as follows.

1. Definitions.

1.1 **Provisioning Data** means the documentation provided by Boeing to Customer, including but not limited to the Recommended Spare Parts List (**RSPL**), identifying all Boeing initial provisioning requirements for the Aircraft.

1.2 **Provisioning Items** means the Spare Parts and Standards identified by Boeing as initial provisioning requirements in support of the Aircraft, excluding special tools and ground support equipment (**GSE**), engines and engine parts.

1.3 **Provisioning Products Guide** means the Boeing Manual D6-81834 entitled "Spares Provisioning Products Guide".

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Spare Parts Initial Provisioning

LA Page 1

BOEING PROPRIETARY

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2. Phased Provisioning.

2.1 Provisioning Products Guide. Prior to the initial provisioning meeting Boeing will furnish to Customer a copy of the Provisioning Products Guide.

2.2 Initial Provisioning Meeting. On or about twelve (12) months prior to delivery of the first Aircraft the parties will conduct an initial provisioning meeting where the procedures, schedules, and requirements for training will be established to accomplish phased provisioning of Spare Parts and Standards for the Aircraft in accordance with the Provisioning Products Guide. If the lead time from execution of the Purchase Agreement until delivery of the first Aircraft is less than twelve (12) months, the initial provisioning meeting will be established as soon as reasonably possible after execution of the Purchase Agreement.

2.3 Provisioning Data. During the initial provisioning meeting Customer will provide to Boeing the operational parameter information described in Chapter 6 of the Provisioning Products Guide. After review and acceptance by Boeing of such Customer information, Boeing will prepare the Provisioning Data. Such Provisioning Data will be furnished to Customer on or about ninety (90) days after Boeing finalizes the engineering drawings for the Aircraft. The Provisioning Data will be as complete as possible and will cover Provisioning Items selected by Boeing for review by Customer for initial provisioning of Spare Parts and Standards for the Aircraft. Boeing will furnish to Customer revisions to the Provisioning Data until approximately ninety (90) days following delivery of the last Aircraft or until the delivery configuration of each of the Aircraft is reflected in the Provisioning Data, whichever is later.

2.4 Buyer Furnished Equipment (BFE) Provisioning Data. Unless otherwise advised by Boeing, Customer will provide or insure its BFE suppliers provide to Boeing the BFE data in scope and format acceptable to Boeing, in accordance with the schedule established during the initial provisioning meeting.

3. Purchase from Boeing of Spare Parts and Standards as Initial Provisioning for the Aircraft.

3.1 Schedule. In accordance with schedules established during the initial provisioning meeting, Customer may place Orders for Provisioning Items and any GSE, special tools or engine spare parts which Customer determines it will initially require for maintenance, overhaul and servicing of the Aircraft and/or engines.

3.2 Prices of Initial Provisioning Spare Parts.

3.2.1 Boeing Spare Parts. The Provisioning Data will set forth the prices for those Provisioning Items other than items listed in Article 3.3, below, that are Boeing Spare Parts, and such prices will be firm and remain in effect for ninety (90) days from the date the price is first quoted to Customer in the Provisioning Data.



3.2.2 Supplier Spare Parts. Boeing will provide estimated prices in the Provisioning Data for Provisioning Items other than items listed in Article 3.3, below, that are Supplier Spare Parts. The price to Customer for any Supplier Spare Parts that are Provisioning Items or for any items ordered for initial provisioning of GSE, special tools manufactured by suppliers, or engine spare parts will be [*****] of the supplier's list price for such items.

3.3 QEC Kits, Standards Kits, Raw Material Kits, Bulk Materials Kits and Service Bulletin Kits. In accordance with schedules established during the initial provisioning meeting, Boeing will furnish to Customer a listing of all components which could be included in the kits, raw material kits, bulk materials kits and service bulletin kits which may be purchased by Customer from Boeing. Customer will select, and provide to Boeing its desired content for the kits. Boeing will furnish to Customer as soon as practicable thereafter a statement setting forth a firm price for such kits. Customer will place Orders with Boeing for the kits in accordance with schedules established during the initial provisioning meeting.

4. Delivery.

For Spare Parts and Standards ordered by Customer in accordance with Article 3 of this Letter Agreement, Boeing will, insofar as reasonably possible, deliver to Customer such Spare Parts and Standards on dates reasonably calculated to conform to Customer's anticipated needs in view of the scheduled deliveries of the Aircraft. Customer and Boeing will agree upon the date to begin delivery of the provisioning Spare Parts and Standards ordered in accordance with this Letter Agreement. Where appropriate, Boeing will arrange for shipment of such Spare Parts and Standards which are manufactured by suppliers directly to Customer from the applicable supplier's facility. The routing and method of shipment for initial deliveries and all subsequent deliveries of such Spare Parts and Standards will be as established at the initial provisioning meeting and thereafter by mutual agreement.

5. Substitution for Obsolete Spare Parts.

5.1 Obligation to Substitute Pre-Delivery. In the event that, prior to delivery of the first Aircraft, any Spare Part purchased by Customer from Boeing in accordance with this Letter Agreement as initial provisioning for the Aircraft is rendered obsolete or unusable due to the redesign of the Aircraft or of any accessory, equipment or part thereof (other than a redesign at Customer's request) Boeing will deliver to Customer at no charge new and usable Spare Parts in substitution for such obsolete or unusable Spare Parts and, upon such delivery, Customer will return the obsolete or unusable Spare Parts to Boeing.

5.2 Delivery of Obsolete Spare Parts and Substitutes. Obsolete or unusable Spare Parts returned by Customer pursuant to this Article 5 will be delivered to Boeing at its Seattle Distribution Center or such other destination as Boeing may reasonably designate. Spare Parts substituted for such returned obsolete or unusable Spare Parts will be delivered to Customer in accordance with the CSGTA. Boeing will pay the freight charges for the shipment from Customer to Boeing of any such obsolete or unusable Spare Part and for the shipment from Boeing to Customer of any such substitute Spare Part.

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Spare Parts Initial Provisioning

BOEING PROPRIETARY

<p>“[***]” This information is subject to confidential treatment and has been omitted and filed separately with the commission</p>





6. Repurchase of Provisioning Items.

6.1 Obligation to Repurchase. During a period commencing one (1) year after delivery of the first Aircraft, and ending five (5) years after such delivery, Boeing will, upon receipt of Customer's written request and subject to the exceptions in Article 6.2, repurchase unused and undamaged Provisioning Items which (i) were recommended by Boeing in the Provisioning Data as initial provisioning for the Aircraft, (ii) were purchased by Customer from Boeing, and (iii) are surplus to Customer's needs.

6.2 Exceptions. Boeing will not be obligated under Article 6.1 to repurchase any of the following: (i) quantities of Provisioning Items in excess of those quantities recommended by Boeing in the Provisioning Data for the Aircraft, (ii) QEC kits, bulk material kits, raw material kits, service bulletin kits, Standards kits and components thereof (except those components listed separately in the Provisioning Data), (iii) Provisioning Items for which an Order was received by Boeing more than five (5) months after delivery of the last Aircraft, (iv) Provisioning Items which have become obsolete or have been replaced by other Provisioning Items as a result of Customer's modification of the Aircraft, and (v) Provisioning Items which become excess as a result of a change in Customer's operating parameters, as provided to Boeing pursuant to the initial provisioning meeting and which were the basis of Boeing's initial provisioning recommendations for the Aircraft.

6.3 Notification and Format. Customer will notify Boeing, in writing when Customer desires to return Provisioning Items under the provisions of this Article 6. Customer's notification will include a detailed summary, in part number sequence, of the Provisioning Items Customer desires to return. Such summary will be in the form of listings, tapes, diskettes or other media as may be mutually agreed between Boeing and Customer and will include part number, nomenclature, purchase order number, purchase order date and quantity to be returned. Within five (5) business days after receipt of Customer's notification, Boeing will advise Customer in writing when Boeing's review of such summary will be completed.

6.4 Review and Acceptance by Boeing. Upon completion of Boeing's review of any detailed summary submitted by Customer pursuant to Article 6.3, Boeing will issue to Customer a Material Return Authorization (**MRA**) for those Provisioning Items Boeing agrees are eligible for repurchase in accordance with this Article 6. Boeing will advise Customer of the reason that any Provisioning Item included in Customer's detailed summary is not eligible for return. Boeing's MRA will state the date by which Provisioning Items listed in the MRA must be redelivered to Boeing, and Customer will arrange for shipment of such Provisioning Items accordingly.

GUN-PA-03981-LA-1303703
Spare Parts Initial Provisioning

LA Page 4

BOEING PROPRIETARY

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6.5 Price and Payment. The price of each Provisioning Item repurchased by Boeing pursuant to this Article 6 will be an amount equal to one hundred percent (100%) of the original invoice price thereof except that the repurchase price of Provisioning Items purchased pursuant to Article 3.2.2 will not include Boeing's [*** *****]. Boeing will pay the repurchase price by issuing a credit memorandum in favor of Customer which may be applied against amounts due Boeing for the purchase of Spare Parts or Standards.

6.6 Delivery of Repurchased Provisioning Items. Provisioning Items repurchased by Boeing pursuant to this Article 6 will be delivered to Boeing F.O.B. at its Seattle Distribution Center or such other destination as Boeing may reasonably designate.

7. Title and Risk of Loss.

Title and risk of loss of any Spare Parts or Standards delivered to Customer by Boeing in accordance with this Letter Agreement will pass from Boeing to Customer in accordance with the applicable provisions of the CSGTA. Title to and risk of loss of any Spare Parts or Standards returned to Boeing by Customer in accordance with this Letter Agreement will pass to Boeing upon delivery of such Spare Parts or Standards to Boeing in accordance with the provisions of Article 5.2 or Article 6.6, herein, as appropriate.

8. Termination for Excusable Delay.

In the event of termination of the Purchase Agreement pursuant to Article 7 of the AGTA with respect to any Aircraft, such termination will, if Customer so requests by written notice received by Boeing [*****] after such termination, also discharge and terminate all obligations and liabilities of the parties as to any Spare Parts or Standards which Customer had ordered pursuant to the provisions of this Letter Agreement as initial provisioning for such Aircraft and which are undelivered on the date Boeing receives such written notice.

9. Order of Precedence.

In the event of any inconsistency between the terms of this Letter Agreement and the terms of any other provisions of the CSGTA, the terms of this Letter Agreement will control.

GUN-PA-03981-LA-1303703
Spare Parts Initial Provisioning

BOEING PROPRIETARY

“[*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission**



Very truly yours,

AGREED AND ACCEPTED this

Date

THE BOEING COMPANY

By _____

Its Attorney-In-Fact _____

CHINA SOUTHERN AIRLINES COMPANY LIMITED

By _____

Its _____

CHINA SOUTHERN AIRLINES GROUP IMPORT AND EXPORT TRADING CORP., LTD.

By _____

Its _____

GUN-PA-03981-LA-1303703
Spare Parts Initial Provisioning

BOEING PROPRIETARY

“**[***]**” This information is subject to confidential treatment and has been omitted and filed separately with the commission



The Boeing Company
P.O. Box 3707
Seattle, WA 98124-2207

SHZ-PA-04180-LA-1400831

China Southern Airlines Company Limited
No. 278, Jichang Road,
Baiyun District, Guangzhou,
People's Republic of China, 510406

Subject: Special Escalation Program

Reference: Purchase Agreement No. PA-03981 (**Purchase Agreement**) between The Boeing Company (**Boeing**) and China Southern Airlines Company Limited (**Customer**) with China Southern Airlines Group Import and Export Trading Corp., Ltd. (**Consenting Party**) relating to Model 737-8 aircraft (**Aircraft**)

This letter agreement (**Letter Agreement**) amends and supplements the Purchase Agreement. All terms used but not defined in this Letter Agreement will have the same meaning as in the Purchase Agreement.

1. Definitions.

Escalation Notice means the written communication provided by Boeing to Customer in accordance with the requirements of Article 8.1, below.

Program Aircraft means each Aircraft specified in Table 1 of the Purchase Agreement as of the date of this Letter Agreement.

2. Applicability.

Notwithstanding any other provision of the Purchase Agreement to the contrary, the parties agree that the Escalation Adjustment for the Airframe Price and Optional Features Prices for each Program Aircraft will be determined in accordance with this Letter Agreement.

3. Escalation Forecast.

Boeing will release an escalation forecast in February and August of each year based on Boeing's then current standard ECI-W escalation formula. Only one escalation forecast will be used to conduct the escalation analysis performed in accordance with Article 7.1, below, for a given Program Aircraft. The escalation forecast applicable to a given Program Aircraft is set forth in Attachment A.

GUN-PA-03981-LA-1303705
Special Escalation Program

LA Page 1

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4. Capped Escalation

4.1 Boeing will cap the Escalation Adjustment for the Airframe Price and Optional Features Prices of each Program Aircraft for the period beginning [*****] and continuing through [*****] in accordance with the terms of this Letter Agreement.

4.2 The Escalation Adjustment for the Airframe Price and Optional Features Prices of each Program Aircraft will be capped during the Capped Period at a fixed rate of [*****] cumulative annual escalation unless the escalation forecast, as set forth in Article 3, projects a cumulative annual escalation factor that exceeds [*****] cumulative annual escalation factor for the scheduled delivery month of any Program Aircraft that is scheduled to deliver within the time period applicable to such escalation forecast. See attachment B (**Capped Factor**).

5. Equal to or [*****] Cumulative Annual Escalation during the Capped Period.

If the cumulative annual escalation factor, as determined in accordance with Supplemental Exhibit AE1 at time of delivery of Program Aircraft, produces an escalation rate of equal to or less than [*****] cumulative annual escalation for such Program Aircraft, then the escalation rate so produced shall apply to the Airframe Price and the Optional Features Prices for such Program Aircraft.

6. Greater than [*****] Cumulative Annual Escalation during the Capped Period

If the cumulative annual escalation factor, as determined in accordance with Supplemental Exhibit AE1 at time of delivery of Aircraft, produces an escalation rate of greater than [*****] but less than or equal to [*****] cumulative annual escalation for such Program Aircraft, then the escalation rate shall be equal to [*****] cumulative annual escalation.

7. Greater than [*****] Cumulative Annual Escalation forecasted for the Capped Period.

7.1 If the escalation forecast, as set forth in Article 3, above, projects a cumulative annual escalation factor that exceeds [*****] cumulative annual escalation factor, as set forth in Attachment B, for the scheduled delivery month of any Program Aircraft that is scheduled to deliver within the time period applicable to such escalation forecast, as set forth in Attachment A, then Boeing shall issue an Escalation Notice to the Customer by the date set forth in Attachment A. Such Escalation Notice shall either:

BOEING PROPRIETARY

“[*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission**



7.1.1 Limit the rate of escalation applicable to the Airframe Price and Optional Features Prices for such affected Program Aircraft [*****] cumulative annual escalation; or

7.1.2 Provide Customer a [*****], and this formula must be mutually agreed to by both parties.

7.1.3 If neither 7.1.1 nor 7.1.2 occurs, then either party may [*****] affected Program Aircraft.

7.2 If Boeing or Customer exercise the option described in Article 7.1.3 above, then the terminating party shall notify the other in writing of its election to exercise the option contained in Article 7.1.3 above within [*****] of its receipt of the Escalation Notice from Boeing. In the event Customer exercises its option in accordance with Article 7.1.3 above, then Boeing will promptly return to Customer, without interest, an amount equal to all advance payments paid by Customer for the terminated Program Aircraft.

7.2.1 Within [*****] of Boeing’s receipt of Customer’s termination notice for any such terminated Program Aircraft under Article 7.2 above, Boeing may elect by written notice to Customer to purchase from Customer any BFE related to such terminated Program Aircraft at the invoice prices paid, or contracted to be paid, by Customer.

7.2.2 Should Customer fail to issue any notice to Boeing in accordance with Article 8.2 above, then the Escalation Adjustment for the Airframe Price and Optional Features Prices for such Program Aircraft shall be calculated in accordance with Supplemental Exhibit AE1.

7.3 Should Boeing fail to issue an Escalation Notice to Customer in accordance with Article 7.1, then the escalation adjustment for the Airframe Price and Optional Features Prices for such Program Aircraft shall be calculated in accordance with Article 7.1.1 above.

8. Applicability to Other Financial Consideration.

The escalation adjustment for any other sum, identified in the Purchase Agreement as subject to escalation pursuant to Supplemental Exhibit AE1, and which pertains to the Program Aircraft will be calculated using the escalation methodology established in this Letter Agreement for such Program Aircraft notwithstanding any other provisions of the Purchase Agreement to the contrary.

9. Assignment.

BOEING PROPRIETARY

“[***]” This information is subject to confidential treatment and has been omitted and filed separately with the commission



Except for an assignment by Customer to a wholly-owned subsidiary as permitted under Article 9, entitled "Assignment, Resale, or Lease" of the AGTA, this Letter Agreement is provided as an accommodation to Customer in consideration of Customer becoming the operator of the Aircraft and cannot be assigned in whole or in part.

10. Confidential Treatment.

The information contained herein represents confidential business information and has value precisely because it is not available generally or to other parties. Customer will limit the disclosure of its contents, except for as required by applicable laws or regulations, to employees of Customer with a need to know the contents for purposes of helping Customer perform its obligations under the Purchase Agreement and who understand they are not to disclose its contents to any other person or entity without the prior written consent of Boeing.

GUN-PA-03981-LA-1303705
Special Escalation Program

LA Page 4

BOEING PROPRIETARY

“[*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission**



Very truly yours,

AGREED AND ACCEPTED this

Date

THE BOEING COMPANY

By _____

Its Attorney-In-Fact _____

CHINA SOUTHERN AIRLINES COMPANY LIMITED

By _____

Its _____

CHINA SOUTHERN AIRLINES GROUP IMPORT AND EXPORT TRADING
CORP., LTD.

By _____

Its _____

GUN-PA-03981-LA-1303705
Special Escalation Program

BOEING PROPRIETARY

“[***]” This information is subject to confidential treatment and has been omitted and filed separately with the commission



ATTACHMENT A

Escalation Forecast & Escalation Notice Date

Escalation Forecast	Applicable to Program Aircraft Delivering in Time Period	Escalation Notice Date
Feb 2016	[*****]	[*****]
Aug 2016	[*****]	[*****]
Feb 2017	[*****]	[*****]
Aug 2017	[*****]	[*****]
Feb 2018	[*****]	[*****]
Aug 2018	[*****]	[*****]
Feb 2019	[*****]	[*****]
Aug 2019	[*****]	[*****]
Feb 2020	[*****]	[*****]

GUN-PA-03981-LA-1303705
Special Escalation Program

BOEING PROPRIETARY

“[***]” This information is subject to confidential treatment and has been omitted and filed separately with the commission



ATTACHMENT B

Escalation Factors

Airframe Price Base Year: [***]

Beginning of Capped Period: [***]

End of Capped Period: [***]

Delivery Date	[*****]
Jul-12	[***]
Aug-12	[***]
Sep-12	[***]
Oct-12	[***]
Nov-12	[***]
Dec-12	[***]
Jan-13	[***]
Feb-13	[***]
Mar-13	[***]
Apr-13	[***]
May-13	[***]
Jun-13	[***]
Jul-13	[***]
Aug-13	[***]
Sep-13	[***]
Oct-13	[***]
Nov-13	[***]
Dec-13	[***]
Jan-14	[***]
Feb-14	[***]
Mar-14	[***]
Apr-14	[***]
May-14	[***]
Jun-14	[***]
Jul-14	[***]

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Special Escalation Program

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BOEING PROPRIETARY

[***] This information is subject to confidential treatment and has been omitted and filed separately with the commission



Delivery Date	[*****]
Aug-14	[***]
Sep-14	[***]
Oct-14	[***]
Nov-14	[***]
Dec-14	[***]
Jan-15	[***]
Feb-15	[***]
Mar-15	[***]
Apr-15	[***]
May-15	[***]
Jun-15	[***]
Jul-15	[***]
Aug-15	[***]
Sep-15	[***]
Oct-15	[***]
Nov-15	[***]
Dec-15	[***]
Jan-16	[***]
Feb-16	[***]
Mar-16	[***]
Apr-16	[***]
May-16	[***]
Jun-16	[***]
Jul-16	[***]
Aug-16	[***]
Sep-16	[***]
Oct-16	[***]
Nov-16	[***]
Dec-16	[***]
Jan-17	[***]
Feb-17	[***]
Mar-17	[***]
Apr-17	[***]
May-17	[***]
Jun-17	[***]
Jul-17	[***]

GUN-PA-03981-LA-1303705
Special Escalation Program

BOEING PROPRIETARY

“[***]” This information is subject to confidential treatment and has been omitted and filed separately with the commission



Delivery Date	[*****]
Aug-17	[***]
Sep-17	[***]
Oct-17	[***]
Nov-17	[***]
Dec-17	[***]
Jan-18	[***]
Feb-18	[***]
Mar-18	[***]
Apr-18	[***]
May-18	[***]
Jun-18	[***]
Jul-18	[***]
Aug-18	[***]
Sep-18	[***]
Oct-18	[***]
Nov-18	[***]
Dec-18	[***]
Jan-19	[***]
Feb-19	[***]
Mar-19	[***]
Apr-19	[***]
May-19	[***]
Jun-19	[***]
Jul-19	[***]
Aug-19	[***]
Sep-19	[***]
Oct-19	[***]
Nov-19	[***]
Dec-19	[***]
Jan-20	[***]
Feb-20	[***]
Mar-20	[***]
Apr-20	[***]
May-20	[***]
Jun-20	[***]
Jul-20	[***]

GUN-PA-03981-LA-1303705
Special Escalation Program

LA Page 9

BOEING PROPRIETARY

“[***]” This information is subject to confidential treatment and has been omitted and filed separately with the commission



Delivery Date	[*****]
Aug-20	[***]
Sep-20	[***]
Oct-20	[***]
Nov-20	[***]
Dec-20	[***]
Jan-21	[***]
Feb-21	[***]
Mar-21	[***]
Apr-21	[***]
May-21	[***]
Jun-21	[***]
Jul-21	[***]
Aug-21	[***]
Sep-21	[***]
Oct-21	[***]
Nov-21	[***]
Dec-21	[***]

GUN-PA-03981-LA-1303705
Special Escalation Program

LA Page 10

BOEING PROPRIETARY

“[***]” This information is subject to confidential treatment and has been omitted and filed separately with the commission



The Boeing Company
P.O. Box 3707
Seattle, WA 98124-2207

GUN-PA-03981-LA-1303706

China Southern Airlines Company Limited
No. 278, Jichang Road,
Baiyun District, Guangzhou,
People's Republic of China, 510406

Subject: Boeing Purchase of Buyer Furnished Equipment

Reference: Purchase Agreement No. PA-03981 (**Purchase Agreement**) between The Boeing Company (**Boeing**) and China Southern Airlines Company Limited (**Customer**) with China Southern Airlines Group Import and Export Trading Corp., Ltd. (**Consenting Party**) relating to Model 737-8 aircraft (**Aircraft**)

This letter agreement (**Letter Agreement**) amends and supplements the Purchase Agreement. All terms used but not defined in this Letter Agreement will have the same meaning as in the Purchase Agreement.

Customer will sell to Boeing the Buyer Furnished Equipment (**BFE**) listed in the Annex to Exhibit A to this Letter Agreement under the terms and conditions set forth below.

- Customer will deliver to Boeing a bill of sale for the BFE conveying good title, free of any encumbrances, in the form of Exhibit A to this Letter Agreement (**BFE Bill of Sale**) with sufficient lead time to complete Boeing's BFE purchase by the time of Aircraft delivery, and will provide a list of BFE no less than four weeks prior to delivery of the Aircraft.
- The BFE purchase price will be the amount stated on the BFE Bill of Sale applicable to the Aircraft and will be reimbursed to Customer in the form of a miscellaneous credit memorandum on the Aircraft's final delivery invoice. Upon Customer's payment of the Aircraft's final delivery invoice Boeing will deliver a bill of sale for the BFE to Customer either (i) in the form of Exhibit B to this Letter Agreement, or (ii) included in the Aircraft bill of sale, at the election of Customer.
- Customer will pay to Boeing a fee equal to [*****] of the BFE Purchase Price (**Fee**) which will cover currently-known taxes, duties or other charges of whatever nature imposed by any United States, Federal, State or local taxing authority, or any taxing authority outside the United States required to be paid by Boeing as a result of any sale, purchase, use, ownership, delivery, transfer, storage or other activity associated with any of the BFE purchased as part of this Letter Agreement.

GUN-PA-03981-LA-1303706
Boeing Purchase of Buyer Furnished Equipment

LA Page 1

BOEING PROPRIETARY

“[***]” This information is subject to confidential treatment and has been omitted and filed separately with the commission



4. The purchase price of the Aircraft will be increased by the amount paid by Boeing for the BFE as shown on the applicable BFE Bill of Sale plus any amounts which are identified at the time of Aircraft delivery to be due to Boeing from Customer pursuant to the provisions of paragraph 3, above. The remainder of any charges due Boeing from Customer pursuant to paragraph 3 will be payable to Boeing upon demand.

5. Customer will indemnify and hold harmless Boeing from and against all claims, suits, actions, liabilities, damages, costs and expenses for any actual or alleged infringement of any patent issued or equivalent right under the laws of any country arising out of or in any way connected with any sale, purchase, use, ownership, delivery, transfer, storage or other activity associated with any of the BFE purchased as part of this Letter Agreement.

6. Customer will indemnify and hold harmless Boeing from and against all claims and liabilities, including costs and expenses (including attorneys' fees) incident thereto or incident to successfully establishing the right to indemnification, for injury to or death of any person or persons, including employees of Customer but not employees of Boeing, or for loss of or damage to any property, including any aircraft, arising out of or in any way connected with the performance by Boeing of services or other obligations under this Letter Agreement and whether or not arising in tort or occasioned in whole or in part by the negligence of Boeing.

7. Boeing makes no warranty other than warranty of such title to the BFE as has been transferred by Customer to Boeing pursuant to this Letter Agreement. The exclusion of liabilities and other provisions of the AGTA are applicable to this Letter Agreement.

8. For the purposes of this Letter Agreement, the term "Boeing" includes The Boeing Company, its divisions, subsidiaries, affiliates, the assignees of each, and their directors, officers, employees and agents.

GUN-PA-03981-LA-1303706
Boeing Purchase of Buyer Furnished Equipment

LA Page 2

BOEING PROPRIETARY

“[*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission**



Very truly yours,

AGREED AND ACCEPTED this

Date

THE BOEING COMPANY

By _____

Its Attorney-In-Fact _____

CHINA SOUTHERN AIRLINES COMPANY LIMITED

By _____

Its _____

CHINA SOUTHERN AIRLINES GROUP IMPORT AND EXPORT TRADING
CORP., LTD.

By _____

Its _____

GUN-PA-03981-LA-1303706
Boeing Purchase of Buyer Furnished Equipment

BOEING PROPRIETARY

“*******” This information is subject to confidential treatment and has been omitted and filed separately with the commission



**Exhibit A
FULL WARRANTY BILL OF SALE**

China Southern Airlines Company Limited (**Seller**) in consideration of the promise of The Boeing Company (**Buyer**) to pay to Seller ____ U.S. Dollars (\$____) hereby sells to Buyer the goods described in the "Schedule of Buyer Furnished Equipment (**BFE**)" attached hereto. Such payment by Buyer will be made immediately after delivery to Seller of and payment for the Aircraft bearing Manufacturer's Serial No. ____ on which the BFE is installed.

Seller warrants to Buyer that it has good title to the BFE free and clear of all liens, encumbrances and rights of others; and that it will warrant and defend such title against all claims and demands whatsoever.

This Full Warranty Bill of Sale is delivered by Seller to Buyer in the State of Washington, and will be governed by the law of the State of Washington, exclusive of Washington's conflicts of laws principles.

CHINA SOUTHERN AIRLINES COMPANY LIMITED

Signature

Printed Name

Title

Dated: _____

Receipt of this Full Warranty Bill of Sale is hereby acknowledged by Buyer by its duly authorized representative.

GUN-PA-03981-LA-1303706
Boeing Purchase of Buyer Furnished Equipment

LA Page 4

BOEING PROPRIETARY

["*"] This information is subject to confidential treatment and has been omitted and filed separately with the commission**



THE BOEING COMPANY

Signature

Printed Name

Attorney-in-Fact

GUN-PA-03981-LA-1303706
Boeing Purchase of Buyer Furnished Equipment

LA Page 5

BOEING PROPRIETARY

“***” This information is subject to confidential treatment and has been omitted and filed separately with the commission



SCHEDULE OF BUYER FURNISHED EQUIPMENT (BFE)

Applicable to: +

Aircraft Model: <Model>

Manufacturer's Serial No.: <MSN>

GUN-PA-03981-LA-1303706
Boeing Purchase of Buyer Furnished Equipment

LA Page 6

BOEING PROPRIETARY

“[*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission**



Exhibit B
BOEING BILL OF SALE

The Boeing Company (**Seller**) in consideration of the sum of \$1.00 and other valuable consideration hereby sells to China Southern Airlines Company Limited (**Buyer**) the goods described in the "Schedule of Buyer Furnished Equipment (**BFE**)" attached hereto. Such payment by Buyer will be made concurrently with delivery to Buyer of and payment for the aircraft bearing Manufacturer's Serial No. _____ on which the BFE is installed.

Seller represents and warrants that it has such title to the BFE as was previously transferred to Seller by Buyer and that it hereby conveys such BFE and such title thereto to Buyer.

This Boeing Bill of Sale is delivered by Seller to Buyer in the State of Washington, and will be governed by the law of the State of Washington, exclusive of Washington's conflicts of laws principles.

THE BOEING COMPANY

Signature

Printed Name

Attorney-in-Fact
Title

Dated: _____

Receipt of this Full Warranty Bill of Sale is hereby acknowledged by Buyer by its duly authorized representative.

GUN-PA-03981-LA-1303706
Boeing Purchase of Buyer Furnished Equipment

LA Page 7

BOEING PROPRIETARY

“[*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission**



CHINA SOUTHERN AIRLINES COMPANY LIMITED

Signature

Printed Name

GUN-PA-03981-LA-1303706
Boeing Purchase of Buyer Furnished Equipment

LA Page 8

BOEING PROPRIETARY

“***” This information is subject to confidential treatment and has been omitted and filed separately with the commission



SCHEDULE OF BUYER FURNISHED EQUIPMENT (BFE)

Applicable to: +

Aircraft Model: <Model>

Manufacturer's Serial No.: <MSN>

GUN-PA-03981-LA-1303706
Boeing Purchase of Buyer Furnished Equipment

LA Page 9

BOEING PROPRIETARY

“*” This information is subject to confidential treatment and has been omitted and filed separately with the commission**



The Boeing Company
P.O. Box 3707
Seattle, WA 98124-2207

GUN-PA-03981-LA-1303707

China Southern Airlines Company Limited
No. 278, Jichang Road,
Baiyun District, Guangzhou,
People's Republic of China, 510406

Subject: Government Approval

Reference: Purchase Agreement No. PA-03981 (**Purchase Agreement**) between The Boeing Company (**Boeing**) and China Southern Airlines Company Limited (**Customer**) with China Southern Airlines Group Import and Export Trading Corp., Ltd. (**Consenting Party**) relating to Model 737-8 aircraft (**Aircraft**)

This letter agreement (**Letter Agreement**) amends and supplements the Purchase Agreement. All terms used but not defined in this Letter Agreement will have the same meaning as in the Purchase Agreement.

1. Government Approval.

Boeing and Customer both acknowledge that it is necessary for Customer to obtain government approval to import the Aircraft into the People's Republic of China (**Government Approval**). Customer agrees to use best efforts to obtain Government Approval and notify Boeing promptly in writing as soon as approval has been obtained. In cooperation with Customer, Boeing shall provide reasonable assistance to Customer in preparing informational materials relating to the Purchase Agreement and the Aircraft which Customer advises are reasonably required for the Government Approval process. Customer shall advise Boeing as soon as practical of the specific assistance which Customer plans to request from Boeing.

2. Flexibility.

Boeing and Customer will work together to ensure the delivery schedule and advance payments as specified in Table 1 of the Purchase Agreement are met. If Boeing has not received written notification from Customer that Government Approval has been obtained [*****] prior to Aircraft delivery and Customer is not current with advance payments for all Aircraft per the Purchase Agreement, then Boeing may, after consultation with Customer, take one or more of the actions set forth below for the Aircraft as it deems appropriate based on Boeing's production considerations and requirements, while expressly reserving all of Boeing's rights and remedies under law.

GUN-PA-03981-LA-1303707
Government Approval

LA Page 1

BOEING PROPRIETARY

“[*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission**



2.1 Reschedule Aircraft. Boeing may reschedule any or all of the Aircraft. Boeing will give Customer [*****] advance notice of any such Aircraft rescheduling, and will not reschedule Aircraft for which Customer is successful in obtaining Government Approval prior to the expiration of such [*****] notification period.

The following terms shall apply to the rescheduled Delivery Period Aircraft.

2.1.1 The Escalation Adjustment for each such rescheduled Aircraft will be calculated to the revised delivery month in accordance with the provisions of the Purchase Agreement.

2.1.2 Advance payments for each such rescheduled Aircraft will be calculated to the revised delivery month in accordance with the provisions of the Purchase Agreement.

2.1.3 The Advance Payment Base Price will be calculated to the revised delivery month in accordance with the provisions of the Purchase Agreement. The credit memoranda Boeing provides to the Customer which are noted as "subject to escalation" will be calculated to the revised delivery month in accordance with the provisions of the Purchase Agreement.

2.1.4 As any delivery reschedule contemplated by this Letter Agreement is a direct result of not obtaining Government Approval in a timely fashion, Boeing will retain all advance payments received for a particular Aircraft prior to the reschedule of that Aircraft and apply those payments towards the future advance payments for that same rescheduled Aircraft. In no case will Boeing pay interest on any advance payment amounts or early payment resulting from the reschedule of the relevant Aircraft.

2.2 Terminate Aircraft. Boeing may terminate the Aircraft by providing Customer with written notice of such termination and shall promptly return to Customer, without interest, an amount equal to all advance payments paid by Customer for the terminated Aircraft.

3. Confidential Treatment.

The information contained herein represents confidential business information and has value precisely because it is not available generally or to other parties. Customer will limit the disclosure of its contents, except for as required by applicable laws or regulations, to employees of Customer with a need to know the contents for purposes of helping Customer perform its obligations under the Purchase Agreement and who understand they are not to disclose its contents to any other person or entity without the prior written consent of Boeing.

GUN-PA-03981-LA-1303707
Government Approval

LA Page 2

BOEING PROPRIETARY

“[*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission**



Very truly yours,

AGREED AND ACCEPTED this

Date

THE BOEING COMPANY

By _____

Its Attorney-In-Fact _____

CHINA SOUTHERN AIRLINES COMPANY LIMITED

By _____

Its _____

CHINA SOUTHERN AIRLINES GROUP IMPORT AND EXPORT TRADING
CORP., LTD.

By _____

Its _____

GUN-PA-03981-LA-1303707
Government Approval

BOEING PROPRIETARY

“[***]” This information is subject to confidential treatment and has been omitted and filed separately with the commission



The Boeing Company
P.O. Box 3707
Seattle, WA 98124-2207

GUN-PA-03981-LA-1303708

China Southern Airlines Company Limited
No. 278, Jichang Road,
Baiyun District, Guangzhou,
People's Republic of China, 510406

Subject: Loading of Customer Software

Reference: Purchase Agreement No. PA-03981 (**Purchase Agreement**) between The Boeing Company (**Boeing**) and China Southern Airlines Company Limited (**Customer**) with China Southern Airlines Group Import and Export Trading Corp., Ltd. (**Consenting Party**) relating to Model 737-8 aircraft (**Aircraft**)

This letter agreement (**Letter Agreement**) amends and supplements the Purchase Agreement. All terms used but not defined in this Letter Agreement will have the same meaning as in the Purchase Agreement.

1. Customer may request Boeing to install software owned by or licensed to Customer (**Software**) in the following systems in the Aircraft: (i) aircraft communications addressing and reporting system (**ACARS**), (ii) digital flight data acquisition unit (**DFDAU**), (iii) flight management system (**FMS**), (iv) cabin management system (**CMS**), (v) engine indication and crew alerting system (**EICAS**), (vi) airplane information management system (**AIMS**), (vii) satellite communications system (**SATCOM**), and (viii) In-Flight Entertainment (**IFE**).

2. For all Software described in paragraph 1, above, other than Software to be installed in SATCOM and IFE, the Software is not part of the configuration of the Aircraft certified by the FAA and therefore cannot be installed prior to delivery. If requested by Customer, Boeing will install such Software after the transfer to Customer of title to the Aircraft, but before fly away.

3. The SATCOM Software is part of the configuration of the Aircraft and included in the type design. If requested by Customer, Boeing will install the SATCOM Software prior to transfer to Customer of title to the Aircraft.

4. For IFE Software, if requested by Customer, Boeing will make the Aircraft accessible to Customer and Customer's IFE Software supplier so that the supplier can install the Software after delivery of the Aircraft, but before fly away.

GUN-PA-03981-LA-1303708
Loading of Customer Software

LA Page 1

BOEING PROPRIETARY

“[***]” This information is subject to confidential treatment and has been omitted and filed separately with the commission



5. All Software which is installed by Boeing other than the SATCOM Software will be subject to the following conditions:
- (i) Customer and Boeing agree that the Software is BFE for the purposes of Articles 3.1.3, 3.2, 3.4, 3.5, 3.10, 10 and 11 of Exhibit A, Buyer Furnished Equipment Provisions Document, to the AGTA and such articles apply to the installation of the Software.
 - (ii) Customer and Boeing further agree that the installation of the Software is a service under Exhibit B, Customer Support Document, to the AGTA.
 - (iii) Boeing makes no warranty as to the performance of such installation and Article 11 of Part 2 of Exhibit C of the AGTA, Disclaimer and Release; Exclusion of Liabilities and Article 8.2, Insurance, of the AGTA apply to the installation of the Software.

GUN-PA-03981-LA-1303708
Loading of Customer Software

LA Page 2

BOEING PROPRIETARY

“[***]” This information is subject to confidential treatment and has been omitted and filed separately with the commission



Very truly yours,

AGREED AND ACCEPTED this

THE BOEING COMPANY

By _____

Its Attorney-In-Fact _____

CHINA SOUTHERN AIRLINES COMPANY LIMITED

By _____

Its _____

CHINA SOUTHERN AIRLINES GROUP IMPORT AND EXPORT
TRADING CORP., LTD.

By _____

Its _____

GUN-PA-03981-LA-1303708
Loading of Customer Software

BOEING PROPRIETARY

“[***]” This information is subject to confidential treatment and has been omitted and filed separately with the commission



The Boeing Company
P.O. Box 3707
Seattle, WA 98124-2207

GUN-PA-03981-LA-1303709

China Southern Airlines Company Limited
No. 278, Jichang Road,
Baiyun District, Guangzhou,
People's Republic of China, 510406

Subject: Open Matters

Reference: Purchase Agreement No. PA-03981 (**Purchase Agreement**) between The Boeing Company (**Boeing**) and China Southern Airlines Company Limited (**Customer**) with China Southern Airlines Group Import and Export Trading Corp., Ltd. (**Consenting Party**) relating to Model 737-8 aircraft (**Aircraft**)

This letter agreement (**Letter Agreement**) amends and supplements the Purchase Agreement. All terms used but not defined in this Letter Agreement will have the same meaning as in the Purchase Agreement.

Given the long period of time between Purchase Agreement signing and delivery of the first Aircraft and the continued development of the 737-7/8/9 program, certain elements have not yet been defined. In consideration, Boeing and Customer agree to work together as the 737-7/8/9 program develops as follows:

1. Aircraft Delivery Schedule.

1.1 The scheduled delivery position of the Aircraft, as of the date of this Letter Agreement is listed in Table 1 of the Purchase Agreement and provides the delivery schedule in [*****] consisting of a nominal delivery month (**Nominal Delivery Month**) [*****] [*****]. No later than [*****] prior to the Nominal Delivery Month of Customer's first Aircraft in each calendar year, Boeing will provide written notice with a revised Table 1 of the scheduled delivery month for each Aircraft with a Nominal Delivery Month in such calendar year.

1.2 Prior to providing such notice described in Article 1.1, Boeing will consider and make reasonable efforts to accommodate Customer requests regarding Aircraft quantities in certain periods. Such notice provided by Boeing will constitute an amendment to the Table 1 of the Purchase Agreement. The amended Table 1 shall be the scheduled delivery positions for the purposes of applying all provisions of the Purchase Agreements, including without limitation the BFE on-dock dates, and the

GUN-PA-03981-LA-1303709
Open Matters-737-7-8-9

LA Page 1

BOEING PROPRIETARY

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calculation of Escalation Adjustment; however, the amended Table 1 will not revise or change the Advance Payment Base Price for the Aircraft.

2. Aircraft Configuration.

2.1 The initial configuration of Customer's Model 737-8 Aircraft has been defined by Boeing Model 737-8 basic specification [*****], [*****], and will be configured as described in Article 1 and Exhibit A of the Purchase Agreement (**Initial Configuration**). Final configuration of the Aircraft (**Final Configuration**) will be completed using the then-current Boeing configuration documentation in accordance with the following schedule:

2.1.1 No later than [*****] prior to the first Aircraft's scheduled delivery, Boeing and Customer will discuss potential optional features.

2.1.2 Within [*****] after that meeting, Boeing will provide Customer with a proposal for those optional features that can be incorporated into the Aircraft during production.

2.1.3 Customer will then have [*****] to accept or reject the optional features.

2.1.4 Within [*****] following Final Configuration, Boeing and Customer will execute a written amendment to the Purchase Agreement which will reflect the following:

- (i) changes applicable to the basic Model 737-8 aircraft which are developed by Boeing between the date of signing of the Purchase Agreement and date of Final Configuration;
- (ii) incorporation into Exhibit A of the Purchase Agreement, by written amendment, those optional features which have been agreed to by Customer and Boeing (**Customer Configuration Changes**);
- (iii) revisions to the Supplemental Exhibit BFE1 to reflect the selection dates and on-dock dates of BFE; and
- (iv) changes to the Optional Features Prices, and Aircraft Basic Price to adjust for the difference, if any, between the prices estimated in Table 1 of the Purchase Agreement for optional features reflected in the Aircraft Basic Price and the actual prices of the optional features reflected in the Customer

BOEING PROPRIETARY

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Configuration Changes. Such changes will not result in a change to the Advance Payment Base Price provided in Table 1.

3. Customer Support Variables.

3.1 The initial customer support package contained in Supplemental Exhibit CS1 to the Purchase Agreement is predicated upon the 737NG customer support package. Boeing intends to further refine the post delivery support package for the 737-8 and will provide this revised package to Customer no later than twenty four (24) months prior to the first month of the scheduled delivery quarter of the first Aircraft. The provision of such revised Supplemental Exhibit CS1 will constitute an amendment to the Purchase Agreement and will provide the Customer in aggregate an overall Boeing post delivery support package that is equivalent to, or better than, the Supplemental Exhibit CS1 included in the Purchase Agreement as of the date of this Letter Agreement.

3.2 Additionally, Boeing will engage in discussions with Customer in conjunction with the providing of the updated Supplemental Exhibit CS1 to offer to Customer additional uniquely tailored post delivery support services beyond the scope of the Supplemental Exhibit CS1 that will further enhance the maintainability and operational efficiency of the Aircraft.

4. Other Letter Agreements.

Boeing and Customer acknowledge that as they work together to develop the 737-8 program and as Boeing refines the definition of the Aircraft and associated production processes, there may be a need to execute or amend letter agreements addressing one (1) or more of the following:

4.1 Software. Additional provisions relating to software and software loading.

4.2 Seller Purchased Equipment (SPE) and/or In-Flight Entertainment (IFE). Provisions relating to the terms under which Boeing may offer or install SPE in the Aircraft.

4.3 Buyer Furnished Equipment (BFE). Provisions relating to the terms under which Boeing may install and certify Customer's BFE in the Aircraft.

GUN-PA-03981-LA-1303709
Open Matters-737-7-8-9

LA Page 3

BOEING PROPRIETARY

“[*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission**



Very truly yours,

AGREED AND ACCEPTED this

THE BOEING COMPANY

By _____

Its Attorney-In-Fact _____

CHINA SOUTHERN AIRLINES COMPANY LIMITED

By _____

Its _____

CHINA SOUTHERN AIRLINES GROUP IMPORT AND EXPORT
TRADING CORP., LTD.

By _____

Its _____

GUN-PA-03981-LA-1303709
Open Matters-737-7-8-9

BOEING PROPRIETARY

["***"] This information is subject to confidential treatment and has been omitted and filed separately with the commission



GUN-PA-03981-LA-1303710

China Southern Airlines Company Limited
No. 278, Jichang Road,
Baiyun District, Guangzhou,
People's Republic of China, 510406

Subject: Aircraft Model Substitution

Reference: Purchase Agreement No. PA-03981 (**Purchase Agreement**) between The Boeing Company (**Boeing**) and China Southern Airlines Company Limited (**Customer**) with China Southern Airlines Group Import and Export Trading Corp., Ltd. (**Consenting Party**) relating to Model 737-8 aircraft (**Aircraft**)

This letter agreement (**Letter Agreement**) amends and supplements the Purchase Agreement. All terms used but not defined in this Letter Agreement will have the same meaning as in the Purchase Agreement.

Customer may substitute the purchase of Boeing Model 737-7 aircraft or Model 737-9 aircraft (**Substitute Aircraft**) in place of any Aircraft, subject to the following terms and conditions:

1. Customer's Written Notice.

Customer shall provide written notice of its intention to substitute the purchase of an Aircraft with the purchase of a Substitute Aircraft,

- (i) for 737-8 to 737-7 substitutions no later than the first day of the month that is [*****] prior to the scheduled month of delivery of the Aircraft for which it will be substituted, provided that a Substitute Aircraft has been previously certified and delivered to Customer, or;
- (ii) for 737-8 to 737-7 substitutions no later than the first day of the month that is [*****] prior to the scheduled month of delivery of the Aircraft for which it will be substituted, if a Substitute Aircraft has not been previously certified and delivered to Customer.
- (iii) for 737-8 to 737-9 substitutions no later than the first day of the month that is [*****] prior to the scheduled

GUN-PA-03981-LA-1303710
Aircraft Model Substitution

BOEING PROPRIETARY

“[*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission**



month of delivery of the Aircraft for which it will be substituted, provided that a Substitute Aircraft has been previously certified and delivered to Customer and subject to availability of 737-9 positions, or;

- (iv) for 737-8 to 737-9 substitutions no later than the first day of the month that is [*****] prior to the scheduled month of delivery of the Aircraft for which it will be substituted, if a Substitute Aircraft has not been previously certified and delivered to Customer and subject to availability of 737-9 positions.

2. Boeing’s Production Capability.

2.1 Customer’s substitution right is conditioned upon Boeing having production capability for the Substitute Aircraft in the same scheduled delivery month as the Aircraft for which it will be substituted. Boeing will provide a written response to Customer’s notice of intent indicating whether or not Boeing’s production capability will support the scheduled delivery month.

2.2 If Boeing is unable to manufacture the Substitute Aircraft in the same scheduled delivery month as the Aircraft for which it will be substituted, then Boeing shall promptly make a written offer of an alternate delivery month for Customer’s consideration and written acceptance within thirty days of such offer.

2.3 All of Boeing’s quoted delivery positions for Substitute Aircraft shall be considered preliminary until such time as the parties enter into a definitive agreement in accordance with paragraph 4 below.

3. Auxiliary Fuel Tanks (for 737-9 Aircraft).

The right to substitute Model 737-9 aircraft under the terms of the Purchase Agreement excludes the installation of auxiliary fuel tanks.

4. Definitive Agreement.

Customer’s substitution right and Boeing obligation in this Letter Agreement are further conditioned upon Customer and Boeing’s executing a definitive agreement for the purchase of the Substitute Aircraft within thirty (30) days of Customer’s substitution notice to Boeing or of Customer’s acceptance of an alternate delivery month in accordance with paragraph 2 above.

5. Price and Advance Payments.

GUN-PA-03981-LA-1303710
Aircraft Model Substitution

LA Page 2

BOEING PROPRIETARY

“[***]” This information is subject to confidential treatment and has been omitted and filed separately with the commission



The Airframe Price, Optional Features Price and, if applicable, Engine Price will be adjusted to Boeing's and the engine manufacturer's then-current prices for such elements as of the date of execution of the definitive purchase agreement for the Substitute Aircraft. However, the APBP for the Substitute Aircraft will remain the same as the APBP of the Aircraft scheduled in the same delivery month for the purposes of calculating advance payments for the Substitute Aircraft.

6. Assignment.

Notwithstanding any other provisions of the Purchase Agreement, the rights and obligations described in this Letter Agreement are provided to Customer in consideration of Customer becoming the operator of the Aircraft and cannot be assigned in whole or, in part.

7. Confidential Treatment.

The information contained herein represents confidential business information and has value precisely because it is not available generally or to other parties. Customer will limit the disclosure of its contents, except for as required by applicable laws or regulations, to employees of Customer with a need to know the contents for purposes of helping Customer perform its obligations under the Purchase Agreement and who understand they are not to disclose its contents to any other person or entity without the prior written consent of Boeing.

Very truly yours,

AGREED AND ACCEPTED this

THE BOEING COMPANY

By _____

Its Attorney-In-Fact _____

CHINA SOUTHERN AIRLINES COMPANY LIMITED

By _____

Its _____

CHINA SOUTHERN AIRLINES GROUP IMPORT AND EXPORT TRADING CORP., LTD.

By _____

Its _____

GUN-PA-03981-LA-1303710
Aircraft Model Substitution

BOEING PROPRIETARY

“[*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission**



The Boeing Company
P.O. Box 3707
Seattle, WA 98124-2207

GUN-PA-03981-LA-1303711

China Southern Airlines Company Limited
No. 278, Jichang Road,
Baiyun District, Guangzhou,
People's Republic of China, 510406

Subject: Promotional Support

Reference: Purchase Agreement No. PA-03981 (**Purchase Agreement**) between The Boeing Company (**Boeing**) and China Southern Airlines Company Limited (**Customer**) with China Southern Airlines Group Import and Export Trading Corp., Ltd. (**Consenting Party**) relating to Model 737-8 aircraft (**Aircraft**)

This letter agreement (**Letter Agreement**) amends and supplements the Purchase Agreement. All terms used but not defined in this Letter Agreement will have the same meaning as in the Purchase Agreement.

Boeing and Customer wish to enter into an agreement pursuant to which each party will contribute equally to promotional programs in support of the entry into service of the Aircraft as more specifically provided below.

1. Definitions.

1.1 **Commitment Limit** will have the meaning set forth in Article 2, below.

1.2 **Covered Aircraft** will mean those Aircraft identified on Table 1 to the Purchase Agreement as of the date of signing of this Letter Agreement.

1.3 **Performance Period** will mean the period beginning [*****] the scheduled delivery month of the [*****] and [*****] the scheduled delivery month of the [*****].

1.4 **Promotional Support** will mean mutually agreed marketing and promotion programs that promote the entry into service of the Covered Aircraft such as marketing research, tourism development, corporate identity, direct marketing, videotape or still photography, planning, design and production of collateral materials, management of promotion programs, advertising campaigns or such other marketing and promotional activities as the parties may mutually agree.

GUN-PA-03981-LA-1303711
Promotional Support

LA Page 1

BOEING PROPRIETARY

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1.5 **Qualifying Third Party Fees** will mean fees paid by Customer to third party providers for Promotional Support provided to Customer during the Performance Period.

2. Commitment.

As more particularly set forth in this Letter Agreement, Boeing agrees to provide Promotional Support to Customer during the Performance Period in a value not to exceed [*****] for the first Covered Aircraft delivered to Customer and not to exceed [*****] for each Covered Aircraft delivered to Customer thereafter.

3. Methods of Performance.

3.1 Subject to the Commitment Limit, Boeing will reimburse [*****] of Customer's payments of Qualifying Third Party Fees provided that Customer provides Boeing copies of paid invoices for such Qualifying Third Party Fees no later than [*****] after the delivery of the last Covered Aircraft.

3.2 Notwithstanding the above, at Customer's request and subject to a mutually agreed project, Boeing will provide certain Promotional Support during the Performance Period directly to Customer. The full value of such Boeing provided Promotional Support will be accounted for as part of the Commitment Limit and will correspondingly reduce the amount of Qualifying Third Party Fees that are subject to reimbursement pursuant to Article 3.1 above.

3.3 In the event Customer does not (i) utilize the full amount of the Commitment Limit within the Performance Period or (ii) submit its paid invoices for Qualifying Third Party Fees within the required time, as set forth in Article 3.1, Boeing will have no further obligation to Customer for such unused Commitment Limit or to reimburse Customer for such Qualifying Third Party Fees, respectively.

4. Project Approval.

Following the execution of this Letter Agreement, a Boeing Airline Marketing Services representative will meet with Customer's designated representative to review and approve the extent, selection, scheduling, and funds disbursement process for the Promotional Support to be provided pursuant to this Letter Agreement.

5. Assignment.

Notwithstanding any other provisions of the Purchase Agreement, the rights and obligations described in this Letter Agreement are provided to Customer in consideration of Customer becoming the operator of the Aircraft and cannot be assigned in whole or, in part.

GUN-PA-03981-LA-1303711
Promotional Support

BOEING PROPRIETARY

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6. Confidential Treatment.

The information contained herein represents confidential business information and has value precisely because it is not available generally or to other parties. Customer will limit the disclosure of its contents, except for as required by applicable laws or regulations, to employees of Customer with a need to know the contents for purposes of helping Customer perform its obligations under the Purchase Agreement and who understand they are not to disclose its contents to any other person or entity without the prior written consent of Boeing.

GUN-PA-03981-LA-1303711
Promotional Support

LA Page 3

BOEING PROPRIETARY

“[*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission**



Very truly yours,

AGREED AND ACCEPTED this

Date

THE BOEING COMPANY

By _____

Its Attorney-In-Fact _____

CHINA SOUTHERN AIRLINES COMPANY LIMITED

By _____

Its _____

CHINA SOUTHERN AIRLINES GROUP IMPORT AND EXPORT
TRADING CORP., LTD.

By _____

Its _____

GUN-PA-03981-LA-1303711
Promotional Support

BOEING PROPRIETARY

“***” This information is subject to confidential treatment and has been omitted and filed separately with the commission



The Boeing Company
P.O. Box 3707
Seattle, WA 98124-2207

GUN-PA-03981-LA-1303712

China Southern Airlines Company Limited
No. 278, Jichang Road,
Baiyun District, Guangzhou,
People's Republic of China, 510406

Subject: Seller Purchased Equipment

Reference: Purchase Agreement No. PA-03981 (**Purchase Agreement**) between The Boeing Company (**Boeing**) and China Southern Airlines Company Limited (**Customer**) with China Southern Airlines Group Import and Export Trading Corp., Ltd. (**Consenting Party**) relating to Model 737-8 aircraft (**Aircraft**)

This letter agreement (**Letter Agreement**) amends and supplements the Purchase Agreement. All terms used but not defined in this Letter Agreement will have the same meaning as in the Purchase Agreement.

Definition of Terms:

Seller Purchased Equipment (**SPE**) is BFE that Boeing purchases for Customer and that is identified as SPE in the Detail Specification for the Aircraft.

1. Price.

1.1 Advance Payments. An estimated SPE price is included in the Advance Payment Base Prices shown in Table 1 for the purpose of establishing the advance payments for the Aircraft.

1.2 Aircraft Price. The Aircraft Price will be adjusted to reflect the actual costs charged to Boeing by the SPE suppliers and transportation charges.

2. Customer Responsibilities.

Customer is responsible for:

- (i) selecting the SPE suppliers from a list provided by Boeing for the commodities identified on such list and notifying Boeing of the SPE suppliers in accordance with the supplier selection date(s) as set forth in Attachment A of this Letter Agreement;

GUN-PA-03981-LA-1303712
Seller Purchased Equipment

LA Page 1

BOEING PROPRIETARY

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- (ii) for emergency/miscellaneous equipment, providing to Boeing the selected part specification/Customer requirements. Standard supplier pricing, product support, warranty, spares, training and any additional support defined by Customer will be a direct pass through to Customer at time of Aircraft delivery;
- (iii) for seats, galleys, and galley inserts negotiating price directly with the suppliers, and entering into direct agreements with the suppliers for product support including spares support, warranty, training and any additional support defined by the Customer. Customer will provide suppliers' pricing to Boeing and will obtain suppliers' agreement to accept Boeing's purchase orders reflecting the Customer negotiated pricing.

3. Boeing Responsibilities.

Boeing is responsible for:

- (i) placing and managing the purchase orders with the suppliers;
- (ii) coordinating with the suppliers on technical issues;
- (iii) for seats, galleys, and galley inserts confirming the agreed to pricing with both the Customer and supplier;
- (iv) ensuring that the delivered SPE complies with the part specification;
- (v) obtaining certification of the Aircraft with the SPE installed;
- (vi) for miscellaneous/emergency equipment, obtaining standard supplier pricing, and obtaining for Customer copies of product support, warranty, spares, training, and any additional support documentation defined by the Customer which will be provided to Customer prior to delivery of the Aircraft.

4. Supplier Selection For SPE Galleys and Seats.

GUN-PA-03981-LA-1303712
Seller Purchased Equipment

LA Page 2

BOEING PROPRIETARY

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4.1 In addition to those responsibilities described above, for SPE galleys and seats the following provisions apply with respect to Customer's selection of suppliers:

4.1.1 Galley Requirements. Customer will provide Boeing the definitive galley configuration requirements, including identification of refrigeration requirements and fixed and removable insert equipment by quantity, manufacturer and part number not later than eight (8) weeks prior to galley supplier selection dates in Attachment A.

4.1.2 Seat Requirements. Customer will provide to Boeing the definitive seat configuration requirements not later than eight (8) weeks prior to seat supplier selection dates in Attachment A.

4.1.3 Bidder's List. For information purposes, Boeing will submit to Customer a bidder's list of existing suppliers of seats and galleys one hundred twenty (120) days prior to the supplier selection date(s) referred to in paragraph 2 (i) above.

4.1.4 Request for Quotation (RFQ). Approximately ninety (90) days prior to the supplier selection date(s), Boeing will issue its RFQ inviting potential bidders to submit bids for the galleys and seats within thirty (30) days of the selection date.

4.1.5 Recommended Bidders. Not later than fifteen (15) days prior to the supplier selection date(s), Boeing will submit to Customer a list of recommended bidders from which to choose a supplier for the galleys and seats. The recommendation is based on an evaluation of the bids submitted using price, weight, warranty and schedule as the criteria.

4.1.6 Supplier Selection. If Customer selects a seat or galley supplier that is not on the Boeing recommended list, such seat or galley will become BFE and the provisions of Exhibit A, Buyer Furnished Equipment Provisions Document, of the AGTA will apply.

5. IFE/CCS Software.

IFE/CCS may contain software of the following two types:

5.1 Systems Software. The software required to operate and certify the IFE/CCS systems on the Aircraft is the Systems Software and is part of the IFE/CCS.

5.2 Customer's Software. The software accessible to the Aircraft passengers which controls Customer's specified optional features is Customer's Software and is not part of the IFE/CCS.

5.2.1 Customer is solely responsible for specifying Customer's Software functional and performance requirements and ensuring that Customer's Software meets such requirements. Customer and Customer's Software supplier will have total responsibility for the writing, certification, modification, revision, or correction of any of Customer's Software. Customer shall be responsible for and assumes all liability with respect to Customer's Software.

GUN-PA-03981-LA-1303712
Seller Purchased Equipment

LA Page 3

BOEING PROPRIETARY

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5.2.2 The omission of any Customer's Software or the lack of any functionality of Customer's Software will not be a valid condition for Customer's rejection of the Aircraft at the time of Aircraft delivery.

5.2.3 Boeing has no obligation to approve any documentation to support Customer's Software certification. Boeing will only review and operate Customer's Software if in Boeing's reasonable opinion such review and operation is necessary to certify the IFE/CCS system on the Aircraft.

5.2.4 Boeing shall not be responsible for obtaining FAA certification for Customer's Software.

6. Changes.

After Customer's acceptance of this Letter Agreement, any changes to SPE may only be made by and between Boeing and the SPE suppliers. Customer requested changes to the SPE after execution of this Letter Agreement will be made by Customer in writing directly to Boeing for approval and for coordination by Boeing with the SPE supplier. Any such change to the configuration of the Aircraft will be subject to price and offerability through Boeing's master change or other process for amendment of the Purchase Agreement.

7. Proprietary Rights.

Boeing's obligation to purchase SPE will not impose upon Boeing any obligation to compensate Customer or any supplier for any proprietary rights Customer may have in the design of the SPE.

8. Remedies.

If Customer's nonperformance of its obligations in this Letter Agreement causes a delay in the delivery of the Aircraft or causes Boeing to perform out-of-sequence or additional work, Customer will reimburse Boeing for all resulting expenses and be deemed to have agreed to any such delay in Aircraft delivery. In addition, Boeing will have the right to:

8.1 delay delivery of the Aircraft;

8.2 deliver the Aircraft without installing the SPE;

GUN-PA-03981-LA-1303712
Seller Purchased Equipment

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- 8.3 provide and install suitable alternate equipment and invoice Customer for the associated cost; and/or
- 8.4 increase the Aircraft Price by the amount of Boeing's additional costs attributable to such noncompliance.

9. Title and Risk of Loss.

Title and risk of loss of the SPE will remain with Boeing until the Aircraft is delivered to Customer.

10. Customer's Indemnification of Boeing.

Customer will indemnify and hold harmless Boeing from and against all claims and liabilities, including costs and expenses (including attorneys' fees) incident thereto or incident to successfully establishing the right to indemnification, for injury to or death of any person or persons, including employees of Customer but not employees of Boeing, or for loss of or damage to any property, including Aircraft, arising out of or in any way connected with any nonconformance or defect in any SPE and whether or not arising in tort or occasioned in whole or in part by the negligence of Boeing. This indemnity will not apply with respect to any nonconformance or defect caused solely by Boeing's installation of the SPE.

11. Definition.

For purposes of the above indemnity, the term **Boeing** includes The Boeing Company, its divisions, subsidiaries and affiliates, the assignees of each, and their directors, officers, employees and agents.

GUN-PA-03981-LA-1303712
Seller Purchased Equipment

BOEING PROPRIETARY

“[***]” This information is subject to confidential treatment and has been omitted and filed separately with the commission



Very truly yours,

AGREED AND ACCEPTED this

Date

THE BOEING COMPANY

By _____

Its Attorney-In-Fact _____

CHINA SOUTHERN AIRLINES COMPANY LIMITED

By _____

Its _____

CHINA SOUTHERN AIRLINES GROUP IMPORT AND EXPORT
TRADING CORP., LTD.

By _____

Its _____

GUN-PA-03981-LA-1303712
Seller Purchased Equipment

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Attachment A

1. Supplier Selection.

Customer will:

1.1 Select and notify Boeing of the suppliers and part numbers of the following SPE items by the following dates:

Galley System	August 1, 2016
Galley Inserts	August 1, 2016
Seats (passenger)	August 1, 2016
Overhead & Audio System	August 1, 2016
In-Seat Video System	August 1, 2016
Miscellaneous Emergency Equipment	October 1, 2016
Cargo Handling Systems* (Single Aisle Programs only)	February 1, 2017

*For a new certification, Customer will need to provide Supplier Selections [*****] earlier than stated above.

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Seller Purchased Equipment

LA Page 7

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The Boeing Company
P.O. Box 3707
Seattle, WA 98124-2207

GUN-PA-03981-LA-1303713

China Southern Airlines Company Limited
No. 278, Jichang Road,
Baiyun District, Guangzhou,
People's Republic of China, 510406

Subject: Installation of Cabin Systems Equipment

Reference: Purchase Agreement No. PA-03981 (**Purchase Agreement**) between The Boeing Company (**Boeing**) and China Southern Airlines Company Limited (**Customer**) with China Southern Airlines Group Import and Export Trading Corp., Ltd. (**Consenting Party**) relating to Model 737-8 aircraft (**Aircraft**)

This letter agreement (**Letter Agreement**) amends and supplements the Purchase Agreement. All terms used but not defined in this Letter Agreement will have the same meaning as in the Purchase Agreement.

Customer has requested that Boeing install in the Aircraft In-Flight Entertainment and communications systems described in Attachment A to this Letter Agreement (collectively referred to as **Cabin Systems Equipment** or **CSE**). CSE is BFE that Boeing purchases for Customer and that is identified in the Detail Specification for the Aircraft.

Because of the complexity of the CSE, special attention and additional resources will be required during the development, integration, and certification of the CSE and manufacture of the Aircraft to achieve proper operation of the CSE at the time of delivery of the Aircraft. To assist Customer, Boeing will perform the functions of project manager (**Project Manager**) as set forth in Attachment B.

1. Responsibilities.

1.1 Customer will:

1.1.1 provide Customer's CSE system requirements to Boeing;

1.1.2 select the CSE suppliers (**Supplier(s)** and system configuration) from among those identified in the Option(s) listed in Attachment A to this Letter Agreement, on or before April 1, 2016; or as otherwise available in the then current 737 Standard Selections Catalog and formally offered by Boeing;

GUN-PA-03981-LA-1303713
Cabin Systems Equipment

LA Page 1

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1.1.3 promptly after selecting the Options, participate with Boeing in meetings with Suppliers to ensure that Supplier's functional system specifications meet Customer's and Boeing's respective requirements. Such functional system specifications define functionality to which Boeing will test prior to delivery but are not a guarantee of functionality at delivery;

1.1.4 select Supplier part numbers;

1.1.5 negotiate and obtain agreements on product assurance, product support following Aircraft delivery (including spares support), and any other special business arrangements directly with Suppliers;

1.1.6 provide pricing information for CSE part numbers selected to Boeing by a mutually selected date;

1.1.7 negotiate and obtain agreements with any required service providers;

1.1.8 include in Customer's contract with any seat supplier a condition obligating such seat supplier to enter a bonded stores agreement with Boeing. This bonded stores agreement will set forth the terms concerning the use, handling, storage, and risk of loss of CSE during the time such equipment is under the seat supplier's control;

1.1.9 obligate Suppliers to:

1.1.9.1 assist the seat suppliers in the preparation of seat assembly functional test plans;

1.1.9.2 coordinate integration testing, and provide seat assembly functional test procedures for seat electronic parts to seat suppliers and Boeing, as determined by Boeing; and.

1.1.9.3 comply with Boeing's type design and type certification data development and protection requirements where the Supplier has type design/certification responsibility. The requirements will require Suppliers to (i) maintain type design/certificate data for the life of such type certificate for all type design and (ii) entitle Boeing to access, review, and receive such type design/certification data. These requirements will be provided to Customer and included in any applicable contracts between Customer and Supplier.

1.2 Boeing will:

1.2.1 perform the Project Manager functions stated in Attachment B;

GUN-PA-03981-LA-1303713
Cabin Systems Equipment

LA Page 2

BOEING PROPRIETARY

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- 1.2.2 provide Aircraft interface requirements to Suppliers;
- 1.2.3 assist Suppliers in the development of CSE system specifications and approve such specifications;
- 1.2.4 release purchase orders, including on-dock dates to Supplier on behalf of Customer, and manage such purchase orders;
- 1.2.5 coordinate the resolution of technical issues with Suppliers;
- 1.2.6 ensure that at the time of Aircraft delivery the CSE configuration meets the requirements of the Option(s) contained in Attachment A to this Letter Agreement as such Attachment A may be amended from time to time; and
- 1.2.7 obtain FAA certification of the Aircraft with the conforming CSE installed therein.

2. Software.

CSE systems may contain software of the following two types:

2.1 Certification Software. The software required to functionally test, operate and certify the CSE systems on the Aircraft is the Certification Software and is part of the CSE.

2.2 Customer's Software. The software which is defined by the Customer to support specified features and appearance is Customer's Software and is not part of the CSE.

2.2.1 Customer is solely responsible for specifying Customer's Software functional and performance requirements and ensuring that Customer's Software meets such requirements. Customer and Customer's Software supplier will have total responsibility for the writing, certification, modification, revision, or correction of any of Customer's Software. Boeing will not perform the functions and obligations described in paragraph 1.2 above, or the Project Manager's functions described in Attachment B, for Customer's Software.

2.2.2 The omission of any Customer's Software or the lack of any functionality of Customer's Software will not be a valid condition for Customer's rejection of the Aircraft at the time of Aircraft delivery.

2.2.3 Boeing has no obligation to approve any documentation to support Customer's Software certification. Boeing will only review and operate Customer's Software if in Boeing's reasonable opinion such review and operation is necessary to certify the CSE on the Aircraft.



2.2.4 Boeing will not be responsible for obtaining FAA certification for Customer's Software.

3. Changes.

3.1 After Customer's acceptance of this Letter Agreement, any changes to CSE may only be made by and between Boeing and the Supplier. Any Customer request for changes to the CSE specification after execution of this Letter Agreement will be made in writing directly to Boeing for approval and for coordination by Boeing with the Supplier. Any such change to the configuration of the Aircraft will be subject to price and offerability through Boeing's master change or other process for amendment of the Purchase Agreement. Any Supplier price increase or decrease resulting from such change will be negotiated between Customer and Supplier.

3.2 Boeing and Customer recognize that the developmental nature of the CSE may require changes to the CSE or the Aircraft in order to ensure (i) compatibility of the CSE with the Aircraft and all other Aircraft systems, and (ii) FAA certification of the Aircraft with the CSE installed therein. In such event Boeing will notify Customer and recommend to Customer the most practical means for incorporating any such change. If within fifteen (15) days after such notification Customer and Boeing cannot mutually agree on the incorporation of any such change or alternate course of action, the remedies available to Boeing in Paragraph 6 will apply.

3.3 The incorporation into the Aircraft of any mutually agreed change to the CSE may result in Boeing adjusting the price of the Option(s) contained in Attachment A to this Letter Agreement.

3.4 Boeing's obligation to obtain FAA certification of the Aircraft as it relates to CSE is limited to the CSE as described in Attachment A, as Attachment A may be amended from time to time.

4. Supplier Defaults.

Boeing will notify Customer in a timely manner in the event of a default by a Supplier under the Supplier's purchase order with Boeing. Within fifteen (15) days of Customer's receipt of such notification, Boeing and Customer will agree on an alternate Supplier or other course of action. If Boeing and Customer are unable to agree on an alternate Supplier or course of action within such time, the remedies available to Boeing in Paragraph 6 will apply.

5. Exhibits B and C to the AGTA.

CSE is deemed to be BFE for the purposes of Exhibit B, Customer Support Document, and Exhibit C, the Product Assurance Document, of the AGTA.



6. Boeing's Remedies.

If Customer does not perform its obligations as provided in this Letter Agreement or if supplier fails (for any reason other than a default by Boeing under the purchase order terms) to deliver conforming CSE per the schedule set forth in the purchase order, then, in addition to any other remedies which Boeing may have by contract or under law, Boeing may:

6.1 revise the scheduled delivery month of the Aircraft to accommodate the delay in delivery of the conforming CSE and base the calculation of the Escalation Adjustment on such revised delivery month;

6.2 deliver the Aircraft without part or all of the CSE installed, or with part or all of the CSE inoperative; and/or

6.3 increase the Aircraft Price by the amount of Boeing's additional costs attributable to such noncompliance, including but not limited to, disruption costs associated with out of sequence work by Boeing, any charges due to a Supplier's failure to perform in accordance with CSE program milestones as established by Boeing and agreed to by the Supplier and particularly with respect to late delivery of such CSE.

7. Advance Payments.

7.1 Estimated Price for the CSE. An estimated price for the CSE purchased by Boeing will be included in the Aircraft Advance Payment Base Price to establish the advance payments for each Aircraft.

7.2 Aircraft Price. The Aircraft Price will include the actual CSE prices and any associated transportation costs charged Boeing by Suppliers or otherwise incurred by Boeing.

8. Customer's Indemnification of Boeing.

Customer will indemnify and hold harmless Boeing from and against all claims and liabilities, including costs and expenses (including attorneys' fees) incident thereto or incident to successfully establishing the right to indemnification, for injury to or death of any person or persons, including employees of Customer but not employees of Boeing, or for loss of or damage to any property, including Aircraft, arising out of or in any way connected with any nonconformance or defect in any CSE, or in the installation thereof or in the provision of services hereunder, and whether or not arising in tort or occasioned in whole or in part by the negligence of Boeing. This indemnity will not apply with respect to any nonconformance or defect caused solely by Boeing's installation of the CSE.

9. Title and Risk of Loss.

GUN-PA-03981-LA-1303713
Cabin Systems Equipment

BOEING PROPRIETARY

“[*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission**



Title of CSE will remain with Boeing until the Aircraft title is transferred to Customer. Risk of loss will remain with the entity that is in possession of the CSE prior to Aircraft delivery

If the foregoing correctly sets forth your understanding of our agreement with respect to the matters treated above, please indicate your acceptance and approval below.

Very truly yours,

AGREED AND ACCEPTED this

Date

THE BOEING COMPANY

By _____

Its Attorney-In-Fact _____

CHINA SOUTHERN AIRLINES COMPANY LIMITED

By _____

Its _____

CHINA SOUTHERN AIRLINES GROUP IMPORT AND EXPORT TRADING CORP., LTD.

By _____

Its _____

GUN-PA-03981-LA-1303713
Cabin Systems Equipment

BOEING PROPRIETARY

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**Attachment A
Cabin Systems Equipment**

The following optional features (**Option(s)**) describe(s) the items of equipment that under the terms and conditions of this Letter Agreement are considered to be CSE. Each such Option is fully described in Option Document as described in Exhibit A to the Purchase Agreement. Final configuration will be based on Customer acceptance of any or all Options listed below.

Option Request Number and Title

2300CHXXX
CABIN ENTERTAINMENT AND...

GUN-PA-03981-LA-1303713
Cabin Systems Equipment

LA Page 7

BOEING PROPRIETARY

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**Attachment B
Project Manager**

1. Project Management.

Boeing will perform the following functions for the CSE. Boeing will have authority to make day-to-day management decisions, and decisions on technical details which in Boeing's reasonable opinion do not significantly affect form, fit, function, cost, or aesthetics. Boeing will be responsible for:

- (i) managing the development of all program schedules;
- (ii) evaluating Supplier's program management and developmental plans to meet Boeing's production schedule;
- (iii) defining program metrics and status requirements;
- (iv) scheduling and conducting program design and schedule reviews with Customer and Suppliers, as needed;
- (v) monitoring compliance with schedules;
- (vi) evaluating and approving any recovery plans or plan revisions which may be required of either Suppliers or Customer;
- (vii) managing the joint development of the CSE system specification; and
- (viii) leading the development of a joint CSE project management plan (**Project Plan**).

2. System Integration.

Boeing's performance as Project Manager will include the functions of systems integrator (**Systems Integrator**). As Systems Integrator Boeing will perform the following functions:

- (i) as required, assist Suppliers in defining their system specifications for the CSE, approve such specifications and develop an overall system functional specification;



- (ii) ensure the Project Plan includes sufficient Supplier testing, Supplier sub-system testing, and an overall CSE system acceptance test; and
- (iii) organize and conduct technical coordination meetings with Customer and Supplier(s) to review responsibilities, functionality, Aircraft installation requirements and overall program schedule, direction and progress.

3. Seat Integration.

- (i) Boeing will coordinate the interface requirements between seat suppliers and Suppliers. Interface requirements are defined in Boeing Document No's. D6-36230, "Passenger Seat Design and Installation"; D6-36238, "Passenger Seat Structural Design and Interface Criteria"; D222W232, "Seat Wiring and Control Requirements"; and D222W013-4, "Seat Assembly Functional Test Plan", as amended and superseded from time to time.

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Cabin Systems Equipment

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BOEING PROPRIETARY

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The Boeing Company
P.O. Box 3707
Seattle, WA 98124-2207

GUN-PA-03981-LA-1303714

China Southern Airlines Company Limited
No. 278, Jichang Road,
Baiyun District, Guangzhou,
People's Republic of China, 510406

Subject: Clarifications and Understandings

Reference: Purchase Agreement No. PA-03981 (**Purchase Agreement**) between The Boeing Company (**Boeing**) and China Southern Airlines Company Limited (**Customer**) with China Southern Airlines Group Import and Export Trading Corp., Ltd. (**Consenting Party**) relating to Model 737-8 aircraft (**Aircraft**)

This letter agreement (**Letter Agreement**) amends and supplements the Purchase Agreement. All terms used but not defined in this Letter Agreement shall have the same meaning as in the Purchase Agreement.

1. Clarifications and Understandings. The following clarifications and understandings pertain to the indicated provisions of the Purchase Agreement:

1.1 Purchase Agreement, Article 1. Quantity, Model and Description. As set forth in the AGTA, Boeing will manufacture each aircraft to conform to the appropriate Type Certificate issued by the United States Federal Aviation Administration (FAA) for the specific model of aircraft and will obtain from the FAA and furnish to Buyer at delivery of each aircraft either a Standard Airworthiness Certificate or an Export Certificate of Airworthiness issued pursuant to Part 21 of the Federal Aviation Regulations.

The Civil Aviation Authority of China (CAAC) has indicated to the FAA that Boeing's manufacturing procedures meet the bi-lateral agreements between the responsible parties. The FAA uses FAR Part 25 to establish the Type Certificate. Similarly, the CAAC uses its CCAR 25 for its Type Certificate. CCAR 25 is not identical to the FAA, but the CAAC considers both to be sufficiently equivalent to recognize the FAA Type Certificate to be valid.

In the issuance of an Export Certificate of Airworthiness, the FAA complies with any additional CAAC requirements through the use of Advisory Circular 21-2 (AC 21-2). Such additional requirements are documented by the FAA in AC 21-2.

1.2 Purchase Agreement, Article 4. Payment.

GUN-PA-03981-LA-1303714
Clarifications and Understandings

LA Page 1

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Article 4.2 refers to payments due on the “effective date” of the Purchase Agreement. Article 4.3 refers to payments due “upon signing” of the Purchase Agreement. The effective date of the Purchase Agreement is the day it is signed by Boeing, Customer and the Consenting Party. Such date appears in the first sentence of the Purchase Agreement and again just above the signature blocks of the parties to the Purchase Agreement. For clarification purposes, Boeing will provide invoices for all payments due under the Purchase Agreement to facilitate payment by Customer.

1.3 Purchase Agreement, Article 5.7. Public Disclosure.

For clarity, Customer may make a public announcement regarding Customer’s purchase of the Aircraft upon approval of Customer’s press release by Boeing’s public relations department or other authorized representative.

2. AGTA Article 5.3 Demonstration Flights.

For clarity, demonstration flights are to demonstrate the function of the Aircraft only to Customer and not for marketing or commercial activities with Boeing’s other customers.

3. AGTA Article 5.5 Special Aircraft Test Requirements.

Customer is concerned for the potential that flight and ground test hours on any Aircraft could [*****]. As an accommodation for Customer’s concern, Boeing will notify Customer for any flight and ground testing that would exceed [*****] on an Aircraft. Customer and Boeing agree to discuss the matter if tests are for purposes other than the flight and ground tests described in Article 5.5 (i) and (ii) of the AGTA. For the avoidance of doubt, Boeing flight and ground tests will not [*****].

4. AGTA Article 6. Delivery.

Customer is concerned events may occur affecting Customer’s ability to take delivery of an Aircraft on the scheduled delivery date. As an accommodation for Customer’s concern, Boeing will work with the Customer to adjust the delivery date for [*****] in the Purchase Agreement within the [*****] long as Customer provides a notice to Boeing within [*****] after receiving Boeing’s delivery notice on that Aircraft, and, notwithstanding Article 6.4 of the AGTA, Delay, Customer will not be responsible for any of Boeing’s costs as a result of such adjustment.

5. AGTA Article 8.2 Insurance.

Customer is concerned about aircraft insurance requirements under Article 8.2 after Customer has sold an aircraft to a new owner. For clarity, after Customer has transferred the title of an aircraft to the new owner, Customer will be released from providing certificate of insurance to Boeing for that specific aircraft after Customer has provided Boeing the notification of such post-delivery sale (AGTA Appendix III provides such a reference notice). Notwithstanding the foregoing, Customer is not released from

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“[*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission**



its obligation under Articles 8.2 during any period which Customer has control or possession of an aircraft.

6. AGTA Exhibit A, Buyer Furnished Equipment.

6.1 Article 7, Title and Risk of Loss. For clarification purposes, the last sentence of Article 7.1 of Exhibit A of the AGTA will provide Customer the greater of protection provided by Boeing's liability as a bailee for [*****] by [*****]. In either case, Boeing will not be liable for loss of use.

6.2 Article 9 Indemnification of Boeing. This last sentence of Article 9 shall be modified to read: "This indemnity will not apply with respect to any nonconformance or defect caused solely by Boeing's storage, handling, and installation of the BFE."

7. Purchase Agreement Exhibit B, Aircraft Delivery Requirements and Responsibilities.

7.1 Article 1.1, Airworthiness and Registration Documents. The first sentence of Article 1.1 shall be modified to read: "Airworthiness and Registration Documents. Not later than [*****] prior to delivery of each Aircraft, Customer will notify Boeing of the registration number to be painted on the side of the Aircraft." Customer and Boeing also agree to work together to minimize the impact related to Customer's notification to Boeing of the aircraft SELCAL and Mode-S information.

7.2 Article 1.2, Certificate of Sanitary Construction. For clarification purposes and pursuant to Article 1.2.2, Customer has elected to receive the Certificate of Sanitary Construction at the time of Aircraft delivery.

7.3 Article 4.1, Schedule of Inspections, and Article 4.2, Schedule for Demonstration Flights. Articles identify parties that participate in such actions and the Civil Aviation Authority of China (CAAC) may also participate in these actions.

7.4 Article 4.4, Fuel Provided by Boeing. In addition to the fuel provided by Boeing pursuant to Article 4.4, Boeing assists its customers with certain unique services or accommodation items at [*****]. If requested, Boeing provides oil and hydraulic fluid for the ferry flight. Also, if Customer does not load its own navigation database for ferry flight, Boeing will provide a limited-time use database for the ferry flight.

7.5 Article 4.6 Delivery Papers, Documents and Data. Replace the first sentence with the following:

GUN-PA-03981-LA-1303714
Clarifications and Understandings

LA Page 3

BOEING PROPRIETARY

"[**]" This information is subject to confidential treatment and has been omitted and filed separately with the commission**



“Boeing will have available at the time of delivery of the Aircraft certain delivery papers, documents and data for execution and delivery. Such documents may include, but are not limited to the following:

1. Aircraft Bill of Sale
2. FAA Export Certificate of Airworthiness
3. Weight and Balance Supplement
4. Engine Brochure
5. Miscellaneous Delivery Record Brochure
6. Aircraft Readiness Log
7. Rigging Record Brochure
8. Auxiliary Power Unit Log
9. FAA Airworthiness Directive Compliance Record Status”

7.6 Article 4.7, Delegation of Authority. For clarity, if required to complete the delivery of Aircraft, Boeing will provide a legal opinion in form and substance satisfactory to the Customer in connection with delivery of the Aircraft.

8. Purchase Agreement Supplemental Exhibit BFE1, Aircraft Delivery Requirements and Responsibilities.

Customer and Boeing agree to work together to help Customer fulfill the requirements under Supplemental Exhibit BFE1.

9. Redacted version of Purchase Agreement.

Customer has concerns regarding the confidential treatment of the Purchase Agreement when the relevant stock exchanges require certain disclosure from Customer. To accommodate Customer, Boeing will provide redacted version of the Purchase Agreement if requested by Customer for the purpose of providing disclosure to relevant stock exchanges.

10. AGTA Terms Revisions.

AGTA terms revisions in Letter Agreement 6-1165-CKR-1223 under Purchase Agreement No. 03107 will apply to Purchase Agreement No. 03981 where applicable.

11. Purchase Agreement Letter Agreement LA-1303712 Seller Purchased Equipment.

11.1 For clarification purposes concerning SPE changes, Customer may provide written request to Boeing for review and approval subject to price and offerability through Boeing’s master change or other process for amendment of the Purchase Agreement. In addition, Boeing agrees to work with Customer and suppliers in the event Boeing determines SPE changes are necessary to fulfill the Boeing’s obligations under the Purchase Agreement.

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Clarifications and Understandings

LA Page 4

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11.2 Delay of an aircraft delivery caused by an event or events set out in Section 7.1 of the AGTA No. AGTA-GUN is subject to the provisions under section 7 of the AGTA. Delay of an aircraft delivery as defined in the Non-Excusable Delay Letter Agreement is subject to the provisions of the Non-Excusable Delay Letter Agreement LA-1303700. This applies to all Boeing aircraft and Boeing's obligations under the Purchase Agreement including but not limited to Boeing's obligations under the SPE Letter Agreement LA-1303712.

11.3 Article 10. Customer's Indemnification of Boeing. This last sentence of SPE Letter Agreement LA-1303712 Article 10 shall be modified to read: "This indemnity will not apply with respect to any nonconformance or defect caused solely by Boeing's storage, handling, and installation of the SPE."

12. Purchase Agreement Letter Agreement LA-1303713 Cabin Systems Equipment (CSE).

12.1 For clarification purposes concerning CSE changes, Customer may provide written request to Boeing for review and approval subject to price and offerability through Boeing's master change or other process for amendment of the Purchase Agreement. In addition, Boeing agrees to work with Customer and suppliers in the event Boeing determines CSE changes are necessary to fulfill the Boeing's obligations under the Purchase Agreement.

12.2 Delay of an aircraft delivery caused by an event or events set out in Section 7.1 of the AGTA No. AGTA-GUN is subject to the provisions under section 7 of the AGTA. Delay of an aircraft delivery as defined in the Non-Excusable Delay Letter Agreement is subject to the provisions of the Non-Excusable Delay Letter Agreement LA-1303700. This applies to all Boeing aircraft and Boeing's obligations under the Purchase Agreement including but not limited to Boeing obligations under the CSE Letter Agreement LA-1303713.

12.3 Article 8. Customer's Indemnification of Boeing. This last sentence of SPE Letter Agreement LA-1303713 Article 8 shall be modified to read: "This indemnity will not apply with respect to any nonconformance or defect caused solely by Boeing's storage, handling, and installation of the CSE."

13. Purchase Agreement Letter Agreement LA-1303705 Special Escalation Program. Customer has concerns regarding the length of time period Boeing caps the Escalation Adjustment for the Airframe, Price and Optional Features of each Aircraft in Table 1 of the Purchase Agreement. For the avoidance of doubt, the capped period may be extended by mutual agreement between Customer and Boeing in the event of aircraft delivery rescheduling.

14. CAAC regulatory information

GUN-PA-03981-LA-1303714
Clarifications and Understandings

BOEING PROPRIETARY

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It is recognized that the Civil Aviation Authority of China (CAAC) works with certain aircraft-related information, including Type Certificate Data Sheets (TCDS), Validation of Type Certificate Data Sheets (VTCDS), Aircraft Letter of Definition (ALOD) in order to issue to Customer the necessary aircraft certificates for operating the Aircraft in China. Boeing agrees to work with the relevant regulatory entities on a timely basis to support the process providing such information to the CAAC.

15. Assignment

15.1 Notwithstanding any other provisions of the Purchase Agreement, if Customer requests to assign an Aircraft under the Purchase Agreement to an assignee which Customer or China Southern Airlines Holding Company directly controls or holds [*****], Customer will work with Boeing in accordance with the lead-time and charges required for configuration changes and Boeing will not unreasonably withhold its consent to the assignment of Customer’s rights and obligations under the Purchase Agreement as relates to the specific Aircraft or post-delivery entitlements (collectively “Assigned Rights”), including but not limited to all rights and obligations with respect to advance payments already paid to Boeing under the Purchase Agreement.

15.2 Any such assignment will be in the form acceptable to Boeing (AGTA Appendix II provides such a reference form), including the undertaking by Customer to be bound by the DISCLAIMER AND RELEASE and EXCLUSION OF CONSEQUENTIAL AND OTHER DAMAGES provisions set forth in Article 11 of Part 2 of Exhibit C to the AGTA.

16. Regulatory Approval, Validated Type Certificate (VTC).

It is recognized that obtaining the 737-8 Validated Type Certificate (VTC) is necessary for Customer to import and use the Aircraft in China. Customer has requested that Boeing take responsibility for obtaining the VTC for the 737-8. While Boeing recognizes Customer’s concern regarding VTC for the 737-8, Boeing is not able to accept responsibility for obtaining the VTC from the CAAC. If the lack of VTC approval results in the delay of an Aircraft delivery, such a delay would be an Excusable Delay (as defined in Article 7.1 of the AGTA). However, Boeing commits to support the process of obtaining the VTC and Customer’s efforts (as applicable) towards the same as described herein. In support of obtaining VTC approval, Boeing will be responsible for: (1) assessing the applicable regulatory requirements, (2) generating data and analysis to reasonably support the approval requirements, (3) submitting such information to the applicable regulatory agency, and (4) supporting discussions with regulators to assist in the evaluation of the Boeing submittal.

This will be accomplished through an Option (similar to Options [*****] and [*****] in Exhibit A-1 and Exhibit A-2 of Purchase Agreement No. PA-3263) to support an Export Certificate of Airworthiness for the Aircraft.

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Clarifications and Understandings

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17. Aircraft and Engines.

Customer has concerns regarding the CFM LEAP-1B type engines installed in the Aircraft at the time of delivery. For clarity, Boeing will manufacture each Aircraft and install the appropriate CFM LEAP-1B engines to conform to the appropriate Type Certificate issued by the FAA and in accordance with Boeing's production process and requirement.

18. Confidential Treatment.

The information contained herein represents confidential business information and has value precisely because it is not available generally or to other parties. Customer will limit the disclosure of its contents, except for as required by applicable laws or regulations, to employees of Customer with a need to know the contents for purposes of helping Customer perform its obligations under the Purchase Agreement and who understand they are not to disclose its contents to any other person or entity without the prior written consent of Boeing.

GUN-PA-03981-LA-1303714
Clarifications and Understandings

LA Page 7

BOEING PROPRIETARY

“[*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission**



Very truly yours,

AGREED AND ACCEPTED this

Date

THE BOEING COMPANY

By _____

Its Attorney-In-Fact _____

CHINA SOUTHERN AIRLINES COMPANY LIMITED

By _____

Its _____

CHINA SOUTHERN AIRLINES GROUP IMPORT AND EXPORT TRADING CORP., LTD.

By _____

Its _____

GUN-PA-03981-LA-1303714
Clarifications and Understandings

BOEING PROPRIETARY

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The Boeing Company
P.O. Box 3707
Seattle, WA 98124-2207

GUN-PA-03981-LA-1303715

China Southern Airlines Company Limited
No. 278, Jichang Road,
Baiyun District, Guangzhou,
People's Republic of China, 510406

Subject: CASC Volume Agreement

- Reference:
- a) Purchase Agreement No. PA-03981 (**Purchase Agreement**) between The Boeing Company (**Boeing**) and China Southern Airlines Company Limited (**Customer**) with China Southern Airlines Group Import and Export Trading Corp., Ltd. (**Consenting Party**) relating to Model 737-8 aircraft (**Aircraft**)
 - b) Purchase Agreement Letter Agreement GUN-PA-03981-LA-1303700, Liquidated Damages – Non-Excusable Delay
 - c) Purchase Agreement Letter Agreement GUN-PA-03981-LA-1303705, Special Escalation Program
 - d) Purchase Agreement Letter Agreement GUN-PA-03918-LA-1303716, Airworthiness Directive Cost Participation Program
 - e) Purchase Agreement Letter Agreement GUN-PA-03981-LA-1502888, Special Matters

1. Volume Agreement Option.

Boeing and Customer acknowledge that, in the future, Boeing may enter into a purchase agreement with [*****] or its successor organization, for Model 737-8 aircraft (**Volume Agreement**). If Boeing enters into a firm and unconditional Volume Agreement between the effective date of this Purchase Agreement and September 1, 2015, or any mutually agreed extension of this date, then Boeing will propose an amendment to Table 1 to the Purchase Agreement, Special Escalation Program and Special Matters as applicable and if needed, for the affected Aircraft under the Purchase Agreement which are included in the Volume Agreement, to ensure that Customer will not be disadvantaged on a net Airframe Price basis, after adding up all the credit memoranda and special consideration provided in the [*****] [*****], and [*****] letter agreements and making any applicable base

GUN-PA-03981-LA-1303715
CASC Volume Agreement

LA Page 1

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year price adjustments between this Purchase Agreement and the Volume Agreement. Customer reserves its right to accept such proposed amendments. No other terms and conditions of the Volume Agreement will apply to this Purchase Agreement.

2. Assignment.

Notwithstanding any other provisions of the Purchase Agreement, the rights and obligations described in this Letter Agreement are provided to Customer in consideration of Customer becoming the operator of the Aircraft and cannot be assigned in whole or, in part.

3. Confidential Treatment.

The information contained herein represents confidential business information and has value precisely because it is not available generally or to other parties. Customer will limit the disclosure of its contents, except for as required by applicable laws or regulations, to employees of Customer with a need to know the contents for purposes of helping Customer perform its obligations under the Purchase Agreement and who understand they are not to disclose its contents to any other person or entity without the prior written consent of Boeing.

GUN-PA-03981-LA-1303715
CASC Volume Agreement

LA Page 2

BOEING PROPRIETARY

“[*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission**



Very truly yours,

AGREED AND ACCEPTED this

Date

THE BOEING COMPANY

By _____

Its Attorney-In-Fact _____

CHINA SOUTHERN AIRLINES COMPANY LIMITED

By _____

Its _____

CHINA SOUTHERN AIRLINES GROUP IMPORT AND EXPORT TRADING CORP., LTD.

By _____

Its _____

GUN-PA-03981-LA-1303715
CASC Volume Agreement

BOEING PROPRIETARY

“***” This information is subject to confidential treatment and has been omitted and filed separately with the commission



GUN-PA-03981-LA-1303716

China Southern Airlines Company Limited
No. 278, Jichang Road,
Baiyun District, Guangzhou,
People's Republic of China, 510406

Subject: Airworthiness Directive Cost Participation Program

Reference: Purchase Agreement No. PA-03981 (**Purchase Agreement**) between The Boeing Company (**Boeing**) and China Southern Airlines Company Limited (**Customer**) with China Southern Airlines Group Import and Export Trading Corp., Ltd. (**Consenting Party**) relating to Model 737-8 aircraft (**Aircraft**)

This letter agreement (**Letter Agreement**) amends and supplements the Purchase Agreement. It grants to Customer the Airworthiness Directive Cost Participation Program described herein (**Program**). All terms used but not defined in this Letter Agreement have the same meaning as in the Purchase Agreement.

1. Scope.

This Program applies to any Boeing Product installed in the Aircraft at the time of delivery that is modified or replaced with Boeing-designed corrective materials to comply with terminating actions specified in FAA Airworthiness Directives when the defects are of the type covered by the material and workmanship or design warranties set forth in Part 2 of Exhibit C, Product Assurance Document, of the AGTA.

2. Term.

The term of the Program is [*****] after delivery of each Aircraft.

3. Boeing Participation.

3.1 Materials. If any corrective materials are required as described under paragraph 1 above during the term of this Program, Boeing will promptly furnish such materials to Customer (including Boeing-designed standard parts but excluding industry standard parts such as MS and NAS standards) at a price determined in accordance with the following formula:

$$[*****] \frac{[*****]}{[*****]}$$

GUN-PA-03981-LA-1303716
Airworthiness Directive Cost Participation Program

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- [****] Price to Customer
- [****] The Boeing then-current sales price for such materials
- [****] Total age in months (to the nearest month) of the Aircraft in which such materials are installed from the date of delivery of such Aircraft to the date of completion of such installation.

3.2 Labor. Any labor reimbursement for Customer's installation of materials in the Aircraft that Boeing is required to provide to Customer pursuant to the provisions of paragraph 1 above, will be provided to Customer in an amount as determined by the following formula:

- [***] [*****]
- [***] Reimbursement amount provided to Customer.
- [***] The product of Customer's direct labor man-hours expended in actual installation of corrective materials in the Aircraft, but not to exceed Boeing's reasonable estimate of the man-hours required for the performance thereof by Customer, multiplied by the then-current Warranty Labor Rate.
- [***] Total age in months (to the nearest month) of the Aircraft in which such materials are installed from the date of delivery of such Aircraft to the date of completion of such installation.

4. General Conditions and Limitations.

4.1 Customer's written notice of claim under this Program must be received by Boeing's Warranties Regional Manager within [*****] from the date of issuance of any applicable Airworthiness Directive.

4.2 THE DISCLAIMER AND RELEASE and EXCLUSION OF CONSEQUENTIAL AND OTHER DAMAGES provisions stated in Article 11 of Part 2 of Exhibit C of the AGTA apply to this Program.

5. Assignment.

Notwithstanding any other provisions of the Purchase Agreement, the rights and obligations described in this Letter Agreement are provided to Customer in

GUN-PA-03981-LA-1303716
Airworthiness Directive Cost Participation Program

BOEING PROPRIETARY

["***]" This information is subject to confidential treatment and has been omitted and filed separately with the commission



consideration of Customer becoming the operator of the Aircraft and cannot be assigned in whole or, in part.

6. Confidential Treatment.

The information contained herein represents confidential business information and has value precisely because it is not available generally or to other parties. Customer will limit the disclosure of its contents, except for as required by applicable laws or regulations, to employees of Customer with a need to know the contents for purposes of helping Customer perform its obligations under the Purchase Agreement and who understand they are not to disclose its contents to any other person or entity without the prior written consent of Boeing.

GUN-PA-03981-LA-1303716
Airworthiness Directive Cost Participation Program

LA Page 3

BOEING PROPRIETARY

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Very truly yours,

AGREED AND ACCEPTED this

Date

THE BOEING COMPANY

By _____

Its Attorney-In-Fact _____

CHINA SOUTHERN AIRLINES COMPANY LIMITED

By _____

Its _____

CHINA SOUTHERN AIRLINES GROUP IMPORT AND EXPORT TRADING CORP., LTD.

By _____

Its _____

GUN-PA-03981-LA-1303716
Airworthiness Directive Cost Participation Program

BOEING PROPRIETARY

“[***]” This information is subject to confidential treatment and has been omitted and filed separately with the commission



The Boeing Company
P.O. Box 3707
Seattle, WA 98124-2207

GUN-PA-03981-LA-1303717

China Southern Airlines Company Limited
No. 278, Jichang Road,
Baiyun District, Guangzhou,
People's Republic of China, 510406

Subject: Payment Matters

Reference: Purchase Agreement No. PA-03981 (**Purchase Agreement**) between The Boeing Company (**Boeing**) and China Southern Airlines Company Limited (**Customer**) with China Southern Airlines Group Import and Export Trading Corp., Ltd. (**Consenting Party**) relating to Model 737-8 aircraft (**Aircraft**)

This letter agreement (**Letter Agreement**) amends and supplements the Purchase Agreement. All terms used but not defined in this Letter Agreement shall have the same meaning as in the Purchase Agreement.

1. Advance Payments for the Aircraft – Due on the Effective Date of the Purchase Agreement.

It is understood that Customer’s ability to make advance payments described in Articles 4.2 and 4.3 of the Purchase Agreement may be impacted due to monetary issues. Therefore Boeing agrees all advance payments due on the effective date of the signing of the Purchase Agreement, as specified in Articles 4.2 and 4.3, may be [*****], by which time Customer will pay all advance payments specified in the Purchase Agreement as being due on or before that date.

2. Other Scheduled Advance Payments.

As defined in Article 4.2 of the Purchase Agreement, advance payments are required for each Aircraft in the percentages and at the times shown in Table 1 of the Purchase Agreement. For all advance payments due to Boeing, Boeing will provide Customer with an invoice about [*****] prior to the date the advance payment is due. This is done as an accommodation for Customer and does not relieve Customer from providing advance payments to Boeing at the times shown in Table 1 of the Purchase Agreement.

3. Payment at Aircraft Delivery.

GUN-PA-03981-LA-1303717
Payment Matters

LA Page 1

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Pursuant to Article 4.4 of the Purchase Agreement, Customer will pay, or cause to be paid, the balance of the Aircraft Price of each Aircraft at delivery. Boeing will provide the invoice for such payment about [*****] prior to Aircraft delivery.

4. Rescheduling of Aircraft.

Letter Agreement GUN-PA-03981-LA-1303707 "Government Approval" specifies the date by which government approval is to be obtained. After Customer obtains government approval and if Customer does not make all advance payments as specified in the Purchase Agreement, Boeing may reschedule any or all of the Aircraft at any time thereafter as it deems necessary based on Boeing's production considerations and constraints. Boeing will give Customer [*****] notice of any such Aircraft rescheduling, and will not reschedule such Aircraft if advance payments on all Aircraft are current prior to the expiration of such thirty (30) day notification period. Boeing will work with Customer in good faith to explore alternatives to such Aircraft rescheduling as may be available.

5. Effect of Aircraft Rescheduling.

If Boeing reschedules any or all of the Aircraft pursuant to the provisions of Paragraph 4 above, then Customer and Boeing will complete a Supplemental Agreement to document the revised Aircraft delivery schedules within [*****] after [*****] notice is given.

6. Assignment.

Notwithstanding any other provisions of the Purchase Agreement, the rights and obligations described in this Letter Agreement are provided to Customer in consideration of Customer becoming the operator of the Aircraft and cannot be assigned in whole or, in part.

7. Confidential Treatment.

The information contained herein represents confidential business information and has value precisely because it is not available generally or to other parties. Customer will limit the disclosure of its contents, except for as required by applicable laws or regulations, to employees of Customer with a need to know the contents for purposes of helping Customer perform its obligations under the Purchase Agreement and who understand they are not to disclose its contents to any other person or entity without the prior written consent of Boeing.

GUN-PA-03981-LA-1303717
Payment Matters

LA Page 2

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Very truly yours,

AGREED AND ACCEPTED this

Date

THE BOEING COMPANY

By _____

Its Attorney-In-Fact _____

CHINA SOUTHERN AIRLINES COMPANY LIMITED

By _____

Its _____

CHINA SOUTHERN AIRLINES GROUP IMPORT AND EXPORT TRADING CORP., LTD.

By _____

Its _____

GUN-PA-03981-LA-1303717
Payment Matters

BOEING PROPRIETARY

["***"] This information is subject to confidential treatment and has been omitted and filed separately with the commission



The Boeing Company
P.O. Box 3707
Seattle, WA 98124-2207

GUN-PA-03980/03981-LA-1502329

China Southern Airlines Company Limited
No. 278, Jichang Road,
Baiyun District, Guangzhou,
People's Republic of China, 510406

Subject: Used Aircraft Trade-In Matters

Reference: Purchase Agreement No. PA-03980 relating to Model 737-800 aircraft (**737-800 Purchase Agreement**) and Purchase Agreement No. PA-03981 relating to Model 737-8 aircraft (**737-8 Purchase Agreement**) between The Boeing Company (**Boeing**) and China Southern Airlines Company Limited (**Customer**) with China Southern Airlines Group Import and Export Trading Corp., Ltd. (**Consenting Party**) (the 737-800 Purchase Agreement and the 737-8 Purchase Agreement, each a **Purchase Agreement** and collectively the **Purchase Agreements**)

This letter agreement (**Letter Agreement**) amends the Purchase Agreements. All terms used but not defined in this Letter Agreement have the same meaning as in the Purchase Agreements.

1. Used Aircraft Acquisition Agreement.

Boeing and Customer have entered into the acquisition agreements for used aircraft no. A0203/GUN-01, A0204/GUN-02, A0205/GUN-03 (each an **Acquisition Agreement** and collectively the **Acquisition Agreements**). Boeing's purchase of the Used Aircraft and Used Aircraft Equipment as defined in the Acquisition Agreements shall be in accordance with the provisions of the Acquisition Agreements.

2. 757-200, 737-300 Aircraft, Spare Engines and Spare Parts; Trade-In Delivery and Title Transfer; Trade-in delivery conditions.

2.1 In consideration of Customer purchasing and taking delivery of [*****] 737-800 and [*****] 737-8 aircraft (**New Aircraft**), Boeing agrees to take in trade the Used Aircraft Equipment earlier than the scheduled delivery of the New Aircraft to Customer and on an "oldest-aircraft-out-first" basis in accordance with the Acquisition Agreements, including Table 1.

2.2 Trade-in delivery and title transfer to Boeing of the Used Aircraft Equipment will take place according to the provisions of Article 2 of the Acquisition

GUN-PA-03980/03981-LA-1502329
Used Aircraft Trade-in Matters

LA Page 1

BOEING PROPRIETARY

“[***]” This information is subject to confidential treatment and has been omitted and filed separately with the commission



Agreements, but no later than [*****] after the associated trade-in delivery date. The trade-in delivery and title transfer of such Used Aircraft Equipment shall be delivered on the date specified in the Acquisition Agreements and Customer shall ensure that the Used Aircraft Equipment meet the return conditions per the Acquisition Agreements at the time of the trade-in date.

2.3 Price. Boeing agrees to purchase the Used Aircraft Equipment according to the provisions of Article 3 of the Acquisition Agreements.

3. Exclusive Right to Sell.

Boeing shall have the exclusive right to sell or dispose Used Aircraft Equipment as defined in Article 1.9 of Acquisition Agreements.

4. Non-Transferable.

Boeing's agreement to purchase the Used Aircraft Equipment is provided as a financial accommodation to the Customer in consideration of Customer purchasing the New Aircraft and the purchase of the Used Aircraft Equipment by Boeing is non-transferable to a third party.

5. Assignment.

Boeing reserves the unrestricted right to transfer or assign all or a portion of its rights, title and interest in the Used Aircraft and its obligations and benefits under any Acquisition Agreements to third parties. Customer shall cooperate with Boeing in complying with reasonable documentation and insurance/indemnity requirements. Boeing agrees that no such transfer or assignment will materially change the duty of or materially increase the burden or risk imposed on Customer.

6. Confidential Treatment.

The information contained herein represents confidential business information and has value precisely because it is not available generally or to other parties. Customer will limit the disclosure of its contents, except for as required by applicable laws or regulations, to employees of Customer with a need to know the contents for purposes of helping Customer perform its obligations under the Purchase Agreements and who understand they are not to disclose its contents to any other person or entity without the prior written consent of Boeing.

GUN-PA-03980/03981-LA-1502329
Used Aircraft Trade-in Matters

LA Page 2

BOEING PROPRIETARY

“[*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission**



Very truly yours,

AGREED AND ACCEPTED this

Date

THE BOEING COMPANY

By _____

Its Attorney-In-Fact _____

CHINA SOUTHERN AIRLINES COMPANY LIMITED

By _____

Its _____

CHINA SOUTHERN AIRLINES GROUP IMPORT AND EXPORT TRADING
CORP., LTD.

By _____

Its _____

GUN-PA-03980/03981-LA-1502329
Used Aircraft Trade-in Matters

BOEING PROPRIETARY

“[*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission**



The Boeing Company
P.O. Box 3707
Seattle, WA 98124-2207

GUN-PA-03981-LA-1502331

China Southern Airlines Company Limited
No. 278, Jichang Road,
Baiyun District, Guangzhou,
People's Republic of China, 510406

Subject: AGTA Matters

Reference: Purchase Agreement No. PA-03981 (**Purchase Agreement**) between The Boeing Company (**Boeing**) and China Southern Airlines Company Limited (**Customer**) with China Southern Airlines Group Import and Export Trading Corp., Ltd. (**Consenting Party**) relating to Model 737-8 aircraft (**Aircraft**)

This letter agreement (**Letter Agreement**) amends and supplements the Purchase Agreement. All terms used but not defined in this Letter Agreement will have the same meaning as in the Purchase Agreement.

1. AGTA Basic Articles.

1.1 Article 2.1.1, "Airframe Price," of the basic articles of the AGTA is revised to read as follows: **Airframe Price** is defined as the price of the airframe for a specific model of aircraft described in a purchase agreement. (For Models 737-600, 737-700, 737-800, 737-900, 737-7, 737-8, 737-9, 747-8, 777-200LR, and 777-300ER the Airframe Price includes the engine price at its basic thrust level.)

1.2 Article 2.1.3, "Engine Price" of the basic articles of the AGTA is revised to read as follows: **Engine Price** is defined as the price set by the engine manufacturer for a specific engine to be installed on the model of aircraft described in a purchase agreement (not applicable to Models 737-600, 737-700, 737-800, 737-900, 737-7, 737-8, 737-9, 747-8, 777-200LR and 777-300ER).

1.3 Article 2.1.5, "Escalation Adjustment" of the basic articles of the AGTA is revised to read as follows: **Escalation Adjustment** is defined as the price adjustment to the Airframe Price (which includes the basic engine price for Models 737-600, 737-700, 737-800, 737-900, 737-7, 737-8, 737-9, 747-8, 777-200LR and 777-300ER) and the Optional Features Prices resulting from the calculation using the economic price formula contained in the Airframe and Optional Features Escalation Adjustment supplemental exhibit to the applicable purchase agreement. The price adjustment to the Engine Price for all other models of aircraft will be calculated using the economic

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AGTA Matters

LA Page 1

BOEING PROPRIETARY

“[*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission**



price formula in the Engine Escalation Adjustment supplemental exhibit to the applicable purchase agreement.

2. Appendices to the AGTA.

2.1 Appendix I, entitled "SAMPLE Insurance Certificate" the Combined Single Limit Bodily Injury and Property Damage: U.S. Dollars (\$) any one occurrence each Aircraft (with aggregates as applicable) is added for the 737-7, 737-8, 737-9 in the amount of [*****].

3. Exhibit C to the AGTA, "Product Assurance Document".

3.1 Part 2, Article 3.1, subsection (i), of Exhibit C of the AGTA is revised to read as follows: for Boeing aircraft models 777F, 777-200, 777-300, 737-600, 737-700, 737-800, 737-900, 737-7, 737-8, 737-9, 787 or new aircraft models designed and manufactured with similar, new technology and for the model 747-8, the warranty period ends forty-eight (48) months after Delivery.

GUN-PA-03981-LA-1502331
AGTA Matters

LA Page 2

BOEING PROPRIETARY

["*"] This information is subject to confidential treatment and has been omitted and filed separately with the commission**



Very truly yours,

AGREED AND ACCEPTED this

Date

THE BOEING COMPANY

By _____

Its Attorney-In-Fact _____

CHINA SOUTHERN AIRLINES COMPANY LIMITED

By _____

Its _____

CHINA SOUTHERN AIRLINES GROUP IMPORT AND EXPORT TRADING
CORP., LTD.

By _____

Its _____

GUN-PA-03981-LA-1502331
AGTA Matters

BOEING PROPRIETARY

“*” This information is subject to confidential treatment and has been omitted and filed separately with the commission**



The Boeing Company
P.O. Box 3707
Seattle, WA 98124-2207

GUN-PA-03981-LA-1502888

China Southern Airlines Company Limited
No. 278, Jichang Road,
Baiyun District, Guangzhou,
People's Republic of China, 510406

Subject: Special Matters

Reference: Purchase Agreement No. PA-03981 (**Purchase Agreement**) between The Boeing Company (**Boeing**) and China Southern Airlines Company Limited (**Customer**) with China Southern Airlines Group Import and Export Trading Corp., Ltd. (**Consenting Party**) relating to Model 737-8 aircraft (**Aircraft**)

This letter agreement (**Letter Agreement**) amends and supplements the Purchase Agreement. All terms used but not defined in this Letter Agreement will have the same meaning as in the Purchase Agreement.

1. Credit Memoranda. In consideration of Customer's purchase of fifty (50) Aircraft, Boeing will provide to Customer the following credit memoranda:

1.1 Model 737-8 Aircraft Basic Credit Memorandum. At the time of delivery of each Model 737-8 Aircraft, Boeing will issue to Customer a basic credit memorandum (**Model 737-8 Aircraft Basic Credit Memorandum**) in an amount of [*****]
[*****]

1.2 Model 737-8 Aircraft Customer Support Credit Memorandum. At the time of delivery of each Model 737-8 Aircraft, Boeing will issue to Customer a customer support credit memorandum (**Model 737-8 Aircraft Customer Support Credit Memorandum**) in the amount of [*****]
[*****]

1.3 Model 737-8 Aircraft Customer Loyalty Credit Memorandum. At the time of delivery of each Model 737-8 Aircraft, Boeing will issue to Customer a fleet support credit memorandum (**Model 737-8 Aircraft Fleet Support Credit Memorandum**) in the amount of [*****]
[*****]

1.4 Model 737-8 Aircraft Quantity Bonus Credit Memorandum. At the time of delivery of each Model 737-8 Aircraft, Boeing will issue to Customer a quantity bonus credit memorandum (**Model 737-8 Aircraft Quantity Bonus Credit Memorandum**) in

GUN-PA-03981-LA-1502888
Special Matters

LA Page 1

BOEING PROPRIETARY

“[***]” This information is subject to confidential treatment and has been omitted and filed separately with the commission



the amount of [*****]

1.5 Model 737-8 Aircraft Special Closing Credit Memorandum. At the time of delivery of each Model 737-8 Aircraft, Boeing will issue to Customer a special closing credit memorandum (**Model 737-8 Aircraft Special Closing Credit Memorandum**) in the amount of [*****]

1.6 Model 737-8 Aircraft Modified PDP Bonus Credit Memorandum. If Customer provides a payment of [*****] standard [***] [*****] of the Advance Payment Base Price for each Model 737-8 Aircraft on the effective date of the Purchase Agreement, then at the time of delivery of each Model 737-8 Aircraft, Boeing will issue to Customer a modified PDP bonus credit memorandum (**Model 737-8 Aircraft Modified PDP Bonus Credit Memorandum**) in an amount of [*****]

1.7 Model 737-8 Aircraft Final Closing Credit Memorandum. At the time of delivery of each Model 737-8 Aircraft, Boeing will issue to Customer a final closing credit memorandum (**Model 737-8 Aircraft Final Closing Credit Memorandum**) in the amount of [*****]

1.8 Model 737-8 Aircraft Infrastructure Supplemental Credit Memorandum. At the time of delivery of each Model 737-8 Aircraft, Boeing will issue to Customer an infrastructure supplemental credit memorandum (**Model 737-8 Aircraft Infrastructure Supplemental Credit Memorandum**) in the amount of [*****]

1.9 Model 737-8 Aircraft MAX Support Credit Memorandum. At the time of delivery of each Model 737-8 Aircraft, Boeing will issue to Customer a MAX support credit memorandum (**Model 737-8 Aircraft MAX Support Credit Memorandum**) in the fixed, not subject to escalation, amount of [*****] [*****] For the avoidance of doubt, the Model 737-8 Aircraft MAX Support Credit Memorandum is a not subject to escalation, fixed-amount credit memorandum.

1.10 Model 737-8 Aircraft MAX Training Support Credit Memorandum. To support 737 MAX aircraft related training matters, Boeing will issue to Customer a MAX training support credit memorandum (**Model 737-8 Aircraft MAX Training Support Credit Memorandum**) in the fixed, not subject to escalation, amount of [*****] [*****]. For the avoidance of doubt, the Model 737-8 Aircraft MAX Training Support Credit Memorandum is a one-time, not subject to escalation, fixed-amount credit memorandum.

1.11 Model 737-8 Aircraft MAX Training Storage Credit Memorandum. To support 737 MAX aircraft related delivery matters, Boeing will issue to Customer a MAX training storage credit memorandum (**Model 737-8 Aircraft MAX Training Storage**

BOEING PROPRIETARY

“[***]” This information is subject to confidential treatment and has been omitted and filed separately with the commission



Credit Memorandum) in the fixed, not subject to escalation, amount of [*****]
[*****]. For the avoidance of doubt, the Model 737-8 Aircraft MAX Training Storage Credit Memorandum is a one-time, not subject to escalation, fixed-amount credit memorandum to support the storage needs of Customer’s first Model 737-8 Aircraft.

1.12 Model 737-8 Aircraft MAX Change Support Credit Memorandum. To support 737 MAX aircraft related Manufacturer Changes and validation matters, Boeing will issue to Customer a MAX change support credit memorandum (**Model 737-8 Aircraft MAX Change Support Credit Memorandum**) in the fixed, not subject to escalation, [*****]. For the avoidance of doubt, the Model 737-8 Aircraft MAX Change Support Credit Memorandum is a one-time, not subject to escalation, fixed-amount credit memorandum.

1.13 Model 737-800 Aircraft Infrastructure MTOW Credit Memorandum. Boeing will issue to Customer an infrastructure MTOW credit memorandum (**Model 737-8 Aircraft Infrastructure MTOW Credit Memorandum**) in the not subject to escalation fixed-amount of [*****]. For the avoidance of doubt, the Model 737-8 Aircraft Infrastructure MTOW Credit Memorandum is a not subject to escalation, fixed-amount credit memorandum that may only be for the purchase of Boeing goods and services, and this is in addition to the fixed-amount of [*****] [*****] Boeing already provided to Customer by offsetting against the MTOW payment required from Customer.

1.14 Model 737-8 Aircraft Infrastructure Support Credit Memorandum. As part of the [*****] in consideration for Customer purchasing thirty (30) Model 737-800 and fifty (50) Model 737-8 aircraft, Boeing will issue to Customer an infrastructure support credit memorandum (**Model 737-8 Aircraft Infrastructure Support Credit Memorandum**) in the not subject to escalation fixed-amount in three installments as follows:

- (i) [*****]
[*****].
- (ii) [*****]
[*****].
- (iii) [*****]
[*****].

2. Escalation of Credit Memoranda.

Unless otherwise noted, the amounts of the Credit Memoranda stated in Paragraphs [*****] are in [*****] and will be escalated to the scheduled month of the respective Aircraft delivery pursuant to the Airframe Escalation

GUN-PA-03981-LA-1502888
Special Matters

BOEING PROPRIETARY

“[***]” This information is subject to confidential treatment and has been omitted and filed separately with the commission



formula set forth in the Purchase Agreement applicable to the Aircraft. Unless otherwise noted, amounts of the Credit Memoranda stated in Paragraphs 1.1 through 1.14, may, at the election of Customer, be (i) applied against the Aircraft Price of the respective Aircraft at the time of delivery, or (ii) used for the purchase of other Boeing goods and services (but will not be applied to advance payments).

3. Assignment.

Unless otherwise noted herein, the Credit Memoranda described in this Letter Agreement are provided as a financial accommodation to Customer and in consideration of Customer's taking title to the Aircraft at time of delivery and becoming the operator of the Aircraft. This Letter Agreement cannot be assigned, in whole or in part, without the prior written consent of Boeing.

4. Confidentiality

Customer understands and agrees that the information contained herein represents confidential business information and has value precisely because it is not available generally or to other parties. Customer agrees to limit the disclosure of its contents, except for as required by applicable laws or regulations, to employees of Customer with a need to know the contents for purposes of helping Customer perform its obligations under the Purchase Agreement and who understand they are not to disclose its contents to any other person or entity without the prior written consent of Boeing. In addition to any equitable relief that may be available to Boeing in the event of a breach of this clause, Boeing may rescind the Model 737-8 Aircraft Customer Support Credit Memorandum contained in paragraph 1.2 above, in the event of any unauthorized disclosure by Customer.

GUN-PA-03981-LA-1502888
Special Matters

LA Page 4

BOEING PROPRIETARY

“[*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission**



Very truly yours,

AGREED AND ACCEPTED this

Date

THE BOEING COMPANY

By _____

Its Attorney-In-Fact _____

CHINA SOUTHERN AIRLINES COMPANY LIMITED

By _____

Its _____

CHINA SOUTHERN AIRLINES GROUP IMPORT AND EXPORT TRADING CORP., LTD.

By _____

Its _____

GUN-PA-03981-LA-1502888
Special Matters

BOEING PROPRIETARY

“[***]” This information is subject to confidential treatment and has been omitted and filed separately with the commission



GUN-PA-03981-LA-1504068

China Southern Airlines Company Limited
No. 278, Jichang Road,
Baiyun District, Guangzhou,
People's Republic of China, 510406

Subject: Customer Support Matters

Reference: Purchase Agreement No. PA-03981 (**Purchase Agreement**) between The Boeing Company (**Boeing**) and China Southern Airlines Company Limited (**Customer**) with China Southern Airlines Group Import and Export Trading Corp., Ltd. (**Consenting Party**) relating to Model 737-8 aircraft (**Aircraft**)

This letter agreement (**Letter Agreement**) amends and supplements the Purchase Agreement. All terms used but not defined in this Letter Agreement will have the same meaning as in the Purchase Agreement.

1. Customer Support Document.

AGTA Exhibit B, Part 1, Article 5.3 is modified to the following:

If the training is based at Boeing's facility and the aircraft is damaged during such training, Boeing will make all necessary repairs to the aircraft as promptly as possible. Customer will pay Boeing's reasonable charge, including the price of parts and materials, for making the repairs. If Boeing's estimated labor charge for the repair exceeds [*****] Boeing and Customer will enter into an agreement for additional services before beginning the repair work. For the avoidance of doubt, any training using an aircraft will occur only after delivery and will be at the request of Customer.

2. 737-8 Training Matters

2.1 Notwithstanding the training services furnished by Boeing in support of introduction of the Aircraft into Customer's fleet described in Supplemental Exhibit CS1. Boeing will provide additional flight crew differences training to acquaint [*****] [*****] with operational, systems and performance differences between Customer's newly-purchased Aircraft and an aircraft of the same model currently operated by Customer.

2.2 Boeing's goal is to develop training programs that will be approved by multiple regulatory agencies including the CAAC. [*****]

GUN-PA-03981-LA-1504068
Customer Support Matters

BOEING PROPRIETARY

“[***]” This information is subject to confidential treatment and has been omitted and filed separately with the commission



Very truly yours,

AGREED AND ACCEPTED this

Date

THE BOEING COMPANY

By _____

Its Attorney-In-Fact _____

CHINA SOUTHERN AIRLINES COMPANY LIMITED

By _____

Its _____

CHINA SOUTHERN AIRLINES GROUP IMPORT AND EXPORT TRADING CORP., LTD.

By _____

Its _____

GUN-PA-03981-LA-1504068
Customer Support Matters

BOEING PROPRIETARY

“*******” This information is subject to confidential treatment and has been omitted and filed separately with the commission



GUN-PA-03980/03981-LA-1502330

China Southern Airlines Company Limited
No. 278, Jichang Road,
Baiyun District, Guangzhou,
People's Republic of China, 510406

Subject: Purchase and Trade-in Framework Agreement

Reference: 1) Purchase Agreement No. PA-03980 relating to Model 737-800 aircraft (**737-800 Purchase Agreement**) and Purchase Agreement No. PA-03981 relating to Model 737-8 aircraft (**737-8 Purchase Agreement**) between The Boeing Company and China Southern Airlines Company Limited with China Southern Airlines Group Import and Export Trading Corp., Ltd. (the 737-800 Purchase Agreement and the 737-8 Purchase Agreement, each a **Purchase Agreement** and collectively the **Purchase Agreements**)

2) Acquisition Agreements for Used Aircraft No. A0203/GUN-01, A0204/GUN-02, A0205/GUN-03 between Boeing Aircraft Holding Company and China Southern Airlines Company Limited with China Southern Airlines Group Import and Export Trading Corp., Ltd., China Southern Airlines (Group) Xinjiang Import & Export Trading Co., Ltd., and China Southern Airlines Henan Company Limited (each an **Acquisition Agreement**, collectively the **Acquisition Agreements**)

This letter agreement (**Letter Agreement**) amends and supplements the Purchase Agreements. All terms used but not defined in this Letter Agreement have the same meaning as in the Purchase Agreement.

1. Definition of Parties. For the purposes of this Letter Agreement only, the parties shall be defined as follows:

1.1 China Southern Airlines Company Limited, China Southern Airlines Group Import and Export Trading Corp., Ltd., China Southern Airlines (Group) Xinjiang Import & Export Trading Co., Ltd., and China Southern Airlines Henan Company Limited are collectively defined as **China Southern**.

1.2 The Boeing Company and Boeing Aircraft Holding Company (**BAHC**) are collectively defined as **Boeing**.

GUN-PA-03980/03981-LA-1502330
Purchase and Trade-in Framework Agreement

LA Page 1

BOEING PROPRIETARY

“[***]” This information is subject to confidential treatment and has been omitted and filed separately with the commission



2. [*****].

In addition to Article 3.11 of the Acquisition Agreements and as a sole remedy, if BAHC breaches its obligations under the Acquisition Agreements to purchase Used Aircraft despite China Southern being in full compliance with its obligations under the Purchase Agreements and the Acquisition Agreements, China Southern [*****] with prior written notice to Boeing [*****] before [*****] in order to reestablish the intended [*****]. [*****] by China Southern of [*****], Boeing shall return to China Southern all advanced payments received for [*****] within [*****].

3. Confidential Treatment.

The information contained herein represents confidential business information and has value precisely because it is not available generally or to other parties. China Southern will limit the disclosure of its contents, except for as required by applicable laws or regulations, to employees of China Southern with a need to know the contents for purposes of helping China Southern perform its obligations under the Purchase Agreements and the Acquisition Agreement and who understand they are not to disclose its contents to any other person or entity without the prior written consent of Boeing.

GUN-PA-03980/03981-LA-1502330
Purchase and Trade-in Framework Agreement

BOEING PROPRIETARY

[*] This information is subject to confidential treatment and has been omitted and filed separately with the commission**



Very truly yours,

AGREED AND ACCEPTED this

Date

THE BOEING COMPANY

By _____

Its Attorney-In-Fact _____

BOEING AIRCRAFT HOLDING COMPANY

By _____

Its Attorney-In-Fact _____

CHINA SOUTHERN AIRLINES CO., LTD.

By _____

Its _____

CHINA SOUTHERN AIRLINES GROUP IMPORT AND EXPORT TRADING CORP., LTD.

By _____

Its _____

CHINA SOUTHERN AIRLINES (GROUP) XINJIANG IMPORT & EXPORT TRADING CO., LTD.

By _____

Its _____

CHINA SOUTHERN AIRLINES HENAN COMPANY LIMITED

By _____

Its _____

BOEING PROPRIETARY

“[***]” This information is subject to confidential treatment and has been omitted and filed separately with the commission

Amendment N°3

to the

A330-300 Purchase Agreement

Dated December 5th, 2012

Between

Airbus S.A.S.

And

China Southern Airlines Company Limited

And

**China Southern Airlines Group
Import and Export Trading Corp., Ltd.**

Buyer's Reference: 15SIES2017FR

Seller's Reference: CT1102624

“***” This information is subject to confidential treatment and has been omitted and filed separately with the commission

CSN – AM3 to A330 PA dated December 2012
CT1102624 – 2015

Private & Confidential

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EXHIBITS	TITLE	
EXHIBIT B	AIRFRAME PRICE REVISION FORMULA	Exhibit B – Page 1/3
EXHIBIT G	TECHNICAL DATA & SOFTWARE	Exhibit G – Page 1/4

“[***]” This information is subject to confidential treatment and has been omitted and filed separately with the commission

CSN – AM3 to A330 PA dated December 2012
CT1102624 – 2015

Private & Confidential

This amendment N°3 to the A330-300 purchase agreement dated December 5th, 2012 (the "**Amendment N°3**") is made on the _____ day of _____ 2015.

Between

AIRBUS S.A.S., a société par actions simplifiée, created and existing under French law having its registered office at 1 Rond-Point Maurice Bellonte, 31707 Blagnac-Cedex, France and registered with the Toulouse Registre du Commerce under number RCS Toulouse 383 474 814, (the "**Seller**"),

and

CHINA SOUTHERN AIRLINES COMPANY LIMITED, a company organised under the laws of the People's Republic of China having its principal place of business at N°278, Airport Road Baiyun District, Guangzhou 510405, People's Republic of China, (the "**Buyer**"),

and

CHINA SOUTHERN AIRLINES GROUP IMPORT AND EXPORT TRADING CORP., LTD., a company organised under the laws of the People's Republic of China having its principal office at N°278, Airport Road Baiyun District, Guangzhou 510405, People's Republic of China (the "**Consenting Party**").

The Seller and the Buyer and the Consenting Party are referred to together as the "**Parties**" and each a "**Party**".

“*******” This information is subject to confidential treatment and has been omitted and filed separately with the commission

CSN – AM3 to A330 PA dated December 2012
CT1102624 – 2015

Private & Confidential

Whereas, the Seller and the Buyer, with the consent of the Consenting Party, have entered into an aircraft general terms agreement (Buyer's reference: 09SIES1033FR; Seller's reference: CT0803291) dated February 2nd, 2010 (the "**AGTA**") which constitutes an integral part of this Purchase Agreement.

Whereas, the Buyer and the Seller, with the consent of the Consenting Party, have entered into an A330-300 purchase agreement, (Buyer's reference 11SIES2015FR; Seller's reference CT1102624), dated as of December 5th, 2012 (the "**Purchase Agreement**"), which covers the sale by the Seller and the purchase by the Buyer of ten (10) A330-300 aircraft (hereinafter individually or collectively referred to as the "**First Batch Aircraft**").

Whereas, the Buyer and the Seller, with the consent of the Consenting Party, have entered into an amendment N°1 to the Purchase Agreement, dated as of July 1st, 2014 (the "**Amendment N°1**"), to modify the delivery schedule of certain First Batch Aircraft.

Whereas, pursuant to a request received from the Buyer and the Consenting Party, the Buyer and the Seller, with the consent of the Consenting Party, have entered into an amendment N°2 to the Purchase Agreement, dated as of February 20th, 2015 (the "**Amendment N°2**"), to modify Clause 1 of Side Letter N°5 to the Purchase Agreement.

For the purpose of this Amendment N°3, the AGTA, the Purchase Agreement, the Amendment N°1 and the Amendment N°2 shall hereinafter collectively be referred to as the "**Agreement**".

Whereas, with the consent of the Consenting Party and subject to the terms and conditions set out in this Amendment N°3, the Buyer wishes to purchase and the Seller wishes to sell ten (10) A330-300 aircraft (hereinafter individually or collectively referred to as the "**Second Batch Aircraft**").

Except as otherwise agreed by the parties in this Amendment N°3, the First Batch Aircraft and the Second Batch Aircraft shall individually or collectively be referred to as the "**Aircraft**" for the purpose of the Agreement and this Amendment N°3.

NOW IT IS HEREBY AGREED AS FOLLOWS:

"[*]" This information is subject to confidential treatment and has been omitted and filed separately with the commission**

CSN – AM3 to A330 PA dated December 2012
CT1102624 – 2015

Private & Confidential

0 DEFINITIONS

Capitalised terms used herein and not otherwise expressly defined in this Amendment N°3 shall have the meanings assigned thereto in the Agreement.

With respect to Second Batch Aircraft, in addition to the capitalized words and terms elsewhere defined in the Agreement, the initially capitalised words and terms used in this Amendment N°3 shall have the meaning set out below.

A330-300 Standard Specification means the A330-300 standard specification document Number G.000.03000, Issue 9, dated 31st July 2014.

Goods and Services means any goods and services that may be purchased by the Buyer from the Seller or, if applicable, its subsidiaries as listed in the Seller's relevant customer services catalogue, excluding all aircraft model.

Ready for Delivery means the time when the Technical Acceptance Process has been completed in accordance with Clause 8 of the AGTA and all technical conditions required for the issuance of the Export Airworthiness Certificate have been satisfied.

1 SALE AND PURCHASE

The Seller shall sell and deliver and the Buyer shall buy and take delivery of ten (10) Second Batch Aircraft on the Delivery Date at the Delivery Location upon the terms and conditions contained in this Amendment N°3 and the Agreement.

Unless it has been modified pursuant to the terms of this Amendment N°3, the type of each Second Batch Aircraft (the "**Aircraft Type**") shall be as set out in Clause 6 of this Amendment N°3.

2 AIRCRAFT SPECIFICATION

2.1 With respect to Second Batch Aircraft only, Clause 2 of the Purchase Agreement shall be deleted in its entirety and replaced by the following quoted text:

QUOTE

2 AIRCRAFT DEFINITION

2.1 Second Batch Aircraft Standard Specification Definition

2.1.1 The Second Batch Aircraft shall be manufactured in accordance with the A330-300 Standard Specification, as may already be modified or varied at the date of this Amendment N°3.

2.1.2 A330-300 Aircraft Design Weights

In line with A330-300 Standard Specification, as modified by [***] (those two (2) SCNs together referred to as the "[***]"), the following design weights (Maximum Take-off Weight ("**MTOW**"), Maximum Landing Weight ("**MLW**") and Maximum Zero Fuel Weight ("**MZFW**")) are selected and

"[***]" This information is subject to confidential treatment and has been omitted and filed separately with the commission

applicable to the Second Batch Aircraft (each such Second Batch Aircraft being individually or collectively referred to as the “A330-300 [***] Aircraft”):

Aircraft Type	MTOW	MLW	MZFW
[***]	[***]	[***]	[***]*

* dynamic payload management allows payload optimization through linear MZFW variation between the referenced MZFW depending on actual take-off weight.

Notwithstanding the foregoing, subject to Clause 2.4 hereto, the Buyer may select to have the Second Batch Aircraft manufactured as:

i) the “A330-300 [***] Aircraft” in the below design weights:

Aircraft Type	MTOW	MLW	MZFW
[***]	[***]	[***]	[***]

or

(ii) the “A330-300 [***] Aircraft” in the below design weights, by executing and incorporating irrevocably the [***] (the “[***] SCN”),

Aircraft Type	MTOW	MLW	MZFW
[***]	[***]	[***]	[***]

“[***]” This information is subject to confidential treatment and has been omitted and filed separately with the commission

2.2 **Propulsion Systems**

2.2.1 The Second Batch Aircraft shall be equipped with a set of two (2) of the following engines, including nacelles and thrust reversers (the “**Propulsion Systems**”) manufactured by one of the following Propulsion System manufacturers (upon selection the “**Propulsion System Manufacturer**”):

Aircraft Type	General Electric	Pratt & Whitney	Rolls Royce
[***]	[***]	[***]	[***]

* Airbus Equivalent Thrust

2.2.2 The Buyer shall notify the Seller in writing of its selection of the Propulsion Systems no later than [***] prior to the first day of the earliest Second Batch Aircraft Scheduled Delivery Month. If the Buyer does not notify the Seller in writing of its selection of Propulsion Systems for the Second Batch Aircraft as set forth above, then, in addition to any other rights and remedies available to the Seller, the Seller shall have the right to defer the Scheduled Delivery Quarter or Scheduled Delivery Month (as applicable) of any or all of the Aircraft.

2.3 **Customization Milestones Chart**

Within a reasonable period following signature of the Agreement, the Seller shall provide the Buyer with a customization milestones chart (the “**Customization Milestone Chart**”), setting out how far in advance of the Scheduled Delivery Month of the Second Batch Aircraft an SCN must be executed in order to integrate into the Specification any items requested by the Buyer from the Seller’s Option Catalogues.

2.4 [***]
[***]
[***]
[***]

“[***]” This information is subject to confidential treatment and has been omitted and filed separately with the commission

[***]
UNQUOTE

3 PRICES

3.1 With respect to Second Batch Aircraft only, Clause 3 of the Purchase Agreement shall be deleted in its entirety and replaced by the following quoted text:

QUOTE

3 BASE PRICES

3.1 Airframe Base Price

3.1.1 The Airframe Base Price is the sum of:

(i) the base price of the A330-300 Airframe as defined in the Standard Specification (excluding Buyer Furnished Equipment), which is :

[***]

(ii) the sum of the base prices of preliminary SCNs for budgetary purpose, which is :

[***]

(iii) for A330-300 [***] Aircraft only, the base price of the [***] at:

[***]

(iv) for A330-300 [***] Aircraft only, the base price of the [***] at:

[***]

The Airframe Base Price is expressed in United States Dollars (USD) at [***] delivery conditions. It is subject to adjustment up to the Aircraft Delivery Date in accordance with the Airframe Price Revision Formula set out in EXHIBIT B hereof.

“[***]” This information is subject to confidential treatment and has been omitted and filed separately with the commission

3.2 Propulsion Systems Base Price

3.2.1 General Electric

The Propulsion Systems Base Price of a set of two (2) General Electric Propulsion Systems is:

[***]

This Base Price has been established in accordance with the delivery conditions prevailing in [***] and has been calculated from the Propulsion Systems Reference Price as defined in Appendix C1 of the Purchase Agreement.

3.2.2 Pratt and Whitney

3.2.2.1 The Propulsion Systems Base Price for a set of two (2) Pratt & Whitney PW4170 Propulsion Systems is:

[***]

This Base Price has been established in accordance with the delivery conditions prevailing in [***] and has been calculated from the Propulsion Systems Reference Price as defined in Appendix C2 of the Purchase Agreement.

3.2.2.2 The Buyer having selected the above Pratt & Whitney Propulsion Systems, the Seller shall pass through to the Buyer a Pratt & Whitney marketing allowance (the "**PW Marketing Allowance**") reducing the above Base Price of Pratt & Whitney Propulsion Systems by an amount of:

[***]

at economic conditions prevailing for a theoretical delivery in [***].

This PW Marketing Allowance has been computed from the Reference Price of [***] at economic conditions prevailing in [***] corresponding to a theoretical delivery in [***] and shall be subject to revision up to the Aircraft delivery date in accordance with the Pratt & Whitney Revision Formula as defined in Appendix C3 of the Purchase Agreement. It shall be granted upon delivery of each Aircraft, equipped with above PW 4000 series, and shall be applied against the Final Price of each Aircraft to be delivered under this Agreement.

"[*]" This information is subject to confidential treatment and has been omitted and filed separately with the commission**

3.2.3 Rolls-Royce

The Propulsion Systems Base Price of a set of two (2) Rolls-Royce Propulsion Systems is:

[***]

This Base Price has been established in accordance with the delivery conditions prevailing in [***] and has been calculated from the Propulsion Systems Reference Price as defined in Appendix C3 of the Purchase Agreement.

3.3 Base Price of the Aircraft

The Base Price of the Aircraft is the sum of the Airframe Base Price and the General Electric Propulsion Systems Base Price until the Buyer notifies the Seller of its Propulsion Systems selection. After such notification, the Base Price of the Aircraft shall be the sum of the Airframe Base Price and the selected Propulsion Systems Base Price.

UNQUOTE

3.2 With respect to Second Batch Aircraft only, the reference to “Table 6” in the definition of Material Index in (i) Clause 3 of Appendix C1, (ii) Clause 3 of Appendix C2 and (iii) Clause 3 of Appendix C3, and in the definition of Energy Index in Clause 3 of Appendix C3 to the Purchase Agreement shall be deleted and replaced by “Table 9”.

4 [***]

With respect to Second Batch Aircraft only, Clause 5.10 of the AGTA shall be deleted in its entirety and replaced by the following quoted text.

QUOTE

[***]

[***]

[***]

UNQUOTE

“[***]” This information is subject to confidential treatment and has been omitted and filed separately with the commission

5 [***]

5.1 With respect to Second Batch Aircraft only, the following quoted [***] shall be added after [***] of the AGTA:

QUOTE

[***]

[***]

UNQUOTE

5.2 With respect to Second Batch Aircraft only, [***] of the AGTA shall be deleted in its entirety and replaced by the following quoted text:

QUOTE

[***]

[***]

[***]

UNQUOTE

“[*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission**

CSN – AM3 to A330 PA dated December 2012
CT1102624 – 2015

Private & Confidential

6 DELIVERY

6.1 Second Batch Aircraft Delivery Schedule

With respect to Second Batch Aircraft only, Clause 4 of the Purchase Agreement shall be appended with the following quoted text.

QUOTE

4. Delivery Schedule

4.1 Subject to Clauses 2, 7, 8, 10 and 18 of the AGTA, the Seller shall have the Second Batch Aircraft Ready for Delivery at the Delivery Location within the following months (each a "Scheduled Delivery Month"):

Aircraft Rank	Aircraft Type	Scheduled Delivery Month
[***]	[***]	[***]
[***]	[***]	[***]
[***]	[***]	[***]

UNQUOTE

6.2 Delivery

6.2.1 With respect to Second Batch Aircraft only, [***] of the AGTA shall be deleted in its entirety and replaced by the following quoted text:

QUOTE

[***]

UNQUOTE

6.2.2 Clause 9.2 of the AGTA shall be deleted in its entirety and replaced by the following quoted text:

QUOTE

9.2.1 The Buyer shall, within seven (7) days after the date on which the Aircraft is Ready for Delivery, sign the Certificate of Acceptance, pay the Balance of the Final Price and send its representatives to the Delivery Location to take Delivery of, and collect, the Aircraft.

"[***]" This information is subject to confidential treatment and has been omitted and filed separately with the commission

9.2.2 The Seller shall deliver and transfer good title to the Aircraft free and clear of all encumbrances to the Buyer provided that the Balance of the Final Price has been paid by the Buyer pursuant to Clause 5.4 of the AGTA and that the Certificate of Acceptance has been signed and delivered to the Seller pursuant to Clause 8.3 of the AGTA. The Seller shall provide the Buyer with a bill of sale in the form of Exhibit E of the AGTA (the "**Bill of Sale**") and/or such other documentation confirming transfer of title and receipt of the Final Price as may reasonably be requested by the Buyer. Title to, property in and risk of loss of or damage to the Aircraft shall be transferred to the Buyer on Delivery.

9.2.3.1 Should the Buyer fail, within the period specified in Clause 9.2.1 above, to:

- (i) deliver the signed Certificate of Acceptance to the Seller ; or
- (ii) pay the Balance of the Final Price for the Aircraft to the Seller and take Delivery of the Aircraft;

then the Buyer shall be deemed to have rejected delivery of the Aircraft without warrant when duly tendered to it hereunder. Without prejudice to Clause 5.7 of the AGTA and the Seller's other rights under this Agreement or at law (a) the Seller shall retain title to the Aircraft and (b) the Buyer shall bear all risk of loss of or damage to the Aircraft and shall indemnify and hold the Seller harmless against any and all costs (including but not limited to any parking, storage, and insurance costs) and consequences resulting from such failure, it being understood that the Seller shall be under no duty towards the Buyer to store, park, insure, or otherwise protect the Aircraft.

9.2.3.2 Should the Buyer fail to collect the Aircraft as mentioned in Clause 9.2.1 above and without prejudice to the Seller's other rights under this Agreement or at law, the provisions of above Clause 9.2.3.1 (b) shall apply.

9.2.3.3 [***]

[***]

9.2.4 [***]

UNQUOTE

"[*]" This information is subject to confidential treatment and has been omitted and filed separately with the commission**

7 [***]

With respect to Second Batch Aircraft only, the following [***] of the AGTA shall be deleted in its entirety and replaced by the following quoted text:

QUOTE

[***]

[***]

[***]

[***]

[***]

UNQUOTE

8 [***]

8.1 With respect to Second Batch Aircraft only, the following [***] shall be added at the end of [***] of the AGTA:

QUOTE

[***]

[***]

UNQUOTE

“[*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission**

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8.2 With respect to Second Batch Aircraft only, [***] of the AGTA shall be deleted in its entirety and replaced by the following quoted text:

QUOTE

[***]

[***]

[***]

UNQUOTE

9 [***]

With respect to Second Batch Aircraft only, the following [***] of the AGTA shall be deleted in its entirety and shall be replaced by the following quoted text:

QUOTE

[***]

[***]

[***]

[***]

[***]

[***]

“[***]” **This information is subject to confidential treatment and has been omitted and filed separately with the commission**

[***]

[***]

UNQUOTE

10 EXHIBITS

- 10.1 With respect to Second Batch Aircraft only, the **Exhibit G** to the AGTA shall be deleted in its entirety and replaced by the **Exhibit G** in Appendix 2 to this Amendment N°3.
- 10.2 With respect to Second Batch Aircraft only, **Exhibit 3 Part 1** to the Purchase Agreement shall be deleted in its entirety and replaced by the **Exhibit B** to this Amendment N°3.

“[***]” **This information is subject to confidential treatment and has been omitted and filed separately with the commission**

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11 MISCELLANEOUS

- 11.1 The Parties hereby agree that this Amendment N°3 shall enter into full force and effect from the date mentioned above.
- 11.2 Except as otherwise provided by the terms and conditions hereof, this Amendment N°3 contains the entire agreement of the Parties with respect to the subject matter hereof and supersedes all other prior understandings, commitments, agreements, representations and negotiations whatsoever, oral and written, and may not be varied except by an instrument in writing of even date herewith or subsequent hereto executed by the duly authorised representatives of the Parties.
- 11.3 In the event of any inconsistency between the terms and conditions of the Agreement and those of the present Amendment N°3, the latter shall prevail to the extent of such inconsistency, whereas the part not concerned by such inconsistency shall remain in full force and effect.
- 11.4 The Amendment N°3 (and its existence) shall be treated by each Party as confidential and shall not be released or revealed in whole or in part to any third party without the prior written consent of the other Parties. In particular, each Party agrees not to make any press release concerning the whole or any part of the contents and/or subject matter hereof or of any future addendum hereto without the prior written consent of the other Parties.
- 11.5 The Parties agree that this Amendment N°3, upon execution hereof, shall constitute an integral and non-severable part of the Agreement and shall be governed by all of its provisions; as such provisions have been specifically amended pursuant to this Amendment N°3. Except as otherwise expressly modified herein, all other terms and conditions of the Agreement shall continue to be in full force and effect.
- 11.6 This Amendment N°3 may be executed by the Parties hereto in separate counterparts, each of which when so signed and delivered will be an original, but all such counterparts will together constitute but one and the same instrument.
- 11.7 This Amendment N°3 shall be governed by and construed in accordance with the laws of England. Any dispute arising out of or in connection with this Amendment N°3 shall be finally settled under the Rules of Arbitration of the International Chamber of Commerce by three (3) arbitrators appointed in accordance with such rules. Arbitration shall take place in London in the English language.
- 11.8 The parties do not intend that any term of this Amendment N°3 shall be enforceable solely by virtue of the Contracts (Rights of Third Parties) Act 1999 by any person who is not a party to this Amendment N°3. The parties may rescind, vary, waive, release, assign, novate or otherwise dispose of all or any of their respective rights or obligations under this Amendment N°3 in accordance with the terms hereof without the consent of any person who is not a party to this Amendment N°3.
- 11.9 Notwithstanding any other provision of the Agreement, this Amendment N°3 and the rights and obligation of the Buyer herein shall not be assigned or transferred in any manner, and any attempted assignment or transfer in contravention of the provisions of this Clause shall be void and of no force or effect.

“[***]” **This information is subject to confidential treatment and has been omitted and filed separately with the commission**

IN WITNESS WHEREOF, this Amendment N° 3 was entered into the day and year first above written.

Agreed and Accepted

Agreed and Accepted

For and on behalf of:

For and on behalf of:

CHINA SOUTHERN AIRLINES COMPANY LIMITED

AIRBUS S.A.S.

Name: _____

Name: _____

Title: _____

Title: _____

Signature: _____

Signature: _____

Witnessed and acknowledged,

For and on behalf of

CHINA SOUTHERN AIRLINES GROUP IMPORT AND EXPORT TRADING CORP., LTD.

Name: _____

Title: _____

Signature: _____

“***” This information is subject to confidential treatment and has been omitted and filed separately with the commission

CSN – AM3 to A330 PA dated December 2012
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Private & Confidential

IN WITNESS WHEREOF, this Amendment N° 3 was entered into the day and year first above written.

Agreed and Accepted

Agreed and Accepted

For and on behalf of:

For and on behalf of:

CHINA SOUTHERN AIRLINES COMPANY LIMITED

AIRBUS S.A.S.

Name: _____

Name: _____

Title: _____

Title: _____

Signature: _____

Signature: _____

Witnessed and acknowledged,

For and on behalf of

CHINA SOUTHERN AIRLINES GROUP IMPORT AND EXPORT TRADING CORP., LTD.

Name: _____

Title: _____

Signature: _____

“[*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission**

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AIRFRAME PRICE REVISION FORMULA**1 BASE PRICE**

The Airframe Base Price quoted in Clause 3.1 of the Amendment is subject to adjustment for changes in economic conditions as measured by data obtained from the US Department of Labor, Bureau of Labor Statistics, and in accordance with the provisions hereof.

2 BASE PERIOD

The Airframe Base Price has been established in accordance with the average economic conditions prevailing in [***],[***],[***] and corresponding to a theoretical delivery in [***] as defined by "ECIb" and "ICb" index values indicated hereafter.

3 INDEXES

Labor Index: "Employment Cost Index for Workers in Aerospace manufacturing" hereinafter referred to as "ECI336411W", quarterly published by the US Department of Labor, Bureau of Labor Statistics, in "NEWS", and found in Table 9, "WAGES and SALARIES (not seasonally adjusted): Employment Cost Indexes for Wages and Salaries for private industry workers by industry and occupational group", or such other name that may be from time to time used for the publication title and/or table, (Aircraft manufacturing, NAICS Code 336411, base month and year December 2005 = 100).

The quarterly value released for a certain month (March, June, September and December) shall be the one deemed to apply for the two preceding months.

Index code for access on the Web site of the US Bureau of Labor Statistics: CIU2023211000000I.

Material Index: "Industrial Commodities" (hereinafter referred to as "IC") as published in "PPI Detailed Report" (found in Table 9. "Producer price indexes and percent changes for commodity and service groupings and individual items not seasonally adjusted" or such other names that may be from time to time used for the publication title and/or table). (Base Year 1982 = 100).

Index code for access on the Web site of the US Bureau of Labor Statistics: WPU03THRU15.

"[*]" This information is subject to confidential treatment and has been omitted and filed separately with the commission**

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4 REVISION FORMULA

$$P_n = (P_b + F) \times [(0.75 \times (EC_{In}/EC_{Ib})) + (0.25 \times (IC_n/IC_b))]$$

Where :

P_n : Airframe Base Price as revised at the Delivery Date of the Aircraft

P_b : Base Price at economic conditions [***],[***],[***] averaged ([***] delivery conditions)

F : $(0.005 \times N \times P_b)$
where N = the calendar year of Delivery of the Aircraft minus [***]

EC_{In} : the arithmetic average of the latest published values of the ECI 336411W-Index available at the Delivery Date of the Aircraft for the 11th, 12th and 13th month prior to the month of Aircraft Delivery

EC_{Ib} : ECI 336411W-Index for [***],[***],[***] averaged (= [***])

IC_n : the arithmetic average of the latest published values of the IC-Index available at the Delivery Date of the Aircraft for the 11th, 12th and 13th month prior to the month of Aircraft Delivery

IC_b : IC-Index for [***],[***],[***], averaged (= [***])

5 GENERAL PROVISIONS**5.1 Roundings**

The Labor Index average and the Material Index average shall be computed to the first decimal. If the next succeeding place is five (5) or more, the preceding decimal place shall be raised to the next higher figure.

Each quotient (EC_{In}/EC_{Ib}) and (IC_n/IC_b) shall be rounded to the nearest ten-thousandth (4 decimals). If the next succeeding place is five (5) or more, the preceding decimal place shall be raised to the next higher figure.

The final factor $[(0.75 \times (EC_{In}/EC_{Ib})) + (0.25 \times (IC_n/IC_b))]$ shall be rounded to the nearest ten-thousandth (4 decimals).

The final price shall be rounded to the nearest whole number (0.5 or more rounded to 1).

“***” This information is subject to confidential treatment and has been omitted and filed separately with the commission

5.2 Substitution of Indexes for Airframe Price Revision Formula

If:

- (i) the United States Department of Labor substantially revises the methodology of calculation of the Labor Index or the Material Index as used in the Airframe Price Revision Formula, or
- (ii) the United States Department of Labor discontinues, either temporarily or permanently, such Labor Index or such Material Index, or
- (iii) the data samples used to calculate such Labor Index or such Material Index are substantially changed;

the Seller shall select a substitute index for inclusion in the Airframe Price Revision Formula (the "Substitute Index").

The Substitute Index shall reflect as closely as possible the actual variance of the Labor Costs or of the material costs used in the calculation of the original Labor Index or Material Index as the case may be.

As a result of the selection of the Substitute Index, the Seller shall make an appropriate adjustment to the Airframe Price Revision Formula to combine the successive utilization of the original Labor Index or Material Index (as the case may be) and of the Substitute Index.

5.3 Final Index Values

The Index values as defined in Clause 4 above shall be considered final and no further adjustment to the base prices as revised at Delivery of the Aircraft shall be made after Aircraft Delivery for any subsequent changes in the published Index values.

5.4 Limitation

Should the sum of $[(0.75 \times (ECIn/ECIb)) + (0.25 \times (ICn/ICb))]$ be less than 1, Pn shall be equal to Pb + F.

“[***]” **This information is subject to confidential treatment and has been omitted and filed separately with the commission**

TECHNICAL DATA & SOFTWARE

“*******” This information is subject to confidential treatment and has been omitted and filed separately with the commission

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TECHNICAL DATA & SOFTWARE

Where applicable, data shall be established in general compliance with the ATA 100 Information Standards for Aviation Maintenance and the applicable provisions for digital standard of ATA Specification 2200 (iSpec2200).

The Seller shall provide the Buyer with the following Technical Data (or such other equivalent Technical Data as may be applicable at the time of their provision to the Buyer).

1- Airbus Flight Operations Data Package

The Airbus Flight Operations Data Package encompasses the following customised operational manuals required to operate the Aircraft:

- Flight Manual (FM),
- Flight Crew Operating Manual (FCOM),
- Flight Crew Training Manual (FCTM),
- Quick Reference Handbook (QRH),
- Cabin Crew Operating Manual (CCOM),
- Master Minimum Equipment List (MMEL),
- Weight and Balance Manual (WBM).

1.1- Format of Data

The Flight Operations Data Package shall be available on-line through the Seller's customer portal AirbusWorld in eXtensible Mark-up Language (XML), for downloading and further data processing and customization, and/or in Portable Document Format (PDF), as applicable.

In addition, the Seller shall make available up to a maximum of two (2) QRH sets per Aircraft in paper format.

Upon the Buyer's request, a back-up copy of the manuals of the Flight Operations Data Package may be provided off-line on CD or DVD.

1.2- Availability Schedule

The Airbus Flight Operations Data Package, reflecting the Buyer's Aircraft configuration, shall be available to the Buyer ninety (90) days before the Scheduled Delivery Month of the first Aircraft.

A preliminary customized MMEL shall be available one hundred eighty (180) days prior to the Scheduled Delivery Month of the first Aircraft.

The final issue of WBM and FM shall be made available at the time of each Aircraft Delivery.

2- Airbus Maintenance Technical Data Package

“[*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission**

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The Airbus Maintenance Technical Data Package encompasses the following customised maintenance data required for on-aircraft maintenance to ensure the continued airworthiness of the Aircraft:

- Aircraft Maintenance Manual (AMM),
- Aircraft Wiring Manual (AWM),
- Aircraft Schematics Manual (ASM),
- Aircraft Wiring Lists (AWL),
- Illustrated Part Catalog (IPC),
- Trouble Shooting Manual (TSM).

2.1- Format of Data

The Airbus Maintenance Technical Data Package shall be available in the AirN@v/Maintenance module of the AirN@v software and shall be accessible on-line through the Seller's customer portal AirbusWorld.

In addition, if so requested by the Buyer, the corresponding raw data in Standard Generalized Mark-up Language (SGML) format shall also be made available for download from the Seller's customer portal AirbusWorld.

Upon the Buyer's request, a back-up copy of the data of the Airbus Maintenance Technical Data Package may be provided off-line on CD or DVD.

2.2- Availability Schedule

The Airbus Maintenance Technical Data Package, reflecting the Buyer's Aircraft configuration, shall be available to the Buyer ninety (90) days before the Scheduled Delivery Month of the first Aircraft.

Upon the Buyer's request, where applicable, preliminary customized maintenance data may be available one hundred and eighty (180) days prior to the Scheduled Delivery Month of the first Aircraft.

3- Non-customized Technical Data

Non-customised Technical Data, provided as part of the Maintenance Technical Data Package, shall be made available to the Buyer either in the corresponding AirN@v software module, as detailed in Clause 14.9 of the Agreement, or in PDF format, as applicable.

The Technical Data belonging to each AirN@v module and/or available in PDF format shall be as listed in the Seller's Customer Services Catalog current at the time of the delivery of the Technical Data.

Non-customised Technical Data shall be made available to the Buyer in accordance with a schedule to be mutually agreed between the Buyer and Seller no later than eighteen (18) months prior to the Scheduled Delivery Month of the first Aircraft.

“[*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission**

4- Additional Technical Data

4.1 In addition to the Flight Operations Data Package and the Maintenance Technical Data Package, the Seller shall provide, at Delivery of each Aircraft, on-line access to the Aircraft mechanical drawings that cover installation of structure and systems fitted on the Buyer's Aircraft at Delivery.

4.2 Within thirty (30) days after the Delivery of each Aircraft, the Seller shall provide:

- the weighing report, for integration into the WBM by the Buyer,
- the Electrical Load Analysis (ELA), in a format allowing further updating by the Buyer.

“[***]” **This information is subject to confidential treatment and has been omitted and filed separately with the commission**

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LETTER AGREEMENT N° 1

CHINA SOUTHERN AIRLINES COMPANY LIMITED

N°278, Airport Road Baiyun District,
Guangzhou 510405
People's Republic of China

Subject : [*]**

CHINA SOUTHERN AIRLINES COMPANY LIMITED (the "**Buyer**"), AIRBUS S.A.S. (the "**Seller**") and CHINA SOUTHERN AIRLINES GROUP IMPORT AND EXPORT TRADING CORP., LTD. (the "**Consenting Party**") have entered into:

- (I) an aircraft general terms agreement dated February 2nd, 2010 (the "**AGTA**"); and
- (II) an A330-300 aircraft purchase agreement dated as of December 5th, 2012 (the "**Purchase Agreement**"); and
- (III) an amendment N°1 to the Purchase Agreement (the "**Amendment N°1**") on July 1st, 2014; and
- (IV) an amendment N°2 to the Purchase Agreement (the "**Amendment N°2**") on February 20th, 2015

hereinafter collectively referred to as the "**Agreement**".

The Buyer and the Seller, with the consent of the Consenting Party, have entered on even date herewith into an amendment N°3 to the Agreement (the "**Amendment N°3**"), which cover the manufacture and the sale by the Seller and the purchase by the Buyer of the Second Batch Aircraft as described in the Amendment N°3.

Capitalized terms used herein and not otherwise defined in this Letter Agreement shall have the meanings assigned thereto in the Agreement or in Amendment N°3.

The Seller and the Buyer and the Consenting Party are referred to together as the "**Parties**" and each a "**Party**".

The Parties agree that this Letter Agreement, upon execution thereof, shall constitute an integral, nonseverable part of the Amendment N°3 and shall be governed by all its provisions, as such provisions have been specifically amended pursuant to this Letter Agreement.

If there is any inconsistency between the Agreement, the Amendment N°3 and this Letter Agreement, the latter shall prevail to the extent of such inconsistency.

"[*]" This information is subject to confidential treatment and has been omitted and filed separately with the commission**

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LETTER AGREEMENT N° 1

1 [***]

[***]

[***]

2 [***]

2.1 [***]

[***]

2.2 [***]

[***]

[***]

2.3 [***]

3 [***]

[***]

“[***]” This information is subject to confidential treatment and has been omitted and filed separately with the commission

LETTER AGREEMENT N° 1

4 Assignment

Notwithstanding any other provision of this Letter Agreement, the Agreement or the Amendment N°3, this Letter Agreement and the rights and obligations of the Buyer herein shall not be assigned or transferred in any manner without the prior written consent of the Seller, and any attempted assignment or transfer in contravention of the provisions of this Clause shall be void and of no force or effect.

5 Confidentiality

For the purpose of this Clause 5, the “Buyer” shall be deemed to include a reference to the Consenting Party.

This Letter Agreement (and its existence) shall be treated by the Parties as confidential and shall not, except as otherwise set out below, be released (or revealed) in whole or in part to any third party without the prior consent of the Parties. In particular, each Party agrees not to make any press release concerning the whole or any part of the contents and/or subject matter hereof or of any future addendum hereto without the prior consent of the other Parties. Notwithstanding the foregoing, in the event that any law, regulation, stock exchange or government authority requires the disclosure of this Letter Agreement (or its existence) or any part thereof, the party which is subject to such requirement shall advise the other party of what is required and proposed to be disclosed and the Parties shall consult with a view to (i) limiting any such disclosure to what is strictly required and (ii) obtaining (to the extent possible) the assurance of the party to whom such disclosure is made that any such disclosure will be treated confidentially.

“[*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission**

LETTER AGREEMENT N° 1

If the foregoing correctly sets forth our understanding, please execute three (3) originals in the space provided below and return one (1) original of this Letter Agreement to the Seller.

Agreed and Accepted

Agreed and Accepted

For and on behalf of:

For and on behalf of:

CHINA SOUTHERN AIRLINES COMPANY LIMITED

AIRBUS S.A.S.

By : _____

By : _____

Its : _____

Its : _____

Witnessed and acknowledged,

For and on behalf of

**CHINA SOUTHERN AIRLINES GROUP IMPORT AND EXPORT TRADING
CORP., LTD.**

By : _____

Its : _____

Date : _____

“***” This information is subject to confidential treatment and has been omitted and filed separately with the commission

LETTER AGREEMENT N° 1

If the foregoing correctly sets forth our understanding, please execute three (3) originals in the space provided below and return one (1) original of this Letter Agreement to the Seller.

Agreed and Accepted

Agreed and Accepted

For and on behalf of:

For and on behalf of:

CHINA SOUTHERN AIRLINES COMPANY LIMITED

AIRBUS S.A.S.

By : _____

By : _____

Its : _____

Its : _____

Witnessed and acknowledged,

For and on behalf of

**CHINA SOUTHERN AIRLINES GROUP IMPORT AND EXPORT TRADING
CORP., LTD.**

By : _____

Its : _____

Date : _____

“[***]” This information is subject to confidential treatment and has been omitted and filed separately with the commission

LETTER AGREEMENT N° 2

CHINA SOUTHERN AIRLINES COMPANY LIMITED

N°278, Airport Road Baiyun District,
Guangzhou 510405
People's Republic of China

Subject : [*]**

CHINA SOUTHERN AIRLINES COMPANY LIMITED (the "**Buyer**"), AIRBUS S.A.S. (the "**Seller**") and CHINA SOUTHERN AIRLINES GROUP IMPORT AND EXPORT TRADING CORP., LTD. (the "**Consenting Party**") have entered into:

- (I) an aircraft general terms agreement dated February 2nd, 2010 (the "**AGTA**"); and
- (II) an A330-300 aircraft purchase agreement dated as of December 5th, 2012 (the "**Purchase Agreement**"); and
- (III) an amendment N°1 to the Purchase Agreement (the "**Amendment N°1**") on July 1st, 2014; and
- (IV) an amendment N°2 to the Purchase Agreement (the "**Amendment N°2**") on February 20th, 2015

hereinafter collectively referred to as the "**Agreement**".

The Buyer and the Seller, with the consent of the Consenting Party, have entered on even date herewith into an amendment N°3 to the Purchase Agreement (the "**Amendment N°3**"), which cover the manufacture and the sale by the Seller and the purchase by the Buyer of the Second Batch Aircraft as described in the Amendment N°3.

Capitalized terms used herein and not otherwise defined in this Letter Agreement shall have the meanings assigned thereto in the Agreement or in the Amendment N°3.

The Seller and the Buyer and the Consenting Party are referred to together as the "**Parties**" and each a "**Party**".

The Parties agree that this Letter Agreement, upon execution thereof, shall constitute an integral, nonseverable part of the Amendment N°3 and shall be governed by all its provisions, as such provisions have been specifically amended pursuant to this Letter Agreement.

If there is any inconsistency between the Agreement, the Amendment N°3 and this Letter Agreement, the latter shall prevail to the extent of such inconsistency.

"[*]" This information is subject to confidential treatment and has been omitted and filed separately with the commission**

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LETTER AGREEMENT N° 2

1 [***]

1.1 [***]

[***]

[***]

[***]

1.2 [***]

[***]

[***]

[***]

1.3 [***]

[***]

[***]

[***]

“[***]” This information is subject to confidential treatment and has been omitted and filed separately with the commission

LETTER AGREEMENT N° 2

1.4 [***]

[***]

[***]

[***]

1.5 [***]

[***]

[***]

[***]

1.6 [***]

[***]

[***]

[***]

“[*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission**

LETTER AGREEMENT N° 2

[***]

1.7 [***]

[***]

[***]

[***]

[***]

1.8 [***]

[***]

[***]

[***]

2 Assignment

Notwithstanding any other provision of this Letter Agreement, the Agreement or the Amendment N°3, this Letter Agreement and the rights and obligations of the Buyer herein shall not be assigned or transferred in any manner without the prior written consent of the Seller, and any attempted assignment or transfer in contravention of the provisions of this Clause shall be void and of no force or effect.

“[***]” This information is subject to confidential treatment and has been omitted and filed separately with the commission

LETTER AGREEMENT N° 2

3 Confidentiality

For the purpose of this Clause 3, the “Buyer” shall be deemed to include a reference to the Consenting Party.

This Letter Agreement (and its existence) shall be treated by the Parties as confidential and shall not, except as otherwise set out below, be released (or revealed) in whole or in part to any third party without the prior consent of the Parties. In particular, each Party agrees not to make any press release concerning the whole or any part of the contents and/or subject matter hereof or of any future addendum hereto without the prior consent of the other Parties. Notwithstanding the foregoing, in the event that any law, regulation, stock exchange or government authority requires the disclosure of this Letter Agreement (or its existence) or any part thereof, the Party which is subject to such requirement shall advise the other Party of what is required and proposed to be disclosed and the parties shall consult with a view to (i) limiting any such disclosure to what is strictly required and (ii) obtaining (to the extent possible) the assurance of the party to whom such disclosure is made that any such disclosure will be treated confidentially.

“[***]” **This information is subject to confidential treatment and has been omitted and filed separately with the commission**

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LETTER AGREEMENT N° 2

If the foregoing correctly sets forth our understanding, please execute three (3) originals in the space provided below and return one (1) original of this Letter Agreement to the Seller.

Agreed and Accepted

Agreed and Accepted

For and on behalf of:

For and on behalf of:

CHINA SOUTHERN AIRLINES COMPANY LIMITED

AIRBUS S.A.S.

By : _____

By : _____

Its : _____

Its : _____

Witnessed and acknowledged,

For and on behalf of

CHINA SOUTHERN AIRLINES GROUP IMPORT AND EXPORT TRADING CORP., LTD.

By : _____

Its : _____

Date : _____

“***” This information is subject to confidential treatment and has been omitted and filed separately with the commission

LETTER AGREEMENT N° 2

If the foregoing correctly sets forth our understanding, please execute three (3) originals in the space provided below and return one (1) original of this Letter Agreement to the Seller.

Agreed and Accepted

Agreed and Accepted

For and on behalf of:

For and on behalf of:

CHINA SOUTHERN AIRLINES COMPANY LIMITED

AIRBUS S.A.S.

By : _____

By : _____

Its : _____

Its : _____

Witnessed and acknowledged,

For and on behalf of

CHINA SOUTHERN AIRLINES GROUP IMPORT AND EXPORT TRADING CORP., LTD.

By : _____

Its : _____

Date : _____

“***” This information is subject to confidential treatment and has been omitted and filed separately with the commission



LETTER AGREEMENT N° 3

CHINA SOUTHERN AIRLINES COMPANY LIMITED

N°278, Airport Road Baiyun District,
Guangzhou 510405
People's Republic of China

Subject : [*]**

CHINA SOUTHERN AIRLINES COMPANY LIMITED (the "**Buyer**"), AIRBUS S.A.S. (the "**Seller**") and CHINA SOUTHERN AIRLINES GROUP IMPORT AND EXPORT TRADING CORP., LTD. (the "**Consenting Party**") have entered into:

- (I) an aircraft general terms agreement dated February 2nd, 2010 (the "**AGTA**"); and
- (II) an A330-300 aircraft purchase agreement dated as of December 5th, 2012 (the "**Purchase Agreement**"); and
- (III) an amendment N°1 to the Purchase Agreement (the "**Amendment N°1**") on July 1st, 2014; and
- (IV) an amendment N°2 to the Purchase Agreement (the "**Amendment N°2**") on February 20th, 2015

hereinafter collectively referred to as the "**Agreement**".

The Buyer and the Seller, with the consent of the Consenting Party, have entered on even date herewith into an amendment N°3 to the Purchase Agreement (the "**Amendment N°3**"), which cover the manufacture and the sale by the Seller and the purchase by the Buyer of the Second Batch Aircraft as described in the Amendment N°3.

Capitalized terms used herein and not otherwise defined in this Letter Agreement shall have the meanings assigned thereto in the Agreement or in Amendment N°3.

The Seller and the Buyer and the Consenting Party are referred to together as the "**Parties**" and each a "**Party**".

The Parties agree that this Letter Agreement, upon execution thereof, shall constitute an integral, nonseverable part of the Amendment N°3 and shall be governed by all its provisions, as such provisions have been specifically amended pursuant to this Letter Agreement.

If there is any inconsistency between the Agreement, the Amendment N°3 and this Letter Agreement, the latter shall prevail to the extent of such inconsistency.

"[*]" This information is subject to confidential treatment and has been omitted and filed separately with the commission**

LETTER AGREEMENT N° 3

1 [***]

1.1 [***]

[***]

[***]

[***]

[***]

[***]

[***]

[***]

[***]

“[***]” This information is subject to confidential treatment and has been omitted and filed separately with the commission

LETTER AGREEMENT N° 3

1.2 [***]

1.3 [***]

2 Assignment

Notwithstanding any other provision of this Letter Agreement, the Agreement or the Amendment N°3, this Letter Agreement and the rights and obligations of the Buyer herein shall not be assigned or transferred in any manner without the prior written consent of the Seller, and any attempted assignment or transfer in contravention of the provisions of this Clause shall be void and of no force or effect.

3 Confidentiality

For the purpose of this Clause 3, the “Buyer” shall be deemed to include a reference to the Consenting Party.

This Letter Agreement (and its existence) shall be treated by the Parties as confidential and shall not, except as otherwise set out below, be released (or revealed) in whole or in part to any third party without the prior consent of the Parties. In particular, each Party agrees not to make any press release concerning the whole or any part of the contents and/or subject matter hereof or of any future addendum hereto without the prior consent of the other Parties. Notwithstanding the foregoing, in the event that any law, regulation, stock exchange or government authority requires the disclosure of this Letter Agreement (or its existence) or any part thereof, the Party which is subject to such requirement shall advise the other party of what is required and proposed to be disclosed and the Parties shall consult with a view to (i) limiting any such disclosure to what is strictly required and (ii) obtaining (to the extent possible) the assurance of the party to whom such disclosure is made that any such disclosure will be treated confidentially.

“[*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission**

LETTER AGREEMENT N° 3

If the foregoing correctly sets forth our understanding, please execute three (3) originals in the space provided below and return one (1) original of this Letter Agreement to the Seller.

Agreed and Accepted

Agreed and Accepted

For and on behalf of:

For and on behalf of:

CHINA SOUTHERN AIRLINES COMPANY LIMITED

AIRBUS S.A.S.

By : _____

By : _____

Its : _____

Its : _____

Witnessed and acknowledged,

For and on behalf of

CHINA SOUTHERN AIRLINES GROUP IMPORT AND EXPORT TRADING CORP., LTD.

By : _____

Its : _____

Date : _____

“[***]” This information is subject to confidential treatment and has been omitted and filed separately with the commission

LETTER AGREEMENT N° 3

If the foregoing correctly sets forth our understanding, please execute three (3) originals in the space provided below and return one (1) original of this Letter Agreement to the Seller.

Agreed and Accepted

Agreed and Accepted

For and on behalf of:

For and on behalf of:

CHINA SOUTHERN AIRLINES COMPANY LIMITED

AIRBUS S.A.S.

By : _____

By : _____

Its : _____

Its : _____

Witnessed and acknowledged,

For and on behalf of

CHINA SOUTHERN AIRLINES GROUP IMPORT AND EXPORT TRADING CORP., LTD.

By : _____

Its : _____

Date : _____

“[***]” This information is subject to confidential treatment and has been omitted and filed separately with the commission

LETTER AGREEMENT N° 4

CHINA SOUTHERN AIRLINES COMPANY LIMITED

N°278, Airport Road Baiyun District,
Guangzhou 510405
People's Republic of China

Subject : [*]**

CHINA SOUTHERN AIRLINES COMPANY LIMITED (the "**Buyer**"), AIRBUS S.A.S. (the "**Seller**") and CHINA SOUTHERN AIRLINES GROUP IMPORT AND EXPORT TRADING CORP., LTD. (the "**Consenting Party**") have entered into:

- (I) an aircraft general terms agreement dated February 2nd, 2010 (the "**AGTA**"); and
- (II) an A330-300 aircraft purchase agreement dated as of December 5th, 2012 (the "**Purchase Agreement**"); and
- (III) an amendment N°1 to the Purchase Agreement (the "**Amendment N°1**") on July 1st, 2014; and
- (IV) an amendment N°2 to the Purchase Agreement (the "**Amendment N°2**") on February 20th, 2015

hereinafter collectively referred to as the "**Agreement**".

The Buyer and the Seller, with the consent of the Consenting Party, have entered on even date herewith into an amendment N°3 to the Purchase Agreement (the "**Amendment N°3**"), which cover the manufacture and the sale by the Seller and the purchase by the Buyer of the Second Batch Aircraft as described in the Amendment N°3.

Capitalized terms used herein and not otherwise defined in this Letter Agreement shall have the meanings assigned thereto in the Agreement or in Amendment N°3.

The Seller and the Buyer and the Consenting Party are referred to together as the "**Parties**" and each a "**Party**".

The Parties agree that this Letter Agreement, upon execution thereof, shall constitute an integral, nonseverable part of the Amendment N°3 and shall be governed by all its provisions, as such provisions have been specifically amended pursuant to this Letter Agreement.

If there is any inconsistency between the Agreement, the Amendment N°3 and this Letter Agreement, the latter shall prevail to the extent of such inconsistency.

"[*]" This information is subject to confidential treatment and has been omitted and filed separately with the commission**

LETTER AGREEMENT N° 4

1 [***]
 [***]
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 [***]
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 [***]
 [***]

“***” This information is subject to confidential treatment and has been omitted and filed separately with the commission

LETTER AGREEMENT N° 4

2 [***]

[***]

[***]

3 Assignment

Notwithstanding any other provision of this Letter Agreement, the Agreement or the Amendment N°3, this Letter Agreement and the rights and obligations of the Buyer herein shall not be assigned or transferred in any manner without the prior written consent of the Seller, and any attempted assignment or transfer in contravention of the provisions of this Clause shall be void and of no force or effect.

4 Confidentiality

For the purpose of this Clause 4, the “Buyer” shall be deemed to include a reference to the Consenting Party.

This Letter Agreement (and its existence) shall be treated by the Parties as confidential and shall not, except as otherwise set out below, be released (or revealed) in whole or in part to any third party without the prior consent of the Parties. In particular, each Party agrees not to make any press release concerning the whole or any part of the contents and/or subject matter hereof or of any future addendum hereto without the prior consent of the other Parties. Notwithstanding the foregoing, in the event that any law, regulation, stock exchange or government authority requires the disclosure of this Letter Agreement (or its existence) or any part thereof, the Party which is subject to such requirement shall advise the other Party of what is required and proposed to be disclosed and the Parties shall consult with a view to (i) limiting any such disclosure to what is strictly required and (ii) obtaining (to the extent possible) the assurance of the party to whom such disclosure is made that any such disclosure will be treated confidentially.

“[***]” **This information is subject to confidential treatment and has been omitted and filed separately with the commission**

LETTER AGREEMENT N° 4

If the foregoing correctly sets forth our understanding, please execute three (3) originals in the space provided below and return one (1) original of this Letter Agreement to the Seller.

Agreed and Accepted

Agreed and Accepted

For and on behalf of:

For and on behalf of:

CHINA SOUTHERN AIRLINES COMPANY LIMITED

AIRBUS S.A.S.

By : _____

By : _____

Its : _____

Its : _____

Witnessed and acknowledged,

For and on behalf of

CHINA SOUTHERN AIRLINES GROUP IMPORT AND EXPORT TRADING CORP., LTD.

By : _____

Its : _____

Date : _____

“[***]” This information is subject to confidential treatment and has been omitted and filed separately with the commission

LETTER AGREEMENT N° 4

If the foregoing correctly sets forth our understanding, please execute three (3) originals in the space provided below and return one (1) original of this Letter Agreement to the Seller.

Agreed and Accepted

Agreed and Accepted

For and on behalf of:

For and on behalf of:

CHINA SOUTHERN AIRLINES COMPANY LIMITED

AIRBUS S.A.S.

By : _____

By : _____

Its : _____

Its : _____

Witnessed and acknowledged,

For and on behalf of

CHINA SOUTHERN AIRLINES GROUP IMPORT AND EXPORT TRADING CORP., LTD.

By : _____

Its : _____

Date : _____

“[***]” This information is subject to confidential treatment and has been omitted and filed separately with the commission

LETTER AGREEMENT N° 5

CHINA SOUTHERN AIRLINES COMPANY LIMITED

278 Airport Road,
Baiyun District
Guangzhou 510405
People's Republic of China

Subject : [*]**

CHINA SOUTHERN AIRLINES COMPANY LIMITED (the "**Buyer**"), AIRBUS S.A.S. (the "**Seller**") and CHINA SOUTHERN AIRLINES GROUP IMPORT AND EXPORT TRADING CORP., LTD. (the "**Consenting Party**") have entered into:

- (I) an aircraft general terms agreement dated February 2nd, 2010 (the "**AGTA**"); and
- (II) an A330-300 aircraft purchase agreement dated as of December 5thP, 2012 (the "**Purchase Agreement**"); and
- (III) an amendment N°1 to the Purchase Agreement (the "**Amendment N°1**") on July 1stP, 2014; and
- (IV) an amendment N°2 to the Purchase Agreement (the "**Amendment N°2**") on February 20thP, 2015

hereinafter collectively referred to as the "**Agreement**".

The Buyer and the Seller, with the consent of the Consenting Party, have entered on even date herewith into an amendment N°3 to the Purchase Agreement (the "**Amendment N°3**"), which cover the manufacture and the sale by the Seller and the purchase by the Buyer of the Second Batch Aircraft as described in the Amendment N°3.

Capitalized terms used herein and not otherwise defined in this Letter Agreement shall have the meanings assigned thereto in the Agreement or in Amendment N°3.

The Seller and the Buyer and the Consenting Party are referred to together as the "**Parties**" and each a "**Party**".

The Parties agree that this Letter Agreement, upon execution thereof, shall constitute an integral, nonseverable part of the Amendment N°3 and shall be governed by all its provisions, as such provisions have been specifically amended pursuant to this Letter Agreement.

If there is any inconsistency between the Agreement, the Amendment N°3 and this Letter Agreement, the latter shall prevail to the extent of such inconsistency.

"[*]" This information is subject to confidential treatment and has been omitted and filed separately with the commission**

CSN – AM3 to A330 PA dated December 2012
CT1102624 - 2015

LA5

Page 1/7
Private & Confidential

LETTER AGREEMENT N° 5

1 [***]

1.1 [***]

[***]

1.2 [***]

2 [***]

[***]

2.1 [***]

2.2 [***]

2.3 [***]

3 [***]

[***]

[***]

“[*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission**

LETTER AGREEMENT N° 5

4. [***]

[***]

5 [***]

[***]

[***]

6 [***]

[***]

“[***]” This information is subject to confidential treatment and has been omitted and filed separately with the commission

LETTER AGREEMENT N° 5

7 [***]

7.1 [***]

[***]

7.2 [***]

[***]

7.3 [***]

[***]

“[***]” This information is subject to confidential treatment and has been omitted and filed separately with the commission

LETTER AGREEMENT N° 5

7.4 [***]

[***]

7.5 [***]

[***]

[***]

[***]

8. Assignment

Notwithstanding any other provision of this Letter Agreement, the Agreement or the Amendment N°3, this Letter Agreement and the rights and obligations of the Buyer herein shall not be assigned or transferred in any manner without the prior written consent of the Seller, and any attempted assignment or transfer in contravention of the provisions of this Clause shall be void and of no force or effect..

“[*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission**

CSN – AM3 to A330 PA dated December 2012
CT1102624 - 2015

LA5

Page 5/7
Private & Confidential

LETTER AGREEMENT N° 5

9. Confidentiality

For the purpose of this Clause 9, the “Buyer” shall be deemed to include a reference to the Consenting Party.

This Letter Agreement (and its existence) shall be treated by the Parties as confidential and shall not, except as otherwise set out below, be released (or revealed) in whole or in part to any third party without the prior consent of the Parties. In particular, each Party agrees not to make any press release concerning the whole or any part of the contents and/or subject matter hereof or of any future addendum hereto without the prior consent of the other parties. Notwithstanding the foregoing, in the event that any law, regulation, stock exchange or government authority requires the disclosure of this Letter Agreement (or its existence) or any part thereof, the Party which is subject to such requirement shall advise the other Party of what is required and proposed to be disclosed and the Parties shall consult with a view to (i) limiting any such disclosure to what is strictly required and (ii) obtaining (to the extent possible) the assurance of the party to whom such disclosure is made that any such disclosure will be treated confidentially.

“[*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission**

LETTER AGREEMENT N° 5

If the foregoing correctly sets forth our understanding, please execute three (3) originals in the space provided below and return one (1) original of this Letter Agreement to the Seller.

Agreed and Accepted

Agreed and Accepted

For and on behalf of:

For and on behalf of:

CHINA SOUTHERN AIRLINES COMPANY LIMITED

AIRBUS S.A.S.

By : _____

By : _____

Its : _____

Its : _____

Witnessed and acknowledged,

For and on behalf of

CHINA SOUTHERN AIRLINES GROUP IMPORT AND EXPORT TRADING CORP., LTD.

By : _____

Its : _____

Date : _____

“***” This information is subject to confidential treatment and has been omitted and filed separately with the commission



LETTER AGREEMENT N° 5

If the foregoing correctly sets forth our understanding, please execute three (3) originals in the space provided below and return one (1) original of this Letter Agreement to the Seller.

Agreed and Accepted

Agreed and Accepted

For and on behalf of:

For and on behalf of:

CHINA SOUTHERN AIRLINES COMPANY LIMITED

AIRBUS S.A.S.

By : _____

By : _____

Its : _____

Its : _____

Witnessed and acknowledged,

For and on behalf of

CHINA SOUTHERN AIRLINES GROUP IMPORT AND EXPORT TRADING CORP., LTD.

By : _____

Its : _____

Date : _____

“[***]” This information is subject to confidential treatment and has been omitted and filed separately with the commission

LETTER AGREEMENT N° 6

CHINA SOUTHERN AIRLINES COMPANY LIMITED

N°278, Airport Road Baiyun District,
Guangzhou 510405
People's Republic of China

Subject : [*]**

CHINA SOUTHERN AIRLINES COMPANY LIMITED (the "**Buyer**"), AIRBUS S.A.S. (the "**Seller**") and CHINA SOUTHERN AIRLINES GROUP IMPORT AND EXPORT TRADING CORP., LTD. (the "**Consenting Party**") have entered into:

- (I) an aircraft general terms agreement dated February 2nd, 2010 (the "**AGTA**"); and
- (II) an A330-300 aircraft purchase agreement dated December 5th, 2012 (the "**Purchase Agreement**"); and
- (III) an amendment N°1 to the Purchase Agreement (the "**Amendment N°1**") dated July 1st, 2014; and
- (IV) an amendment N°2 to the Purchase Agreement (the "**Amendment N°2**") on February 20th, 2015

hereinafter collectively referred to as the "**Agreement**".

The Buyer and the Seller, with the consent of the Consenting Party, have entered on even date herewith into an amendment N°3 to the Purchase Agreement (the "**Amendment N°3**"), which covers the manufacture and the sale by the Seller and the purchase by the Buyer of the Second Batch Aircraft as described in the Amendment N°3.

Capitalized terms used herein and not otherwise defined in this Letter Agreement shall have the meanings assigned thereto in the Agreement or in Amendment N°3.

The Seller and the Buyer and the Consenting Party are referred to together as the "**Parties**" and each a "**Party**".

The Parties agree that this Letter Agreement, upon execution thereof, shall constitute an integral, nonseverable part of the Amendment N°3 and shall be governed by all its provisions, as such provisions have been specifically amended pursuant to this Letter Agreement.

If there is any inconsistency between the Agreement, the Amendment N°3 and this Letter Agreement, the latter shall prevail to the extent of such inconsistency.

"[*]" This information is subject to confidential treatment and has been omitted and filed separately with the commission**

LETTER AGREEMENT N° 6

1 Performance guarantees

The guarantees applicable to the Second Batch Aircraft are attached in the following appendixes hereto:

Appendix	Weight Variant (MTOW / MLW / MZFW)	Propulsion Systems
1	[***]	[***]
2	[***]	[***]
3	[***]	[***]
4	[***]	[***]
5	[***]	[***]
6	[***]	[***]
7	[***]	[***]
8	[***]	[***]
9	[***]	[***]

2 Assignment

Notwithstanding any other provision of this Letter Agreement, the Agreement or the Amendment N°3, this Letter Agreement and the rights and obligations of the Buyer herein shall not be assigned or transferred in any manner without the prior written consent of the Seller, and any attempted assignment or transfer in contravention of the provisions of this Clause shall be void and of no force or effect

3 Confidentiality

For the purpose of this Clause 3, the “Buyer” shall be deemed to include a reference to the Consenting Party.

This Letter Agreement (and its existence) shall be treated by the Parties as confidential and shall not, except as otherwise set out below, be released (or revealed) in whole or in part to any third party without the prior consent of the Parties. In particular, each Party agrees not to make any press release concerning the whole or any part of the contents and/or subject matter hereof or of any future addendum hereto without the prior consent of the other Parties. Notwithstanding the foregoing, in the event that any law, regulation, stock exchange or government authority requires the disclosure of this Letter Agreement (or its existence) or any part thereof, the Party which is subject to such requirement shall advise the other Party of what is required and proposed to be disclosed and the parties shall consult with a view to (i) limiting any such disclosure to what is strictly required and (ii) obtaining (to the extent possible) the assurance of the party to whom such disclosure is made that any such disclosure will be treated confidentially.

“[***]” This information is subject to confidential treatment and has been omitted and filed separately with the commission

LETTER AGREEMENT N° 6

If the foregoing correctly sets forth our understanding, please execute three (3) originals in the space provided below and return one (1) original of this Letter Agreement to the Seller.

Agreed and Accepted

Agreed and Accepted

For and on behalf of:

For and on behalf of:

CHINA SOUTHERN AIRLINES COMPANY LIMITED

AIRBUS S.A.S.

By : _____

By : _____

Its : _____

Its : _____

Witnessed and acknowledged,

For and on behalf of

CHINA SOUTHERN AIRLINES GROUP IMPORT AND EXPORT TRADING CORP., LTD.

By : _____

Its : _____

Date : _____

“[***]” This information is subject to confidential treatment and has been omitted and filed separately with the commission

LETTER AGREEMENT N° 6

If the foregoing correctly sets forth our understanding, please execute three (3) originals in the space provided below and return one (1) original of this Letter Agreement to the Seller.

Agreed and Accepted

Agreed and Accepted

For and on behalf of:

For and on behalf of:

CHINA SOUTHERN AIRLINES COMPANY LIMITED

AIRBUS S.A.S.

By : _____

By : _____

Its : _____

Its : _____

Witnessed and acknowledged,

For and on behalf of

CHINA SOUTHERN AIRLINES GROUP IMPORT AND EXPORT TRADING CORP., LTD.

