



Invitation Letter to Bid

Subject: Four (4) B777-21BER aircrafts with two spare engines and certain spare parts for sale;

Date: Jan. 22, 2014

Dear Sir or Madam:

It is announced that China Southern Airlines Company Limited is planning to phase out four (4) B777-21BER aircrafts with two spare engines and certain spare parts. We are writing to invite any interested airline operator or agency to tender its proposal to purchase those equipments. The following requirements shall be followed in order to prepare an acceptable proposal.

1. Definition

a) The “**Seller**” means China Southern Airlines Company Limited, having its principal office at No.278, Jichang Road, Guangzhou, the P.R.China.

b) The “**Aircraft Package**” means the four (4) B777-21BER Aircrafts each with two (2) engines, two spare engines and certain spare parts specified in the Appendix A..



c) The “**Buyer**” means any operator or agency.

d) The “**Bidder**” means the interested Buyer who is the candidate to purchase the Aircraft Package.

2. The Seller’s Policy:

a) At the Buyers’ option, either of the following method may be accepted by the Seller.

I. Purchase only. The Aircraft Package will be sold for one package which will not be separated into several packages for different Buyers; or

II. Purchase linked with new lease. Should the Buyers intend to purchase the Aircraft Package from the Seller and lease new aircraft to the Seller, the Seller may be willing to establish a link between the purchase obligation of the Buyers and the leasing obligation of the Seller.

b) All the four (4) aircrafts with its engines (other than the spare engines) of the Aircraft Package will be delivered in “as is where is” condition based on the forecasted technical data specified in the Appendix B, complying with the CAAC or Seller’s regulations.

c) The spare engine and certain spare part will be delivered at the Buyer’s cost only after the transaction of the last aircraft is finalized.



3. The Aircraft Package Introduction

a) Delivery Schedule

I. Aircraft Delivery Schedule

The four (4) aircrafts shall be available for delivery to Buyer with installed engine as stated below:

Aircraft Model	Registration Number	MSN	Year of Build	Engine Model
B777-21BER	B-2055	27254	1997-2-28	GE90-90B
B777-21BER	B-2056	27525	1997-4-18	GE90-90B
B777-21BER	B-2057	27604	1998-1-8	GE90-90B
B777-21BER	B-2058	27605	1998-1-12	GE90-90B

II. Spare Engines Delivery Schedule

The Seller shall deliver and the Buyer shall accept the spare engines at the Buyer's cost within sixty (60) days after the transaction of the last aircraft is finalized

III. Spare parts Delivery Schedule

IV. The Seller shall deliver and the Buyer shall accept the spare parts at the Buyer's cost within ninety (90) days after the transaction of the last aircraft is finalized.

b) Delivery Location

I. Aircraft Delivery Location:

Registration Number	MSN	Delivery Location
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B-2055	27254	Guangzhou,Guangdong
B-2056	27525	Guangzhou,Guangdong
B-2057	27604	Guangzhou,Guangdong
B-2058	27605	Guangzhou,Guangdong

II. Spare engine Delivery Location: Guangzhou,Guangdong

Province, the P.R.China.

III. Spare parts Delivery Location: Guangzhou, Guangdong

Province, the P.R.China.

4. The Sale Campaign

a) The Bidding Deposit

The Bidder shall pay a bidding deposit totaled USD500,000 to the Seller before the date of Feb. 28, 2014. The bidding deposit shall be non-refundable except that (i) the Bidder fails to sign an letter of intent[“LOI”] with the Seller; (ii) the aircraft suffers a total loss; or (iii) the Seller notifies the Bidder in writing that the Bidder is not qualified for this invitation. Any refund of the bidding deposit will not include interest.

b) Technical Inspection

If the Bidder meets the conditions in Clause 4.a), the Seller shall arrange for the Bidder to inspect the aircraft at the Bidder’s cost for



one business day.

c) The Deadline of presenting proposal

Any proposal of bidding to the Seller shall be presented as of Feb. 28, 2014 after technical inspection. Proposal shall be void without the aforesaid bidding deposit.

d) Bidding

A rule will be established to bid for fairness, justice and publicity. Any Bidder, who meets all the aforesaid conditions and scores the highest mark in accordance with the Seller's bidding assessment criteria will win the race of bidding and be the quasi Buyer.

e) Signature for LOI

The Seller shall sign a LOI with the Buyer to specify rights and obligations for this transaction.

f) The LOI deposit

The Buyer shall pay to the Seller the amount of LOI deposit in accordance with the LOI less the amount of the bidding deposit above. The LOI deposit is non-refundable except for a total loss of the aircraft.

g) Signature for The Aircraft Package sale and purchase agreement("S&P Agreement")

The Seller and the Buyer shall sign an S&P Agreement to layout all



the details with regard to the Aircraft Package on the condition that all the aforementioned requirements are met.

h) The advance payment

The Buyer shall pay to the Seller the amount of advance payment in accordance with the S&P Agreement.

i) Preparation for Aircraft Package delivery

Once the Buyer meets all the above conditions, the Seller shall make preparation for Aircraft Package delivery and circulate the technical documentation. The Buyer shall have its representative to inspect the Aircraft Package.

j) Technical Acceptance

The Buyer shall sign the technical acceptance certificates pursuant to the S&P Agreement.

k) The balance payment

The Buyer shall, at its own cost, pay the Seller the balance payment of purchase price before the Aircraft Package delivery and its ferry flight.

l) Title transfer of aircraft

Immediately after the Buyer finalizes the balance payment of Aircraft Package and signs the technical acceptance certificates of aircraft, the Seller shall sign the title transfer certificates of aircraft



at the delivery of the aircraft.