By : _____

Its : _____

Date : _____

“[***]” This information is subject to confidential treatment and has been omitted and filed separately with the commission



- 1. [***]
[***]
[***]
- 2. [***]
- 2.1 [***]
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- 2.2 [***]
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- 2.3 [***]
[***]
- 2.4 [***]
[***]
- 2.5 [***]
[***]

“[***]” This information is subject to confidential treatment and has been omitted and filed separately with the commission

- 2.6 [***]
[***]
- 3. [***]
[***]
- 4. [***]
- 4.1. [***]
- 4.2. [***]
- 4.2.1. [***]
- 4.2.2. [***]
- 4.3. [***]
- 4.4. [***]
- 4.5. [***]

“[***]” This information is subject to confidential treatment and has been omitted and filed separately with the commission

- 5. [***]
- 5.1. [***]
- 5.2. [***]
- 5.3. [***]
- 5.4. [***]
- 5.5. [***]
- 5.6. [***]
- 5.7. [***]
- 6. [***]
- 6.1. [***]
- 6.2. [***]
- [***]
- [***]
- 7. [***]

“[***]” This information is subject to confidential treatment and has been omitted and filed separately with the commission

8. [***]

8.1 [***]

8.2 [***]

[***]

8.3 [***]

8.4 [***]

“[***]” This information is subject to confidential treatment and has been omitted and filed separately with the commission

PA A330 CSN 2015
CT1102624

LA6
APPENDIX 1 - GE

Page 4/4
Private & Confidential

- 1. [***]
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[***]
[***]
- 2. [***]
- 2.1 [***]
- 2.2 [***]
- 2.3 [***]
[***]
- 2.4 [***]
[***]
- 2.5 [***]
[***]

“***” This information is subject to confidential treatment and has been omitted and filed separately with the commission

2.6 [***]

[***]

3. [***]

[***]

4. [***]

4.1. [***]

4.2. [***]

4.2.1. [***]

4.2.2. [***]

4.3. [***]

4.4. [***]

4.5. [***]

“[***]” This information is subject to confidential treatment and has been omitted and filed separately with the commission

- 5. [***]
- 5.1. [***]
- 5.2. [***]
- 5.3. [***]
- 5.4. [***]
- 5.5. [***]
- 5.6. [***]
- 5.7. [***]
- 6. [***]
- 6.1. [***]
- 6.2. [***]
- 7. [***]
- [***]

“***” This information is subject to confidential treatment and has been omitted and filed separately with the commission

- 8. [***]
- 8.1 [***]
- 8.2 [***]
- 8.3 [***]
- 8.4 [***]

“[***]” This information is subject to confidential treatment and has been omitted and filed separately with the commission

PA A330 CSN 2015
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APPENDIX 2 - PW

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Private & Confidential

- 1. [***]
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[***]
- 2. [***]
- 2.1 [***]
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- 2.2 [***]
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- 2.3 [***]
[***]
- 2.4 [***]
[***]
- 2.5 [***]
[***]

“[***]” This information is subject to confidential treatment and has been omitted and filed separately with the commission

2.6 [***]

[***]

3. [***]

[***]

4. [***]

4.1. [***]

4.2. [***]

4.2.1. [***]

4.2.2. [***]

4.3. [***]

4.4. [***]

4.5. [***]

“[***]” This information is subject to confidential treatment and has been omitted and filed separately with the commission

- 5. [***]
- 5.1. [***]
- 5.2. [***]
- 5.3. [***]
- 5.4. [***]
- 5.5. [***]
- 5.6. [***]
- 5.7. [***]
- 6. [***]
- 6.1. [***]
- 6.2. [***]
- 7. [***]
[***]

“***” This information is subject to confidential treatment and has been omitted and filed separately with the commission

8. [***]

8.1 [***]

8.2 [***]

[***]

8.3 [***]

8.4 [***]

“[***]” This information is subject to confidential treatment and has been omitted and filed separately with the commission

PA A330 CSN 2015
CT1102624

LA6
APPENDIX 3 - RR

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Private & Confidential

- 1. [***]
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- 2. [***]
- 2.1 [***]
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- 2.2 [***]
[***]
- 2.3 [***]
- 2.3.1 [***]
[***]
- 2.3.2 [***]
[***]
[***]

“***” This information is subject to confidential treatment and has been omitted and filed separately with the commission

[***]

2.4 [***]

[***]

2.5 [***]

[***]

2.6 [***]

[***]

3. [***]

3.1 [***]

[***]

3.1.1 [***]

3.1.2 [***]

3.1.3 [***]

3.1.4 [***]

“[***]” **This information is subject to confidential treatment and has been omitted and filed separately with the commission**

3.1.5 [***]

3.1.6 [***]

3.1.6 [***]

3.1.7 [***]

3.2 [***]

[***]

3.3 [***]

[***]

3.3.1 [***]

3.3.2 [***]

3.3.3 [***]

3.3.4 [***]

3.2.5 [***]

“[***]” This information is subject to confidential treatment and has been omitted and filed separately with the commission

3.3.6 [***]

3.3.6 [***]

3.3.7 [***]

3.4 [***]

[***]

3.5 [***]

4. [***]

[***]

5. [***]

5.1. [***]

5.2. [***]

5.2.1. [***]

“[*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission**

5.2.2. [***]

5.3. [***]

5.4. [***]

5.5. [***]

6. [***]

6.1. [***]

6.2. [***]

6.3. [***]

6.4. [***]

6.5. [***]

6.6. [***]

6.7. [***]

“[*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission**

7. [***]

7.1. [***]

7.2. [***]

8. [***]

[***]

9. [***]

9.1 [***]

9.2 [***]

[***]

[***]

9.3 [***]

“[***]” This information is subject to confidential treatment and has been omitted and filed separately with the commission

9.4 [***]

“[***]” This information is subject to confidential treatment and has been omitted and filed separately with the commission

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APPENDIX 4 - GE

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1. [***]

[***]

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“[***]” This information is subject to confidential treatment and has been omitted and filed separately with the commission

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“[***]” This information is subject to confidential treatment and has been omitted and filed separately with the commission

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“[***]” This information is subject to confidential treatment and has been omitted and filed separately with the commission

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APPENDIX 5 - PW

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APPENDIX 6 - RR

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APPENDIX 9 - RR

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LETTER AGREEMENT N° 7

CHINA SOUTHERN AIRLINES COMPANY LIMITED

N°278, Airport Road Baiyun District,
Guangzhou 510405
People's Republic of China

Subject : [*]**

CHINA SOUTHERN AIRLINES COMPANY LIMITED (the "**Buyer**"), AIRBUS S.A.S. (the "**Seller**") and CHINA SOUTHERN AIRLINES GROUP IMPORT AND EXPORT TRADING CORP., LTD. (the "**Consenting Party**") have entered into:

- (I) an aircraft general terms agreement dated February 2nd, 2010 (the "**AGTA**"); and
- (II) an A330-300 aircraft purchase agreement dated December 5th, 2012 (the "**Purchase Agreement**"); and
- (III) an amendment N°1 to the Purchase Agreement (the "**Amendment N°1**") dated July 1st, 2014; and
- (IV) an amendment N°2 to the Purchase Agreement (the "**Amendment N°2**") on February 20th, 2015

hereinafter collectively referred to as the "**Agreement**".

The Buyer and the Seller, with the consent of the Consenting Party, have entered on even date herewith into an amendment N°3 to the Purchase Agreement (the "**Amendment N°3**"), which covers the manufacture and the sale by the Seller and the purchase by the Buyer of the Second Batch Aircraft as described in the Amendment N°3.

Capitalized terms used herein and not otherwise defined in this Letter Agreement shall have the meanings assigned thereto in the Agreement or in Amendment N°3.

The Seller and the Buyer and the Consenting Party are referred to together as the "**Parties**" and each a "**Party**".

The Parties agree that this Letter Agreement, upon execution thereof, shall constitute an integral, nonseverable part of the Amendment N°3 and shall be governed by all its provisions, as such provisions have been specifically amended pursuant to this Letter Agreement.

If there is any inconsistency between the Agreement, the Amendment N°3 and this Letter Agreement, the latter shall prevail to the extent of such inconsistency.

"[*]" This information is subject to confidential treatment and has been omitted and filed separately with the commission**

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Private & Confidential

LETTER AGREEMENT N° 7

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LETTER AGREEMENT N° 7

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“[***]” This information is subject to confidential treatment and has been omitted and filed separately with the commission

LETTER AGREEMENT N° 7

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“[*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission**

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Private & Confidential

LETTER AGREEMENT N° 7

4 Assignment

Notwithstanding any other provision of this Letter Agreement, the Agreement or the Amendment N°3, this Letter Agreement and the rights and obligations of the Buyer herein shall not be assigned or transferred in any manner without the prior written consent of the Seller, and any attempted assignment or transfer in contravention of the provisions of this Clause shall be void and of no force or effect

5 Confidentiality

For the purpose of this Clause 6, the “Buyer” shall be deemed to include a reference to the Consenting Party.

This Letter Agreement (and its existence) shall be treated by the Parties as confidential and shall not, except as otherwise set out below, be released (or revealed) in whole or in part to any third Party without the prior consent of the Parties. In particular, each Party agrees not to make any press release concerning the whole or any part of the contents and/or subject matter hereof or of any future addendum hereto without the prior consent of the other Parties. Notwithstanding the foregoing, in the event that any law, regulation, stock exchange or government authority requires the disclosure of this Letter Agreement (or its existence) or any part thereof, the Party which is subject to such requirement shall advise the other Party of what is required and proposed to be disclosed and the Parties shall consult with a view to (i) limiting any such disclosure to what is strictly required and (ii) obtaining (to the extent possible) the assurance of the party to whom such disclosure is made that any such disclosure will be treated confidentially.

“[*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission**

LETTER AGREEMENT N° 7

If the foregoing correctly sets forth our understanding, please execute three (3) originals in the space provided below and return one (1) original of this Letter Agreement to the Seller.

Agreed and Accepted

Agreed and Accepted

For and on behalf of:

For and on behalf of:

**CHINA SOUTHERN AIRLINES
COMPANY LIMITED**

AIRBUS S.A.S.

By : _____

By : _____

Its : _____

Its : _____

Witnessed and acknowledged,

For and on behalf of

**CHINA SOUTHERN AIRLINES GROUP
IMPORT AND EXPORT TRADING CORP., LTD.**

By : _____

Its : _____

Date : _____

“[***]” This information is subject to confidential treatment and has been omitted and filed separately with the commission

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Private & Confidential

LETTER AGREEMENT N° 7

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For and on behalf of:

For and on behalf of:

**CHINA SOUTHERN AIRLINES
COMPANY LIMITED**

AIRBUS S.A.S.

By : _____

By : _____

Its : _____

Its : _____

Witnessed and acknowledged,

For and on behalf of

**CHINA SOUTHERN AIRLINES GROUP
IMPORT AND EXPORT TRADING CORP., LTD.**

By : _____

Its : _____

Date : _____

“[***]” This information is subject to confidential treatment and has been omitted and filed separately with the commission

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SIDE LETTER 1

**CHINA SOUTHERN AIRLINES
COMPANY LIMITED**
N°278, Airport Road Baiyun District,
Guangzhou 510405
People's Republic of China

Subject : [*]**

CHINA SOUTHERN AIRLINES COMPANY LIMITED (the "**Buyer**"), AIRBUS S.A.S. (the "**Seller**") and CHINA SOUTHERN AIRLINES GROUP IMPORT AND EXPORT TRADING CORP., LTD. (the "**Consenting Party**") have entered into:

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hereinafter collectively referred to as the "**Agreement**".

The Buyer and the Seller, with the consent of the Consenting Party, have entered on even date herewith into an amendment N°3 to the Purchase Agreement (the "**Amendment N°3**"), which covers the manufacture and the sale by the Seller and the purchase by the Buyer of the Second Batch Aircraft as described in the Amendment N°3.

Capitalized terms used herein and not otherwise defined in this Side Letter shall have the meanings assigned thereto in the Agreement or in the Amendment N°3.

The Seller and the Buyer and the Consenting Party are referred to together as the "**Parties**" and each a "**Party**".

The Parties agree that this Side Letter, upon execution thereof, shall constitute an integral, nonseverable part of the Amendment N°3 and shall be governed by all its provisions, as such provisions have been specifically amended pursuant to this Side Letter.

If there is any inconsistency between the Agreement, the Amendment N°3 and this Side Letter, the latter shall prevail to the extent of such inconsistency.

"[*]" This information is subject to confidential treatment and has been omitted and filed separately with the commission**

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Private & Confidential

SIDE LETTER 1

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3 **Assignment**

Notwithstanding any other provision of this Side Letter, or of the Agreement, this Side Letter and the rights and obligations of the Buyer herein shall not be assigned or transferred in any manner, and any attempted assignment or transfer in contravention of the provisions of this Clause shall be void and of no force or effect.

“[*]” This information is subject to confidential treatment and has been omitted and filed separately with the commission**

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SIDE LETTER 1

4 Confidentiality

For the purpose of this Clause 4, the “Buyer” shall be deemed to include a reference to the Consenting Party.

This Side Letter (and its existence) shall be treated by the Parties as confidential and shall not, except as otherwise set out below, be released (or revealed) in whole or in part to any third Party without the prior consent of the Parties. In particular, each Party agrees not to make any press release concerning the whole or any part of the contents and/or subject matter hereof or of any future addendum hereto without the prior consent of the other Parties. Notwithstanding the foregoing, in the event that any law, regulation, stock exchange or government authority requires the disclosure of this Side Letter (or its existence) or any part thereof, the Party which is subject to such requirement shall advise the other Party of what is required and proposed to be disclosed and the parties shall consult with a view to (i) limiting any such disclosure to what is strictly required and (ii) obtaining (to the extent possible) the assurance of the party to whom such disclosure is made that any such disclosure will be treated confidentially.

“[***]” This information is subject to confidential treatment and has been omitted and filed separately with the commission

SIDE LETTER 1

If the foregoing correctly sets forth our understanding, please execute three (3) originals in the space provided below and return one (1) original of this Side Letter to the Seller.

Agreed and Accepted

Agreed and Accepted

For and on behalf of

For and on behalf of

**CHINA SOUTHERN AIRLINES
COMPANY LIMITED**

AIRBUS S.A.S.

Signature: _____

Signature: _____

Name: _____

Name: _____

Title: _____

Title: _____

Witnessed and acknowledged by:

**CHINA SOUTHERN AIRLINES GROUP
IMPORT AND EXPORT TRADING CORP., LTD.**

Signature: _____

Name: _____

Title: _____

Date: _____

“***” This information is subject to confidential treatment and has been omitted and filed separately with the commission

CSN – AM3 to A330 PA dated December 2012
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Private & Confidential

SIDE LETTER 1

If the foregoing correctly sets forth our understanding, please execute three (3) originals in the space provided below and return one (1) original of this Side Letter to the Seller.

Agreed and Accepted

Agreed and Accepted

For and on behalf of

For and on behalf of

**CHINA SOUTHERN AIRLINES
COMPANY LIMITED**

AIRBUS S.A.S.

Signature: _____

Signature: _____

Name: _____

Name: _____

Title: _____

Title: _____

Witnessed and acknowledged by:

**CHINA SOUTHERN AIRLINES GROUP
IMPORT AND EXPORT TRADING CORP., LTD.**

Signature: _____

Name: _____

Title: _____

Date: _____

“*” This information is subject to confidential treatment and has been omitted and filed separately with the commission**

CSN – AM3 to A330 PA dated December 2012
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Private & Confidential

Supplemental Agreement to the Financial Services Framework Agreement

This Agreement is entered into by and between the following parties in _____ as of _____:

Party A: China Southern Airlines Company Limited (中国南方航空股份有限公司) (hereinafter referred to as "Party A")

Domicile: No. 278, Ji Chang Road, Guangzhou

Legal Representative: Si Xianmin

Party B: Southern Airlines Group Finance Company Limited (中国南航集团财务有限公司) (hereinafter referred to as "Party B")

Domicile: No. 17, Hangyun South Street, Baiyun District, Guangzhou

Legal Representative:

Based on the Financial Services Framework Agreement entered into between Party A and Party B on 8 November 2013 (hereinafter referred to as the "Original Agreement"), this supplemental agreement is entered into by both parties on the basis of equality and mutual benefit and through friendly consultations, the specific terms of which are as follows:

1. Clause 1 of Article 8 (the "Transaction Cap") of the Original Agreement shall be amended as follows: "Both parties to the Agreement agree that, with effect from the effective date of the Agreement, the balance of Party A's deposits placed with Party B (including the corresponding interest accrued thereon) shall not exceed RMB8 billion on any given day, nor should the balance of the outstanding loan provided by Party B (including the corresponding interests payable accrued thereon) exceed the above-mentioned level on any given day."

2. This supplemental agreement shall be deemed as supplemental to the Original Agreement. In case of any inconsistency between the Original Agreement and this supplemental agreement, this supplemental agreement shall prevail.

3. After approved at the board meeting and general meeting of Party A, this supplemental agreement shall be effective from the date of obtaining approval at the board meeting and general meeting of Party A and upon being signed and affixed with an official seal by both parties.

4. This supplemental agreement is made in four counterparts with two copies held by each party, which shall have the same legal effect.

(Remainder of this page is intentionally left blank)

Party A: China Southern Airlines Company Limited

Authorized Representative:

Party B: Southern Airlines Group Finance Company Limited

Authorized Representative:

Agreement

Party A: China Southern Airlines Company Limited (中国南方航空股份有限公司)

Domicile: Economic and Technological Development Zone, Guangzhou, Guangdong

Legal Representative: Si Xianmin

Party B: Xiamen Jianfa Group Co., Ltd. (厦门建发集团有限公司)

Domicile: Floor 43rd, Jianfa International Building, No. 1699, Huandao East Road, Siming District, Xiamen

Legal Representative: Wu Xiaomin

Party C: Fujian Investment & Development Group Co., Ltd. (福建省投资开发集团有限责任公司)

Domicile: Floor 14th, Tianao Building, No. 169, Hudong Road, Fuzhou

Legal Representative: Peng Jinguang

Whereas:

1. Party A, Party B and Jizhong Energy Resources Co., Ltd. (hereinafter referred to as "Jizhong Energy") hold 51%, 34% and 15% equity interests in Xiamen Airlines Co., Ltd. (hereinafter referred to as "Xiamen Airlines") respectively. Jizhong Energy intends to transfer its 15% equity interests in Xiamen Airlines (hereinafter referred to as the "Target Equity Interests"), and each of Party A, Party B and Party C has expressed their intention to acquire the Target Equity Interests.
 2. According to the Asset Valuation Report (Da Zheng Hai Di Ren Ping Bao Zi [2015] No. 197A) issued by Golden Standard & Headmen Appraisal and Advisory Co., Ltd. regarding the above-mentioned 15% equity interests in Xiamen Airlines disclosed by Jizhong Energy, the value of the 15% equity interests in Xiamen Airlines is RMB 2.194 billion.
-

3. Upon consultation and due to reasons attributable to Jizhong Energy, the three parties hereto agree that such Target Equity Interests held by Jizhong Energy will be transferred to Party B, of which 4% and 11% equity interests will then be transferred to Party A and Party C respectively, thus Xiamen Airlines will be held as to 55%, 34% and 11% by Party A, Party B and Party C respectively.

4. Prior to this Agreement, Party B and Jizhong Energy have entered into the Equity Transfer Agreement (with conditions precedent), pursuant to which, Jizhong Energy shall transfer its 15% equity interests in Xiamen Airlines to Party B at the price of RMB2.2 billion, Party B has transferred an amount of RMB2.2 billion in cash to the escrow account in accordance with the agreement, and has paid RMB220 million to Jizhong Energy, representing 10% of the equity transfer consideration. However, the aforesaid Equity Transfer Agreement is conditional on the satisfaction of all the conditions precedent specified therein, including the waiver of right of first refusal by Party A.

Based on the above and in order for the parties hereto to acquire the Target Equity Interests, it is hereby agreed as follows with respect to the transfer of the Target Equity Interests:

1. After this Agreement is entered into and takes effect, Party A shall immediately send an official letter to Jizhong Energy and Party B, expressly stating its intention to waive its right of first refusal with respect to the transfer of the 15% equity interests in Xiamen Airlines by Jizhong Energy, and shall vote at the general meeting of Xiamen Airlines and sign on the relevant resolution approving Jizhong Energy's transfer of the 15% equity interests to Party B.

2. Party B will accept the transfer of the Target Equity Interests held by Jizhong Energy. Party A and Party B shall enter into any agreement or contract required for the transfer of the 4% equity interests in Xiamen Airlines within 10 working days after the Equity Transfer Agreement between Party B and Jizhong Energy takes effect. After the Target Equity Interests is transferred and registered under Party B's name and all the necessary approvals are obtained from the State-owned assets supervision and administration authority of Fujian province, Party B hereto shall cooperate with Party A to complete the registration of change in the 4% equity interests in Xiamen Airlines within 20 working days after the agreement or contract in respect of the transfer of the 4% equity interests in Xiamen Airlines takes effect, unless it is otherwise stipulated in the agreement or contract to be entered into by both parties in respect of the transfer of such 4% equity interests in Xiamen Airlines.

3. Party A and Party B hereto agree that the transfer price for such 4% equity interests in Xiamen Airlines shall be determined on a pro rata basis based on the transfer consideration specified in the aforesaid Equity Transfer Agreement (i.e. RMB2.2 billion for the 15% equity interests in Xiamen Airlines), thus the transfer price for the 4% equity interests shall be RMB586,666,667. The conditions precedent as stipulated in the aforesaid Equity Transfer Agreement include that the Asset Valuation Report regarding the 15% equity interests in Xiamen Airlines held by Jizhong Energy has been approved and filed with State-owned Assets Supervision and Administration Commission of Hebei Province and is accepted by State-owned Assets Supervision and Administration Commission of Fujian Province. Where the equity transfer price is subject to adjustment due to such approval or filing or acceptance requirements, Party A and Party B agree that the price for the transfer of the 4% equity interests in Xiamen Airlines by Party B to Party A shall be adjusted proportionately based on the approved final transaction price for such 15% equity interests in Xiamen Airlines.

4. The taxation arising from the above equity transfer shall be borne by Party A and Party B in accordance with the law respectively. Party A shall pay 50% of the equity transfer consideration for the 4% equity interests in Xiamen Airlines to Party B within 10 working days after the relevant equity transfer agreement entered into between Party A and Party B takes effect. Party A shall pay the remaining 50% of the equity transfer consideration to Party B within 10 working days after completion of the registration of change in such equity interests by Party A with the assistance of Party B, unless it is otherwise stipulated in the agreement or contract to be entered into by both parties in respect of the transfer of the 4% equity interests in Xiamen Airlines.

5. After the transfer of the 15% equity interests in Xiamen Airlines by Jizhong Energy to Party B, either party that fails to enter into the equity transfer agreement for the 4% equity interests in Xiamen Airlines pursuant to this Agreement shall assume the liability for breach of this Agreement according to law, and shall indemnify the non-defaulting parties for any loss suffered by them.

6. In the absence of any change in the attribution of profits and losses for the period as stipulated in Article 6 of the Equity Transfer Agreement between Party B and Jizhong Energy, and subject to the settlement of the equity transfer consideration by Party A in accordance with the provisions of this Agreement and the agreement or contract to be entered into in respect of the transfer of the 4% equity interests in Xiamen Airlines, Party A shall enjoy and assume the profits and losses arising from such 4% equity interests in Xiamen Airlines from 1 January 2015.

7. Party A acknowledges that it is the intention of Party B to transfer 11% equity interests in Xiamen Airlines to Party C hereto after the Equity Transfer Agreement between Party B and Jizhong Energy takes effect. Party A agrees to the transfer of the aforesaid 11% equity interests in Xiamen Airlines to Party C and waive its right of first refusal with respect to such equity interests, no matter in whatever ways or on whatever conditions will Party B transfer such equity interests to Party C. Moreover, Party A shall provide Party B with the official letters stating its waiver of the right of first refusal or required for the registration with the industrial and commerce administration authority after the transfer agreement or contract for the aforesaid 4% equity interests in Xiamen Airlines between Party A and Party B takes effect. If both parties fail to enter into a transfer agreement or contract in respect of the 4% equity interests in Xiamen Airlines in accordance with the provisions of this Agreement or such agreement or contract has not become effective due to reasons on the part of Party A, Party A shall still present the aforesaid official letter as requested by Party B.

8. Party A agrees that the right to appoint directors and supervisors (chairman of the supervisory committee) by Jizhong Energy according to the Articles of Association of Xiamen Airlines shall be vested in Party C (after it becomes the shareholder) or (before Party C becomes the shareholder) in Party B.

9. This Agreement is made in 3 counterparts, and will take effect upon execution by the three parties hereto with the official seal of each party affixed hereto. The parties hereto agree that this Agreement shall have full legal effect and force.

(Remainder of this page is intentionally left blank)

Party A: China Southern Airlines Company Limited

Legal Representative (authorized signatory):

Party B: Xiamen Jianfa Group Co., Ltd.

Legal Representative (authorized signatory):

Party C: Fujian Investment & Development Group Co., Ltd.

Legal Representative (authorized signatory):

Insurance Business Platform Cooperation Framework Agreement

This Agreement is entered into by and between the following parties in Guangzhou as of [DD/MM/YY]:

Party A: China Southern Airlines Company Limited (中国南方航空股份有限公司)

Domicile: Economic and Technological Development Zone, Guangzhou, Guangdong

Legal Representative: Si Xianmin

Party B: Southern Airlines Group Finance Company Limited (中国南航集团财务有限公司)

Domicile: No.17, Hangyun South Street, Baiyun District, Guangzhou

Legal Representative: Wang Jianjun

General Provisions

According to the provisions of the *Contract Law of the People's Republic of China*, the *Insurance Law of the People's Republic of China* and other applicable laws and regulations, China Southern Airlines Company Limited (hereinafter referred to as "Party A") and Southern Airlines Group Finance Company Limited (hereinafter referred to as "Party B") shall carry out cooperation in relation to the insurance business, so as to share their resources and supplement each other with their own strengths. Through friendly consultation, Party A and Party B have entered into the following agreement, for their observance, on the basis of fairness, mutual benefits, complementary advantages and joint development.

Article 1 Details of Cooperation

- 1.1 The parties agree to cooperate and conduct insurance sales relating to aviation transportation using Party A's ground service counter channels, 95539 call center and the company website as well as other online and offline channels as the sales platform.
 - 1.2 Party A shall provide Party B with insurance sales platforms, and Party B shall pay Party A the usage fee for such sales platform.
-

- 1.3 The parties shall enter into separate agreements under this framework agreement to specify the type of insurance products to be sold, the allocation of agency fee and platform fee, the parties' rights and obligations and other relevant matters.
- 1.4 The separate agreements between both parties shall be entered into on normal commercial terms or better terms, and shall be in compliance with the relevant requirements of the listing rules of the place where the company is listed.
- 1.5 Party A shall include China Southern Airlines Company Limited and its wholly-owned and controlled subsidiaries.

Article 2 Term of the Agreement

- 2.1 The term of this Agreement shall commence from 1 January 2015 and end on 31 December 2016. This Agreement shall have legally binding effect upon both parties from the date on which it takes effect.

Article 3 Transaction Cap

- 3.1 Both parties agree that the total transaction amount hereunder for 2015 and 2016 shall not exceed RMB40 million and RMB60 million respectively.
- 3.2 As to the caps of transaction amount, both parties shall satisfy the requirements of the applicable listing rules during their performance hereof.

Article 4 Exemption of Liability

- 4.1 Party A shall only be responsible to provide the insurance sales platform, and shall not be liable for any dispute arising among the insurers, the insurance agents, the insurance applicants, the insureds and other parties.
- 4.2 Party B shall ensure that it has the authority to sell such insurance products in the relevant markets, for which Party A shall take no obligations or liabilities.

Article 5 Dispute Resolution

- 5.1 Where either party hereto violates any provisions hereof, fails to perform or fails to fully perform their respective obligations hereunder, such violation and failure shall constitute a breach of the Agreement. The party in breach shall bear the liabilities for the breach pursuant to the relevant provisions of the *Contract Law of the People's Republic of China*, and the other party will have the right to terminate this Agreement.
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5.2 Either party shall not revise or modify the terms and contents of this Agreement without prior written consent by both parties. No supplement or revision to the Agreement shall have legal binding effect upon both parties until it is agreed by both parties and substantiated by a written supplemental agreement.

5.3 Any dispute arising out of or in connection with the interpretation, validity and execution of this Agreement shall be resolved through amicable consultation between Party A and Party B. If no agreement is reached through consultation, either party will have the right to submit such dispute to a competent People's Court for resolution by law suit.

Article 6 Miscellaneous

6.1 Neither party may disclose any data regarding the other party that come to their knowledge from this Agreement or any information contained herein to any third party without the other party's consent, except as required by the laws or the mandatory requirements of any statutory regulators.

6.2 Both parties shall strictly comply with the *Law of Anti-Money Laundering of the People's Republic of China*, the *Regulations on Anti-Money Laundering by Financial Institutions*, the *Administrative Measures on Keeping of Client's Identification, ID Data and Transaction Records of Financial Institutions*, the *Administrative Measures on Anti-Money Laundering of the Insurance Industry*, and other applicable laws, regulations and administrative rules relating to anti-money laundering, and shall not participate in any money laundering activities or facilitate money laundering activities by others.

6.3 Any matters not covered by this Agreement shall be agreed upon by both parties through consultation and a written supplemental agreement may be entered into between them. Such written supplemental agreement shall be of the same legal effect as this Agreement.

6.4 This Agreement is made in six counterparts with three copies held by each party, which shall have the same legal effect.

Party A: China Southern Airlines Company Limited

Authorized Representative:

Date: ● 20●

Party B: Southern Airlines Group Finance Company Limited

Authorized Representative:

Date: ● 20●

Equity Transfer Agreement

Ref No:

Transferor: Xiamen Jianfa Group Co., Ltd. (厦门建发集团有限公司) (hereinafter referred to as “Party A”)

Domicile: Floor 43rd, Jianfa International Building, No.1699, Huandao East Road, Xiamen, Fujian

Transferee: China Southern Airlines Company Limited (中国南方航空股份有限公司) (hereinafter referred to as “Party B”)

Domicile: Room 203, No.233, Economic and Technological Development Zone Avenue, Luogang District, Guangzhou, Guangdong

Whereas:

1. Xiamen Airlines Company Limited (厦门航空有限公司) (hereinafter referred to as “Xiamen Airlines”) is a company with limited liability incorporated under the *Company Law of the People’s Republic of China* with registered capital of RMB5 billion.
 2. Both Party A and Party B are shareholders of Xiamen Airlines.
 3. Party A, Party B and a third party entered into an agreement in respect of the transfer of 4% equity interests in Xiamen Airlines Company Limited (hereinafter referred to as “Xiamen Airlines”) to Party B by Party A on 14 July 2015 (hereinafter referred to as the “Original Agreement”);
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4. Party A has agreed to transfer the 4% equity interests in Xiamen Airlines held by it to Party B and Party B has agreed to acquire the above-mentioned equity interests on the terms and conditions of this Agreement.

Party A and Party B have reached the following agreements in accordance with the principles of voluntariness, equality, fairness and integrity and through friendly consultation:

Article 1 Transfer Target and Transfer Price

Due to the change in the total consideration for the acquisition of the 15% equity interests in Xiamen Airlines by Party A, the transfer price of the 4% equity interests in Xiamen Airlines specified in the Original Agreement shall accordingly be increased by RMB40,000,000. Thus, Party A has agreed to transfer the 4% (representing the capital contribution of RMB200 million in the registered capital) equity interests in Xiamen Airlines held by it (hereinafter referred to as the "Target Equity Interests") to Party B at a price of RMB626,666,667 (SAY RENMINBI SIX HUNDRED TWENTY SIX MILLION SIX HUNDRED SIXTY SIX THOUSAND SIX HUNDRED AND SIXTY SEVEN) (hereinafter referred to as the "Equity Transfer Consideration"), and Party B has agreed to purchase such equity interests at the aforesaid price.

Article 2 Warrants

1. Party A warrants that it has full power to dispose of the Target Equity Interests which is free from any dispute, pledge, sealing up or other defects, and undertakes that it will provide prompt assistance in completing the transfer registration.

2. Party A warrants that, after this Agreement takes effect, no pledge, sealing up, dispute or other problems relating to the Target Equity Interests will occur before the Target Equity Interests is registered under Party B's name, so as to ensure the transfer of the Target Equity Interests will not be restricted.

3. Party B warrants that it has sufficient capital from lawful funding sources to fund the acquisition of the above-mentioned equity interests, and that it will pay the consideration as agreed.

4. Party B warrants that it has conducted a full understanding of the assets, liabilities and operation of Xiamen Airlines, and that it shall not request Party A to adjust the Equity Transfer Consideration for whatever reason.

5. Party B undertakes to present the official letters, documentations or procedures as required by Party A within ten working days after the effective date of this Agreement in accordance with Article 7 of the Original Agreement and the provisions of this Agreement. Where this Agreement has not become effective within two months after the execution of the same for whatever reason attributable to Party B, Party B shall still present the official letters, documentations or procedures as required by Party A.

6. Party B warrants to perform its obligations under Article 8 of the Original Agreement.

Article 3 Division of Liabilities

Party B shall be entitled to the shareholder's rights upon the date of settlement of the Equity Transfer Consideration under this Agreement. In the absence of any change in the attribution of profits and losses for the period as specified in Article 6 of the equity transfer agreement (including Supplemental Agreement I) between Party A and Jizhong Energy Resources Co., Ltd, and subject to the settlement of the Equity Transfer Consideration by Party B in accordance with the provisions of this Agreement (provided that the full settlement of the equity transfer consideration is not later than 1 March 2016), Party B shall enjoy and assume the profits and losses arising from the Target Equity Interests from 1 January 2015.

Article 4 Payment of Transfer Consideration and Related Expenses

1. Party B shall pay the deposit of RMB150,000,000 to Party A within three working days after the execution date of this Agreement.
2. Party B shall pay RMB238,333,333.5 to Party A within ten working days upon this Agreement taking effect.
3. Party B shall pay the remaining amount (i.e. RMB238,333,333.5) to Party A within ten working days upon completion of registration of change in the Target Equity Interests with the industry and commerce administration authority.
4. The receiving account designated by Party A is as follows:
Account Name: Xiamen Jianfa Group Co., Ltd. (厦门建发集团有限公司)
Account No.: ●
Opening Bank: ●
5. Expense incurred in relation to the transfer of the Target Equity Interests, including commission charges, taxes and other fees, shall be borne by both parties according to the state regulations.

Article 5 Completion

Both parties shall assist to complete the registration of changes in the Target Equity Interests with the administrative authority for industry and commerce within 20 working days upon satisfaction of the following conditions:

1. This Agreement becomes effective;
 2. Party B has made the payment and presented official letters, documentations or procedures in accordance with the provisions of this Agreement;
 3. The 15% equity interests in Xiamen Airlines acquired from Jizhong Energy Resources Co., Ltd. by Party A has been transferred to Party A.
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Article 6 Modification and Termination of the Agreement

The non-defaulting party may request to modify or terminate this Agreement and both parties may enter into a written modification or termination agreement in relation thereto upon occurrence of any one of the following circumstances prior to the registration of change of the Target Equity Interests.

1. This Agreement cannot be executed due to force majeure.
2. Both parties have agreed to modify or terminate this Agreement through consultation due to certain change in circumstances.
3. Where the Target Equity Interests cannot be transferred to Party B within 360 days upon this Agreement taking effect for whatever reason on the part of Party A, Party B shall have the right to determine whether or not to proceed with this Agreement.

Article 7 Liabilities for Breach of the Agreement

1. This Agreement shall have the same legal effect upon both parties hereto. In case of non-performance of their respective obligations or guarantees under this Agreement by either party which results in economic loss to the other party, the party in breach shall be liable for compensation to the other party for the losses incurred.

2. In case that the change of the Target Equity Interests cannot be completed within 20 working days upon satisfaction of all the conditions as set out in Article 5 herein due to failure on the part of either party to assist in completing the registration of change in the Target Equity Interests with the industry and commerce administration authority in accordance with the provisions of this Agreement, the defaulting party shall pay to the non-defaulting party a penalty equivalent to 0.03% of the total Equity Transfer Consideration for each day from the expiration of the period within which conditions set out in Article 5 are required to be satisfied.

3. In case Party B fails to pay the Equity Transfer Consideration or present the aforesaid official letters to Party A on a timely basis in accordance with the provisions of this Agreement, Party B shall pay to Party A a penalty equivalent to 0.03% of the total Equity Transfer Consideration for each day of delay.

Article 8 Dispute Resolution

1. Any dispute arising out of or in connection with the validity, performance, default and termination of this Agreement shall be resolved through amicable consultation between both parties.

2. If no agreement is reached through consultation, either party shall have the right to submit such dispute to the arbitration of Xiamen Arbitration Commission.

Article 9 Governing Law

The formation, validity, performance of, and rights and obligations under this Agreement and the relevant supporting documents, shall be governed by and construed in accordance with the laws of the People's Republic of China.

Article 10 Date and Place for Execution of the Agreement

This Agreement is entered into by both parties at Jianfa International Building in Xiamen as of ● 2015.

Article 11 Conditions Precedent to the Agreement

This Agreement shall take effect upon satisfaction of all the following conditions:

- 1、 Execution by both parties hereto with the official seal of each party affixed hereto;
2. Completion of all approval/filing procedures with the State-owned assets supervision and administration authority of Fujian province in relation to the transactions contemplated under this Agreement (if necessary);

Article 12 Miscellaneous

- 1、 Any matters not covered by this Agreement shall be agreed between both parties by entering into a supplemental agreement, which shall be of the same legal effect.
- 2、 This agreement is made in eight counterparts, with three copies held by each party hereto, one submitted to the administrative authority for industry and commerce for approval and one with Xiamen Airlines for record. Each counterpart shall have the same legal effect.

(Remainder of this page is intentionally left blank)

(This page is intentionally left blank and is the signature page of the Equity Transfer Agreement entered into between Xiamen Jianfa Group Co., Ltd. and China Southern Airlines Company Limited in relation to the 4% equity interests in Xiamen Airlines Company Limited)

Party A: **Xiamen Jianfa Group Co., Ltd.**

Legal Representative or Authorized Representative (signature):

Date: ● 2015

(This page is intentionally left blank and is the signature page of the Equity Transfer Agreement entered into between Xiamen Jianfa Group Co., Ltd. and China Southern Airlines Company Limited in relation to the 4% equity interests in Xiamen Airlines Company Limited)

Party B: **China Southern Airlines Company Limited**

Legal Representative or Authorized Representative (signature):

Date: ● 2015

Catering Services Framework Agreement

This Agreement is entered into by and between the following parties in Guangzhou as of :

China Southern Airlines Company Limited (中国南方航空股份有限公司)(hereinafter referred to as “Party A”)

Address: No. 278, Ji Chang Road, Guangzhou

Legal Representative: Si Xianmin

Shenzhen Air Catering Co., Ltd. (深圳航空食品有限公司) (hereinafter referred to as “Party B”)

Address: Inside Shenzhen Bao’an International Airport

Legal Representative: Yuan Xin’an

Party A and Party B unanimously agreed under the principles of fairness and mutual benefit and through friendly consultations to enter into the following framework agreement in respect of the provision of in-flight catering and other related in-flight services:

Article 1 Scope of Services

1. Party B agrees to provide, in accordance with this Agreement, services of ordering, preparing, distribution, collection, storage and loading services of in-flight food and in-flight supplies and other related services for the inbound and outbound flights designated by Party A in the airport where Party B is located.

2. The inbound and outbound flights of Party A in the airport where Party B is located include scheduled flights and non-scheduled flights. Scheduled flights refers to planned flights operated according to the flight schedules; non-scheduled flights refers to private flights, chartered flights, ad hoc additional flights or cancelled, postponed, transit and stand-by landing flights.

3. Party A to this Agreement includes China Southern Airlines Company Limited and its wholly-owned and controlled subsidiaries.

Article 2 Rights and Obligations of Party A

1. Party A shall provide a catering and in-flight supplies distribution plan to Party B in advance, if the catering and in-flight supplies distribution plan has to be adjusted for non-scheduled flights, Party B shall be notified in time.

Party A shall be entitled to adjust the type and quantity of in-flight supplies according to flight arrangement and service needs.

2. Party A shall provide necessary tableware required for in-flight supplies and catering to Party B according to the distribution plan, and may entrust Party B to purchase such items of the description and specification as required by Party A when necessary.

3. Party A shall have the right to conduct safety and sanitary inspections on Party B on an irregular basis and demand Party B to take prompt measures to rectify any inadequacy or defect identified.

Article 3 Rights and Obligations of Party B

1. Party B shall provide catering, in-flight supplies and other related services for the flights of Party A according to the catering and in-flight supplies distribution plan and the menu approved by Party A in the correct quantity and as scheduled. Party B shall deliver the food and in-flight supplies prepared to the designated place within the cabinet as required by Party A and complete the handover procedures, ensure that the flights of Party A will not be delayed due to distribution of catering/in-flight supplies.

2. Party B shall formulate, adjust and change the menu on a regular basis as required by Party A. Party B shall strictly comply with the *Food Safety Law of the People's Republic of China* and the catering standard of the aviation industry in order to ensure that the catering provided conforms to the food safety law of the country and the industry standard.

3. Party B shall comply with the requirements set by Party A regarding safety, storage and collection management.

4. Party B shall undertake to assist Party A in its performance of the Agreement pursuant to the applicable listing rules of the stock exchange on which its securities are listed (hereinafter referred to as the "Listing Rules").

Article 4 Special Provisions

1. The prices offered by both parties shall be determined on a fair and reasonable basis in accordance with the national or local charge regulations, and shall be based on the fair market rate. The transaction price offered to Party A by Party B shall not be higher than those offered by any independent third party or the standard rate.

2. Party A and Party B unanimously agree that the aggregate transaction amount under this Agreement for 2016, 2017 and 2018 shall not exceed RMB152 million, RMB175 million and RMB201 million, respectively. As to the caps of transaction amount, Party A and Party B shall satisfy the requirements of the applicable listing rules during their performance hereof.

Article 5 Liabilities for Breach of the Agreement

Where either party hereto violates any provisions hereof, fails to perform or fails to fully perform their respective obligations hereunder, such violation and failure shall constitute a breach of the Agreement. The party in breach shall bear the liabilities for the breach pursuant to the relevant provisions of the *Contract Law of the People's Republic of China*, and the other party shall have the right to terminate this Agreement.

Article 6 Dispute Resolution

Any dispute arising out of or in connection with the interpretation, validity and execution of this Agreement shall be resolved through amicable consultation between Party A and Party B. If no agreement is reached through consultation, either party shall have the right to submit such dispute to a competent People's Court in Guangzhou for resolution by law suit.

Article 7 Validity and Term of this Agreement

This Agreement shall have a term of three years commencing from 1 January 2016 and ending on 31 December 2018, and shall have legally binding effect upon both parties from the date on which this Agreement takes effect.

Article 8 Miscellaneous

1. Either party shall not revise or modify the terms and contents of this Agreement without prior written consent by both parties. No supplement or revision to the Agreement shall have legal binding effect upon both parties until it is agreed by both parties and substantiated by a written supplemental agreement.

2. Any matters not covered by this Agreement shall be agreed upon by both parties through consultation and a written supplemental agreement may be entered into between them. Such written supplemental agreement shall be of the same legal effect as this Agreement.

3. This Agreement is made in four counterparts with two copies held by each party, which shall have the same legal effect.

Party A: China Southern Airlines Company Limited

Authorized Representative:

Date: ● 20●

Party B: Shenzhen Air Catering Co., Ltd.

Authorized Representative:

Date: ● 20●

Supplemental Agreement to the Property Lease Agreement

Party A: China Southern Air Holding Company (中国南方航空集团公司)

Party B: China Southern Airlines Company Limited (中国南方航空股份有限公司)

Whereas: China Southern Air Holding Company and China Southern Airlines Company Limited entered into the Property Lease Agreement (hereinafter referred to as the "Master Agreement") in 2014. Both parties hereby enter into this supplemental agreement with respect to the increase of leased area:

1. Party A agrees to increase the lease area by an additional 130 square meters on the first floor of Hongshan Hotel to Party B, so as to expand the operating area of its ticket office. The lease term shall commence from 1 May 2015 and end on 31 December 2016.
2. Both parties agree that the rental rate specified in the Master Agreement shall apply to this additional lease, with the rental for 2015 and 2016 fixed at RMB156,000 and RMB234,000 respectively.
3. Party A agrees to deliver, from the effective date of this supplemental agreement, such leased premise to Party B for its occupancy and management, which shall be governed with reference to the Master Agreement.
4. The other provisions of the Master Agreement shall remain unchanged.

This supplemental agreement is made in six counterparts, with three copies held by each party. This supplemental agreement shall take effect from the date of execution by both parties with official seal of each party affixed thereto.

Party A:

Signed by:

Date:

Party B:

Signed by:

Date:

MEDIA SERVICES FRAMEWORK AGREEMENT

Party A: China Southern Airlines Company Limited (中国南方航空股份有限公司)

Party B: Southern Airlines Culture and Media Co., Ltd. (中国南航集团文化传媒股份有限公司)

Party A includes China Southern Airlines Company Limited and its wholly-owned or controlled subsidiaries. Party B includes Southern Airlines Culture and Media Co., Ltd. and its wholly-owned or controlled subsidiaries.

Party A and Party B unanimously agreed to enter into the following framework agreement under the principle of fairness and mutual benefit:

Chapter 1 General Provisions

Article 1 The scope and content of media services referred to in this framework agreement shall include: exclusive advertising agency services for China Southern Airlines Company Limited and advertising agency services its wholly-owned and controlled subsidiaries; agency services for the planning, sourcing and production of the entertainment programmes on the flights, production services for the promotion channels, public relation services for recruitment, services relating to the display of publications and other media services.

Article 2 Advertising agency services refer to various services which Party A engages Party B to provide in accordance with the terms and conditions hereof for the purpose of establishing Party A's corporate image and boosting the sales of Party A's products and services relating to air passenger and cargo transportation. Advertising agency services include: the planning, agency distribution of domestic and overseas video, graphic and outdoor advertisement, as well as the design, production, distribution and agency of other forms of advertisement according to Party A's promotion plan; the planning and undertaking of various public relations activities, promotions, surveys, exhibitions and shows; the design, production and promotion of the CI system of Southern Airlines; the design of packaging, decoration, environmental art, handicrafts and other industrial designs etc.; the design, production and sale of aviation souvenirs, advertising materials, promotion materials, promotional merchandise and corporate image products; the development of related cultural industries and other advertising matters.

- Article 3 The agency services for the planning, sourcing and production of entertainment programmes on the flights of Party A refer to the planning and sourcing by Party B of all types of domestic and foreign movies, TV programmes, news, entertainment, finance, sport programmes and production of other related programmes, and provision of services related to in-flight entertainment to Party A as an agent of Party A.
- Article 4 Provision of channel publicity and production services by Party B involves the planning, design, production and broadcasting of the promotional programmes according to Party A's promotion demand and plan, and the broadcast and legal issuance of such programmes in the "CCTV-OUTLOOK" channel and other specified channels as agreed.
- Article 5 The public relations services for recruitment provided by Party B are intended to develop the brand name and promote corporate image for Party A. Party B is responsible for the publicity and promotion of recruitment, on-site recruitment in various recruitment districts, logistics support for recruitment activities, execution of the activities, production and coordination of television programmes relating to recruitment, the sale of gifts relating to recruitment, as well as other recruitment-related services.

Article 6 The display services of publications refer to the services that Party A allows Party B to specifically implement the work of displaying the publications published and distributed by the subsidiaries of Party B in the premises owned by Party A. The newspapers and magazines published by Party B are important public opinion promotion tools of China Southern Air Holding Company in which they provide public opinion promotion services for the entire Southern Airlines.

Article 7 Party B provides publications to Party A for reading display; Party A will assist Party B to carry out the display of publications on a regular basis, at the same time it will strictly control the number and type of in-flight publications. Publications not bearing a “National Uniform Publication Number” are not allowed to be displayed in the cabins belonging to Party A and other public areas.

Chapter 2 Rights and Obligations

Article 8 Rights of Party A

1. Party A is entitled to formulate and adjust the annual advertisement agency programme, the planning, sourcing and production of the contents of the entertainment programmes on the flights of Party A, the recruitment and display of publications according to its operational needs, and shall have the right to request Party B to implement them according to the plans.

2. Party A is entitled to decide on the content, format, media, coverage, word count, layout, starting and ending time and other matters of its advertising and promotion according to its operational needs, and inform Party B the above decisions as per the annual plan, and for ad hoc items, it shall inform Party B 30 days in advance.
3. In accordance with Party A's procurement requirements, Party A is entitled to participate in the media procurement and price negotiations held by Party B in relation to Party A's engagement, and to decide whether to accept the results of the negotiations.
4. Party A shall have the right to request Party B to provide high-quality advertisement design, production, release and agency services in conformity with the image of Party A.
5. It is Party A's right to review and approve Party B's design, production and quotation of advertising projects. In the event that Party B's advertising design or production fails to meet Party A's requirements, or Party B's quotation is higher than the market price, Party A may choose a third party's advertising service.

6. Party A shall have the right to review and examine the advertisement produced by Party B before the advertisement is released.
7. If Party B fails to complete the projects in accordance with the quality and deadline requirements of Party A, Party A is entitled to claim financial compensation from Party B.
8. In terms of the agency services relating to planning, sourcing and production of in-flight entertainment programmes and public relations services relating to recruitment, Party A may require Party B to submit the content framework and work plan to obtain its written consent before implementation.

Article 9 Obligations of Party A

1. In order to facilitate Party B to handle advertising matters hereunder as Party A's agent, Party A shall provide Party B with the business license, aviation transportation operation permit, proof of authenticity of the advertisement content and other relevant information required in accordance with the Advertisement Law of the People's Republic of China.
2. Party A shall be responsible for the authenticity of the advertisement content provided by it.

3. In case Party B breaches the Agreement due to reasons on the part of Party A, the legal and financial responsibilities arising therefrom shall be borne by Party A.
4. Party A shall assist Party B to perform this Agreement in accordance with the applicable listing rules of the stock exchange where its shares are listed (hereinafter referred to as the Listing Rules).

Article 10 Party B's Rights

1. Party B shall be the exclusive advertising agency of Party A in accordance with the conditions stipulated herein. In the event that Party B's advertising design or production fails to meet Party A's requirements, or Party B's quotation is higher than the market price, Party B agrees to give up the right of exclusive advertising agency in respect of such advertising projects, and Party A may choose a third party's advertising agency service.
2. Party B shall have the right to put forward its own proposals for the advertising plan made by Party A.
3. It is Party B's right to examine the authenticity of the advertisement content provided by Party A, and refuse to act as an agent for advertisements with misrepresentation or incomplete supporting documents.

4. Party B is entitled to agency fees for the services it provided in accordance with this Agreement.

Article 11 Party B's Obligations

1. Party B undertakes that it has obtained the approval documents and qualifications required to provide the services specified herein, and that its execution and performance of this Agreement does not violate the provisions of applicable laws, regulations and rules. Party B shall assist Party A to perform this Agreement in accordance with the applicable listing rules of the stock exchange where its shares are listed (hereinafter referred to as the Listing Rules).
2. Party B shall provide services in a timely manner in strict compliance with Party A's annual business plan or written instructions in respect of individual entrustment specifying the service content. Party B shall be solely responsible for any liability arising from its act beyond the scope authorized by Party A.
3. Party B shall, upon receipt of the entrustment notice from Party A, complete the project plan in accordance with the requirements of Party A within the specified time, and submit the plan to Party A for examination and approval before arranging to implement.

4. Party B shall be responsible for the legality of the advertisement produced by it. In case any third party alleges that Party B's advertisement infringes their copyright, portrait right or any other rights and interests, any tort liability arising therefrom shall be borne by Party B.
5. Party B shall, pursuant to this Agreement, be responsible for the whole process of the selection of media or media agent, negotiation, procurement, execution and supervision, conduct media evaluation and purchase, and release advertisements in a timely manner. Party B shall develop a supplier procurement management system, setting out detailed rules regarding the media supplier selection, negotiation, procurement and implementation process, defining the qualification standards, asset size and creditworthiness of the supplier, and clearly specifying the process of advertising procurement and contract execution and performance. Party B shall comply with the rules and regulations for procurement, carefully select the advertising supplier of appropriate size with extensive experiences.
6. After the release of Party A's advertisement that Party B acted as an agent, Party B shall track and monitor the actual release results of that advertisement, and provide a monitoring report to Party A according to the progress of the project. As part of the settlement basis for both parties, the monitoring report shall include but not limited to the summary of advertising, such as the position of advertisement, date and time period of release, form, specifications and quantity of advertising; photos, pictures and other supporting materials; difference between actual and scheduled broadcasting time, and reasons; and population exposed to the advertisement. Both parties may, according to the actual situation, stipulate the specific time, form and content of the monitoring report in the advertising agency agreement.

7. Party B shall keep confidential the advertising projects entrusted by Party A and must not disclose or release to any third party without Party A's permission. In case Party A's advertising information is leaked in advance due to reasons attributable to Party B, Party B shall assume all legal liabilities or financial losses arising therefrom.
8. Party B shall be responsible for the legality of the advertisements that it releases using the advertising media of Party A, any legal disputes attributable to Party B during the release process shall be resolved by Party B; for any legal disputes not attributable to Party B, Party B shall actively assist Party A to handle them while effectively keep Party A's image intact.
9. Where Party B uses Party A's aircraft (including the exterior and interior of the aircraft) as advertising media, on top of guaranteeing the fitness for flight of the aircraft, the content, format and position of its advertisement must satisfy the overall layout and business philosophy of Party A, and without interfering with Party A's normal operation.

10. Party B shall, in line with the principle of mutual benefit, provide Party A with newspapers and magazines for passengers' reading in the cabin; as subsidiaries of Party B, the sponsors of those media based on their initial founding concept, has ever since assumed the role of publicizing and promoting China Southern Air Holding Company and its members. As Party A is the key member of China Southern Air Holding Company, the subsidiaries of Party B shall publicize Party A's airlines and airline developments in their main media.
11. Where Party B places advertisements in Party A's in-flight TV and movie programmes, facilities or other media, the additional production costs incurred therefrom shall be borne by Party B. Party B agrees to enter into another agreement with Party A to determine the distribution of revenues and expenses derived from public relations services relating to recruitment.
12. Where Party A purchases custom gifts from Party B, Party B shall design and produce the gifts according to Party A's specifications and print the logo of Party A on the gifts.

Chapter 3 Copyright of Advertisement

Article 12 The copyright of all advertisements produced by Party B for Party A pursuant to this Agreement shall be reserved by Party A. Party B must not use those advertisements for the purposes other than those stipulated herein without the consent of Party A.

Chapter 4 Annual Cap for Media Services

Article 13 Party A and Party B agree that the annual caps for the media services hereunder for 2016, 2017 and 2018 shall be RMB118.5 million, respectively.

Article 14 The actual transaction amount of both parties shall be subject to the amount determined in the individual business contract entered into by both parties, provided that the actual media services fees for each year shall not exceed the annual cap stipulated herein. Party A and Party B shall comply with the applicable requirements of the Listing Rules in the course of performing this Agreement.

Chapter 5 Determination and Payment of Media Services Fees

Article 15 The pricing or charge standards of services under this Agreement are based on prevailing market price and agreed upon between both parties for each transaction via arm's length negotiations.

Article 16 The “market price” referred to herein is defined as the price set by business operators independently and determined through market competition.

Article 17 The market price shall be determined in the following sequence:

1. the price at which the same types of services are provided by independent third parties in the ordinary course of business in the same areas or regions in close proximity thereto; or
2. the price at which the same types of services are provided by independent third parties in the ordinary course of business within China.

Article 18 Both parties shall review the pricing standards and payment methods of the next fiscal year with reference to the relevant services to be provided as agreed herein by 31 December of each of the next three years, and enter into a supplemental agreement. In the event that both parties fail to agree on the terms of the supplemental agreement by the said date, the pricing standards and payment methods of current year shall apply to the next fiscal year.

Article 19 After Party A and Party B reach an agreement on the specific media services, Party A shall authorize its business unit to send a “Customer Confirmation Slip” to Party B, and enter into an individual media services contract, pursuant to which Party A will pay the services fees. Party B undertakes that the media services fees are charged on the basis of the market price of the same types of services acceptable to Party A.

Chapter 6 Validity and Modification of the Agreement

Article 20 This Agreement shall be effective from 1 January 2016 to 31 December 2018.

Article 21 Unless otherwise provided or required by the Listing Rules applicable to Party A, both parties may agree in writing to extend this Agreement thirty days prior to the expiration of this Agreement.

Article 22 During the term of this Agreement, Party A and Party B may, through consultation, agree to modify or supplement this Agreement.

Article 23 During the term of this Agreement, Party A and Party B may, through consultation, agree to terminate this Agreement in writing subject to a 30-day notice to the other party.

Chapter 7 Liabilities for Breach of the Agreement

Article 24 Party A and Party B shall strictly fulfill their respective obligations under this Agreement, failing to do so will constitute a breach of contract, and the party in breach shall assume the liability for breach of contract in accordance with the applicable provisions of the *Contract Law of the People's Republic of China*.

Chapter 8 Miscellaneous

Article 25 The execution, performance and interpretation of this Agreement and the settlement of disputes shall be governed by the laws of the People's Republic of China.

Article 26 This Agreement is made in four counterparts with two copies held by each party, which shall have the same legal effect.

(Remainder of this page is intentionally left blank)

Party A: China Southern Airlines Company Limited

Signature:

Date:

Party B: Southern Airlines Culture and Media Co., Ltd.

Signature:

Date:

SUBSIDIARIES OF CHINA SOUTHERN AIRLINES COMPANY LIMITED

The particulars of the Company's principal subsidiaries as of December 31, 2015 are as follows:

Name of Company	Jurisdiction of Incorporation
Shantou Airlines Company Limited	PRC
Zhuhai Airlines Company Limited	PRC
Xiamen Airlines Company Limited	PRC
Guizhou Airlines Company Limited	PRC
Chongqing Airlines Company Limited	PRC
Guangzhou Nanland Air Catering Company Limited	PRC
Guangzhou Baiyun International Logistic Company Limited	PRC
Xinjiang Civil Aviation Property Management Limited	PRC
China Southern Airlines Group Air Catering Company Limited	PRC
Nan Lung International Freight Limited	Hong Kong
Beijing Southern Airlines Ground Services Company Limited	PRC
China Southern Airlines Henan Airlines Company Limited	PRC

CERTIFICATION

I, Tan Wan Geng, certify that:

1. I have reviewed this annual report on Form 20-F of China Southern Airlines Company Limited;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;
4. The company's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the company and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and
5. The company's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

Date: April 28, 2016

By: /s/Tan Wan Geng
Name: Tan Wan Geng
Title: President

CERTIFICATION

I, Xiao Li Xin, certify that:

1. I have reviewed this annual report on Form 20-F of China Southern Airlines Company Limited;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;
4. The company's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the company and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and
5. The company's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

Date: April 28, 2016

By: /s/Xiao Li Xin
Name: Xiao Li Xin
Title: Chief Financial Officer

CERTIFICATION

**Pursuant to 18 U.S.C. Section 1350
as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002**

In connection with the Annual Report of China Southern Airlines Company Limited (the "Company") on Form 20-F for the year ended December 31, 2015 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Tan Wan Geng, President of the Company, hereby certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, to the best of my knowledge, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: April 28, 2016

By: /s/Tan Wan Geng
Name: Tan Wan Geng
Title: President

* This certification accompanies the Report pursuant to § 906 of the Sarbanes-Oxley Act of 2002 and shall not, except to the extent required by the Sarbanes-Oxley Act of 2002, be deemed filed by the Company for purposes of §18 of the Securities Exchange Act of 1934, as amended.

* A signed original of this written statement required by Section 906 of the Sarbanes-Oxley Act of 2002 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

CERTIFICATION

**Pursuant to 18 U.S.C. Section 1350
as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002**

In connection with the Annual Report of China Southern Airlines Company Limited (the "Company") on Form 20-F for the year ended December 31, 2015 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Xiao Li Xin, Chief Financial Officer of the Company, hereby certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, to the best of my knowledge, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: April 28, 2016

By: /s/Xiao Li Xin
Name: Xiao Li Xin
Title: Chief Financial Officer

* This certification accompanies the Report pursuant to § 906 of the Sarbanes-Oxley Act of 2002 and shall not, except to the extent required by the Sarbanes-Oxley Act of 2002, be deemed filed by the Company for purposes of §18 of the Securities Exchange Act of 1934, as amended.

* A signed original of this written statement required by Section 906 of the Sarbanes-Oxley Act of 2002 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

April 28, 2016
Securities and Exchange Commission
100 F Street, N.E.
Washington, DC 20549

Commissioners:

We have read the statements made by China Southern Airlines Company Limited (copy attached), which we understand will be filed with the Securities and Exchange Commission, pursuant to Item 16F of Form 20-F, as part of the Form 20-F of China Southern Airlines Company Limited dated April 28, 2016. We agree with the statements concerning our Firm in such Form 20-F.

Very truly yours,

/s/ PricewaterhouseCoopers Zhong Tian LLP

Attachment:

ITEM 16F. CHANGES IN REGISTRANT'S CERTIFYING ACCOUNTANT

On March 30, 2016, the board of the directors of the Company resolved, as recommended by our audit committee, to propose to dismiss our independent registered public accounting firm, PricewaterhouseCoopers Zhong Tian LLP, or PwC, effective upon the completion of their audit of our consolidated financial statements as of and for the year ended December 31, 2015 and the effectiveness of internal control over financial reporting as of December 31, 2015 and to appoint KPMG as our new independent registered public accounting firm effective upon the approval by the shareholders of the Company at the forthcoming annual general meeting. In this connection, the Company, a listed company controlled by a stated-owned enterprise, did not reappoint PwC as our independent registered public accounting firm at the forthcoming annual general meeting.

The audit reports of PwC on our consolidated financial statements as of and for the fiscal years ended December 31, 2014 and 2015 contain no adverse opinion or disclaimer of opinion, and were not qualified or modified as to uncertainty, audit scope, or accounting principles.

During the two fiscal years ended December 31, 2014 and 2015 and through April 28, 2016, there were no disagreements with PwC on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure, which disagreements if not resolved to the satisfaction of PwC, would have caused them to make reference to the subject matter of the disagreements in connection with their report, nor were there any reportable events (as defined in Item 16F(a)(1)(v) of Form 20-F). We have provided a copy of the foregoing disclosure to PwC and requested that PwC furnish a letter addressed to the SEC stating whether or not PwC agrees with such disclosure. A copy of the letter from PwC addressed to SEC, dated April 28, 2016, is filed as Exhibit 15.1 to this Form 20-F.

During the two most recent fiscal years and through April 28, 2016, neither we nor any person on our behalf consulted KPMG regarding either (i) the application of accounting principles to a specific transaction, either completed or proposed; or the type of audit opinion that might be rendered on our financial statements, or (ii) any matter that was either the subject of a "disagreement" (as defined in Item 16F(a)(1)(iv) of Form 20-F and related instructions to Item 16-F of Form 20-F) with KPMG or a "reportable event" (as defined in Item 16F(a)(1)(v) of Form 20-F). Also, during the two most recent fiscal years and through April 28, 2016, we did not obtain any written report or oral advice that KPMG concluded was an important factor considered by us in reaching a decision as to the accounting, auditing or financial reporting issue.