5. Payment: All payments shall be paid in cash, the Seller will not accept any escrow payment or letter of credit.

6. Conditions Precedent

If Buyer proposes to inspect the aircraft, a payment of USD 500,000 to the Seller is required for the bidding deposit as security for further discussion, which will be subject to the satisfaction of the following conditions:

a) The Buyer shall provide sufficient documents listed hereunder to show that it is eligible and capable bidder:

(1) legal documents:

- business license (certified copy) or incorporation articles(certified copy);
- credit certification issued by relevant bank(as six month before bidding, original);
- the latest financial status including balance sheet audited (certified copy).

(2) brief introduction of the Buyer;

(3) Power of Attorney issued by the legal representative(original);

(4) Personal identification of the legal representative of the incorporation.



b) In the event of any total loss of any aircraft, the bidding deposit will be refunded proportionally based on the loss percentage of the Aircraft Package

c) A commitment letter will be issued to any Bidder to ensure the bidding deposit may be refunded to the Bidder in accordance with Clause 4.a) and Clause 6.b) of this Invitation Letter to Bid.

7. Contact Details

Mr. Brown Zhong

Aircraft Sale Manager

China Southern Airlines Co., Ltd.

278 Airport Road, Guangzhou, China

Postal Code: 510406

Tel: 86-20-86112835

Mobile: 13822109979

Email Address: zhongcheng@csair.com

Should notices in connection with any party's rights and obligations be sent by any party by telephone or email, the written letter notices shall be also required afterwards. The address of the Seller listed in this article shall be the post address.

8. The Seller's Statement



China Southern Airlines Co., Ltd. is the sole Seller of this deal and it won't authorize any broker, agency or agent on behalf of China Southern Airlines Co., Ltd. in aircraft market to discuss this transaction. No broker, agency or agent will have the title of the Aircraft Package and the right to sell the Aircraft Package.

China Southern Airlines Co., Ltd. retains sole discretion in awarding mandates. This Invitation to Bid creates no legal obligations on China Southern Airlines Co., Ltd.. The transactions contemplated in this Invitation to Bid are subject to availability of all necessary governmental approvals of the People's Republic of China.

9. Force Majeure

Either party shall be excused from performing hereunder (except for the payment of money) to the extent that it is prevented from performing as a result of any act or event which occurs and is beyond its reasonable control, including, without limitation, acts of God, war, or any action of a governmental entity; provided that the party experiencing the force majeure provides the other with prompt written notice thereof and uses all reasonable efforts to remove or avoid such causes.

10. Applicable Law & Arbitration

The formation, validity, interpretation, and execution of this Invitation



Letter to Bid shall be governed by the relevant laws of the People's Republic of China.

In the event a dispute arises out, the parties shall attempt in the first instance to resolve the dispute through friendly consultations. If the dispute is not resolved in this manner within sixty (60) days after the commencement of consultations, then either party may submit the dispute for final decision by arbitration to the South China International Economic And Trade Arbitration Commission (Shen Zhen Court Of International Arbitration) for arbitration by one arbitrator in accordance with its rules. Such Arbitration shall be held at Shenzhen (the P.R.China), and the language of arbitration shall be English. The decision of the arbitrator shall be final and binding on the Parties hereto. The arbitrator shall have authority to determine and assess all expenses of the arbitration against one or both of the parties, hereto.

11. Miscellaneous

- a) The Buyer shall submit one original document with cover page marked "ORIGINAL" and three copies with cover page marked "COPY". In case conflicts between original document and copy document, the original document shall prevail.
- b) Original and copy shall be signed by authorized representative or legal



representative of the Buyer.

- c) The day mentioned hereto means natural calendar day.
- d) Appendixes shall be indiscerptible part of the Invitation Letter to Bid and shall have the same legal effect as the Invitation Letter to Bid.
- e) The subtitle is not the interpretation of the Invitation Letter to Bid but for the convenience of reference.
- f) The Bidder shall offer the purchase price after reviewing all information enclosed.
- g) Notwithstanding the foresaid, any Bidder shall be the qualified and suitable entity complying with any and all export regulations or rules of the UN, USA, EU, P.R.China and any other applicable jurisdictions.

This Invitation to Bid contains information which is commercially sensitive and proprietary to the Seller. You must maintain the information contained herein strictly confidential and not disclose it to any person other than your employees or professional advisers advising you in connection with the transactions contemplated herein whom shall have been advised of the confidential nature of this information and the requirement that it shall not be disclosed to any other person.

Your interest in this transaction and a prompt response will be most



appreciated. Thank you very much.

Your Sincerely,

Hongsheng Lu

Senior Vice President

Planning and Development

China Southern Airlines Company Limited (Stamp)

Appendix A:

Appendix B: