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

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

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

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**中国南方航空股份有限公司**  
**CHINA SOUTHERN AIRLINES COMPANY LIMITED**

*(a joint stock limited company incorporated in the People's Republic of China with limited liability)*

**(Stock Code: 1055)**

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

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A general meeting of China Southern Airlines Company Limited (the “**Company**”) will be held on the date to be further notified by the Company. If you are not able to attend and/or vote at the general meeting, you are strongly urged to complete the form of proxy in accordance with the instructions printed thereon and return it to the Company’s branch share registrar in Hong Kong, Hong Kong Registrars Limited, at Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen’s Road East, Hong Kong as soon as possible and in any event not later than 24 hours before the time appointed for the holding of the general meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting at the general meeting or any adjournment thereof should you so wish.

24 December 2010

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## CONTENTS

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

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## DEFINITIONS

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

“Acquisition”	the acquisition of the Airbus Aircraft under the Airbus Aircraft Acquisition Agreement
“Airbus Aircraft”	six Airbus A330 aircraft and 30 Airbus A320 series aircraft, being the subject matter of the Airbus Aircraft Acquisition Agreement
“Airbus Aircraft Acquisition Agreement”	the aircraft acquisition agreement entered into between Airbus SNC and the Company on 4 November 2010, pursuant to which the Company agreed to acquire and Airbus SNC agreed to sell the Airbus Aircraft
“Articles of Association”	the articles of association of the Company
“available tonne kilometers” or “ATKs”	the tonnes of capacity available for the transportation of revenue load (passengers and/or cargo) multiplied by the kilometers flown
“Board”	the board of Directors
“Boeing”	the Boeing Company, a company incorporated in the State of Delaware of the United States of America
“China” or “PRC”	the People’s Republic of China and, for the purpose of this circular, excludes Hong Kong, Macau and Taiwan
“Company”	China Southern Airlines Company Limited, a company incorporated under the laws of the PRC, whose H Shares, A Shares and American depositary shares are listed on the Stock Exchange, the Shanghai Stock Exchange and the New York Stock Exchange, respectively
“CSAHC”	China Southern Air Holding Company, a state-owned enterprise established under the laws of the PRC and the controlling shareholder of the Company
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries (as defined under the Listing Rules)

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## DEFINITIONS

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“Hong Kong”	The Hong Kong Special Administrative Region of the PRC
“Latest Practicable Date”	22 December 2010, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Previous Airbus Aircraft Purchase”	the Company’s acquisition from Airbus SNC of 20 Airbus A320 series aircraft on 20 January 2010
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	share of RMB1.00 each in the capital of the Company
“Shareholder(s)”	the holders of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supervisor(s)”	supervisor(s) of the Company
“US dollars” or “US\$”	United States dollars, the lawful currency of the United States of America

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LETTER FROM THE BOARD

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**中国南方航空股份有限公司**  
**CHINA SOUTHERN AIRLINES COMPANY LIMITED**

*(a joint stock limited company incorporated in the People's Republic of China with limited liability)*

**(Stock Code: 1055)**

**Directors:**

***Executive Directors:***

Si Xian Min (*Chairman of the Board*)

Li Wen Xin

Wang Quan Hua

Tan Wan Geng

Zhang Zi Fang

Xu Jie Bo

Chen Zhen You

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

Wang Zhi

Sui Guang Jun

Gong Hua Zhang

Lam Kwong Yu

***Supervisors:***

Sun Xiao Yi (*Chairman of the Supervisory Committee*)

Li Jia Shi

Yang Yi Hua

Liang Zhong Gao

Zhang Wei

**Registered address:**

278 Ji Chang Road

Guangzhou

PRC 510405

24 December 2010

*To the Shareholders*

Dear Sir or Madam,

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

**INTRODUCTION**

Reference is made to the announcement of the Company dated 4 November 2010. The purpose of this circular is to provide you with, among other things, further details of the Acquisition.

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## LETTER FROM THE BOARD

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### AIRBUS AIRCRAFT ACQUISITION AGREEMENT

#### Date

4 November 2010

#### Parties

- (i) The Company, as the purchaser. The principal business activity of the Company is that of civil aviation.
- (ii) Airbus SNC, a company incorporated in Toulouse, as the vendor. The principal business activity of Airbus SNC is that of aircraft manufacturing. To the best of the Directors' knowledge, information and belief after having made all reasonable enquiries, each of Airbus SNC and its ultimate beneficial owner is a third party independent of the Company and connected persons (as defined in the Listing Rules) of the Company, and is not a connected person of the Company.

#### Aircraft to be acquired

Six Airbus A330 aircraft and 30 Airbus A320 series aircraft

#### Consideration

According to the information provided by Airbus SNC, the catalogue price of six Airbus A330 aircraft and 30 Airbus A320 series aircraft is US\$1.205 billion and US\$2.575 billion, respectively. Such catalogue price includes price for airframe and engine.

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

In respect of the Acquisition, the Airbus Aircraft Acquisition Agreement contains confidentiality provisions restricting, among other things, disclosure of the consideration of the Acquisition. In addition, consistent with the customary practice of the local aviation industry, the consideration for the acquisition of the Airbus Aircraft is not customarily disclosed to the public. The Company has on separate occasions sought the consents of Airbus SNC to the Company's disclosure of certain information as required under Chapter 14 of the Listing Rules

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## LETTER FROM THE BOARD

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(including the relevant actual consideration involved) in the relevant announcements and circulars. Nonetheless, Airbus SNC rejected the Company's request in this respect, and insisted preservation of the confidentiality carried with such information to the extent possible. Disclosure of the actual consideration will result in the loss of the significant price concessions and hence a significant negative impact on the Group's cost for the Acquisition and will therefore not be in the interest of the Company and its Shareholders as a whole. The Company has made an application to the Stock Exchange for a waiver from strict compliance with the relevant provisions under the Listing Rules in respect of the disclosure of the actual consideration for the Airbus Aircraft.

The Board is of the view that the extent of the price concessions granted to the Company in the Acquisition is comparable with the price concessions that the Group had obtained in the Previous Airbus Aircraft Purchase. The Company also believes that there is no material difference between the effect of the price concessions obtained in the Acquisition and that obtained in the Previous Airbus Aircraft Purchase on the Group's operating costs taken as a whole.

### **Payment and delivery terms**

The aggregate consideration for the Acquisition will be partly payable by cash and partly by financing arrangements with banking institutions. The 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.

### **Source of funding**

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

### **Reasons for the Acquisition**

The Directors (including the independent non-executive Directors) consider that the Acquisition is consistent with the development strategy and the aircraft fleet structure plan of the Company; and the Acquisition will facilitate the optimization of the structures of the Group's aircraft fleet and traffic capacity, thus enhancing the competitiveness and core competence of the Group. The Airbus Aircraft will increase the ATKs of the Group by 13.9% when compared to the ATKs of the Group as at 31 December 2009.

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## LETTER FROM THE BOARD

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

### IMPLICATIONS UNDER THE LISTING RULES

Pursuant to Rule 14.22 of the Listing Rules, the relevant applicable percentage ratio for the Acquisition, aggregated with the consideration test under Rule 14.07 of the Listing Rules regarding the Previous Airbus Aircraft Purchase, is above 25% and less than 100%, so the Acquisition together with the Previous Airbus Aircraft Purchase constitute a major transaction of the Company, and therefore is subject to approval by the Shareholders under Rule 14.49 of the Listing Rules. As no Shareholder has a material interest in the Acquisition, no Shareholder is required to abstain from voting on the resolution to approve the Acquisition at the forthcoming general meeting of the Company.

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

### PROSPECTS

Benefiting from steady growth in the domestic economy and optimal adjustment to economic structures, the aviation market will remain a sound momentum for rapid growth, while the improvement in national income, supported by a stimulus plan promulgated by the state, shall continue to lay a solid foundation for the aviation industry. However, the Company is also aware of the fact that the global economic recovery falters, and the domestic economy, affected by structure adjustment and implementation of macroeconomic control policies, may slow down. The Company also faces a new challenge from the operation of high speed railways. The Group intends to complete its annual operating objectives through the following measures:

1. Stringent control of risks to ensure a stable and safe situation. The Company will further enhance its safety base to improve its safety management and control capacity, so as to establish a reliable long-term safety mechanism as soon as possible and ensure a safe operation throughout the whole year;
2. Leveraging opportunities to focus on key markets, improve second-tier markets, and explore emerging markets. The Company will strengthen the operation of cargo freighters to improve its profitability and operating results;



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## LETTER FROM THE BOARD

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3. Deepening structure adjustment and strategic transformation to enhance the quality of transit business. The Company will enhance the hub construction in Guangzhou, Beijing and Urumqi to optimize its transit services, and introduce the experience of transit service in Australia to Southeast Asia, Europe and the United States routes to improve its aviation network and overall efficiency; and
4. Further improving the service brand of China Southern Airlines. The Company will continue to emphasize solutions to delayed flights, improve its ground and on-board services, perfect its service workflows, facilitate the marketing of its premium economy class cabin, improve the sales for first and business class cabins, with a view to enhance competitiveness of the Company's brand.

### GENERAL MEETING

A general meeting will be held on the date to be notified by the Company to approve the Acquisition. Further notice and announcement will be published by the Company as to the details of the general meeting to be held and the results of the general meeting.

If you are not able to attend and/or vote at the general meeting, you are strongly urged to complete the form of proxy in accordance with the instructions printed thereon and return it to the Company's branch share registrar in Hong Kong, Hong Kong Registrars Limited, at Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible and in any event not later than 24 hours before the time appointed for the holding of the general meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting at the meeting or any adjourned meeting should you so wish.

### RECOMMENDATIONS

The Board considers that the Acquisition is in the best interests of the Company and its Shareholders as a whole.

Accordingly, the Directors recommend the Shareholders to vote in favour of the resolution approving the Acquisition which will be proposed at the forthcoming general meeting of the Company.

### ADDITIONAL INFORMATION

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

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

**1. FINANCIAL INFORMATION OF THE GROUP**

Financial information of the Group for each of the three years ended 31 December 2009, 2008 and 2007 and the six months ended 30 June 2010 are disclosed in the following documents which have been published on the websites of the Stock Exchange (<http://www.hkexnews.hk>) and the Company (<http://www.csair.com>):

- annual report of the Company for the year ended 31 December 2009 published on 21 April 2010 (pages 44-138);
- annual report of the Company for the year ended 31 December 2008 published on 24 April 2009 (pages 41-138);
- annual report of the Company for the year ended 31 December 2007 published on 29 April 2008 (pages 43-132); and
- interim report of the Company for the six months ended 30 June 2010 published on 20 August 2010 (pages 13-42).

**2. INDEBTEDNESS**

As at the close of business on 31 October 2010, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular, the total indebtedness of the Group is as follows:

	<i>RMB Million</i>
<b>Bank loans and other loans</b>	
Unsecured loans	26,219
Mortgaged loans	21,537
Mortgaged and guaranteed loans	<u>456</u>
 Total	 <u><u>48,212</u></u>
 <b>Obligations under finance leases</b>	
Obligation under finance leases without guarantee	11,544
Obligation under finance leases with guarantee	<u>3,611</u>
 Total	 <u><u>15,155</u></u>
 <b>Contingent liabilities</b>	
Personal bank loan for pilot trainees	<u><u>161</u></u>

As at 31 October 2010, bank and other loans of the Group of approximately RMB21,993,000,000 were secured by certain aircraft with a carrying amount of RMB24,565,000,000. Obligations under finance leases were secured by the relevant leased aircraft with a carrying amount of RMB19,561,000,000. In addition, bank and other loans of approximately RMB456,000,000 and obligations under finance leases of approximately RMB3,611,000,000 were guaranteed by certain banks.

Save as aforesaid or as otherwise mentioned herein and apart from intra-group liabilities, the Group did not have any outstanding mortgages, charges, debentures, loan capital, debt securities, bank loans and overdrafts or other similar indebtedness as at the close of business on 31 October 2010.

The Directors are not aware of any material changes in the indebtedness or contingent liabilities of the Group since 31 October 2010.

### **3. EFFECT**

The Group's principal business activity is that of civil aviation. Following the completion of the Acquisition, the Group's passenger volume is expected to increase and operating cost per available seat kilometres is expected to decrease. As a result, the Group's earnings are expected to be better off. The Group therefore considered that the Acquisition is in the best interest of the Group.

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

### **4. MATERIAL CHANGE**

The Directors are not aware of any material adverse change in the financial or trading position of the Group since 31 December 2009 (being the date to which the latest published audited financial statements of the Company were made up).

### **5. WORKING CAPITAL**

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

**1. RESPONSIBILITY STATEMENT**

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

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

As at the Latest Practicable Date, none of the Directors, chief executive or supervisors and their respective associates had interests or short positions in the shares, underlying shares and/or debentures (as the case may be) of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of SFO (including interests or short positions which were taken or deemed to have under such provisions of the SFO), or were required to be recorded in the register maintained by the Company pursuant to Section 352 of the SFO or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of the Listed Issuers in Appendix 10 of the Listing Rules. None of the Directors, chief executive or Supervisors of the Company and their respective associates (as defined in the Listing Rules) has any competing interests which would be required to be disclosed under Rule 8.10 of the Listing Rules if each of them were a controlling shareholder of the Company.

### 3. SUBSTANTIAL SHAREHOLDERS

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

Name of shareholder	Capacity	Type of Share	Number of Shares held	% of the total issued A Shares	% of the total issued H Shares	% of the total issued share capital of the Company
CSAHC (Note 1)	Beneficial owner	A Share	4,145,050,000 (L)	59.02%	–	42.22%
	Interest in controlled corporation	H Share	1,039,000,000 (L)	–	31.17%	10.58%
	<i>Total</i>		<i>5,192,660,000</i> (L)	–	–	<i>52.80%</i>
Nan Lung Holding Limited (“Nan Lung”) (Note 1)	Beneficial owner	H Share	1,039,000,000 (L)	–	31.17%	10.58%

*Note:* CSAHC was deemed to be interested in an aggregate of 1,039,000,000 H Shares through its direct and indirect wholly-owned subsidiaries in Hong Kong, of which 5,350,000 H Shares were directly held by Asia Travel Investment Company Limited (representing approximately 0.19% of its then total issued H Shares) and 1,033,650,000 H Shares were directly held by Nan Lung (representing approximately 36.98% of its then total issued H Shares). As Asia Travel Investment Company Limited is also an indirect wholly-owned subsidiary of Nan Lung, Nan Lung was also deemed to be interested in the 5,350,000 H Shares held by Asia Travel Investment Company Limited.

As at the Latest Practicable Date, Si Xian Min, Li Wen Xin and Wang Quan Hua were also senior management of CSAHC.

Save as disclosed above, as at the Latest Practicable Date, so far as was known to the Directors, chief executive and Supervisors of the Company, no other person (other than the Directors, chief executive or Supervisors of the Company) had an interest or short position in the Shares or underlying Shares under the provisions of Divisions 2 and 3 of Part XV of the SFO or who were, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of any other members of the Group.

#### 4. MATERIAL CONTRACTS

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

- (a) A property management framework agreement (the “**Property Management Framework Agreement**”) dated 29 December 2008 was entered into between the Company and Guangzhou China Southern Airlines Property Management Company Limited (“**GCSAPMC**”), pursuant to which the Company renewed the appointment of GCSAPMC for the provision of management and maintenance services for the Company’s headquarters in Guangzhou and the provision of maintenance and management services for the 110KV transformer substation at the new Baiyun International Airport for a fixed term of three years, commencing from 1 January 2009 to 31 December 2011 for a fixed annual cap of RMB47,010,000.
- (b) A lease agreement (the “**Lease Agreement**”) dated 29 December 2008 was entered into between the Company and CSAHC, pursuant to which CSAHC agreed 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”) and Nanyang as well as some additional locations in Beijing, Shanghai, Changsha, Shenyang, Dalin, Harbin and Changchun for a term of 3 years. The annual rents payable for 2009, 2010 and 2011 are RMB37,148,660, RMB39,006,093 and RMB40,956,397.65, respectively.
- (c) An airline service agreement (the “**Airline Service Agreement**”) dated 7 May 2009 was entered into between TravelSky Technology Limited (“**TravelSky**”) and the Company, pursuant to which TravelSky agreed to provide to the Company with flight control system services, electronic travel distribution system services, ticket-reservation system extended services and civil aviation and commercial data network services for the period from 1 January 2009 to 31 December 2009 for a service fee of approximately RMB400 million. TravelSky and the Company agreed on 29 December 2009 to extend the period of the Airline Service Agreement to 31 December 2010.
- (d) An aircraft sale agreement (the “**Aircraft Sale Agreement**”) dated 31 July 2009 was entered into between the Company, Tigris International N.V., (“**Tigris**”), Galink Aviation Technology Co., Limited (“**Galink**”) and Shenyang Southern Airlines Import and Export Trading Corp., Ltd., (the “**Export Agent**”), pursuant to which the Company conditionally agreed to sell and Tigris conditionally agreed to acquire aircraft, the spare engines and the corresponding spare parts at an aggregate consideration of US\$124 million.

- (e) A spare parts sale agreement (the “**Spare Parts Sale Agreement**”) dated 31 July 2009 was entered into between the Company, Galink and the Export Agent, pursuant to which the Company conditionally agreed to sell and Galink conditionally agreed to acquire spare parts at an aggregate consideration of US\$1.02 million.
- (f) An equity transfer agreement (the “**Equity Transfer Agreement**”) dated 28 September 2009 was entered into between the Company and CSAHC, pursuant to which the Company conditionally agreed to sell and CSAHC conditionally agreed to acquire the 50% equity interests in MTU Maintenance Zhuhai Co. Ltd. (the “**JV Company**”) held by the Company (the “**Transfer**”) at a consideration of RMB1,607,850,000. A supplemental agreement dated 29 December 2009 was entered into between the parties to extend the relevant long stop date to 28 February 2010.
- (g) A continuing connected transaction agreement (“**CCT Agreement**”) dated 28 September 2009 was entered into between the Company, CSAHC, the JV Company and MTU Aero Engines GmbH for the purpose of, among others, regulating the ongoing continuing connected transactions with the JV Company after completion of the Transfer. The maximum annual cap for the year ending 31 December 2030 is RMB3 billion. A supplemental agreement dated 29 December 2009 was entered into between the parties to extend the relevant long stop date to 28 February 2010.
- (h) An aircraft acquisition agreement (the “**Aircraft Acquisition Agreement 1**”) dated 20 January 2010, between the Company and Airbus SNC pursuant to which the Company agreed to acquire and Airbus SNC agreed to sell 20 Airbus A320 series aircraft. The aggregate catalogue price of the 20 Airbus A320 series aircraft was approximately US\$1,538 million.
- (i) A subscription agreement (the “**CSAHC Subscription Agreement**”) dated 8 March 2010 was entered into between the Company and CSAHC, pursuant to which CSAHC conditionally agreed to subscribe and the Company conditionally agreed to allot and issue up to 132,510,000 new A Shares at a subscription price of not less than RMB5.66 per new A Share. The subscription was completed on 29 October 2010 and CSAHC had subscribed for 123,900,000 new A Shares at RMB6.66 per new A Share.
- (j) A subscription agreement (the “**Nan Lung Subscription Agreement**”) dated 8 March 2010 was entered into between the Company and Nan Lung, pursuant to which Nan Lung conditionally agreed to subscribe and the Company conditionally agreed to allot and issue 312,500,000 new H Shares at a subscription price of not less than HK\$2.73 per new H Share. The subscription was completed on 1 November 2010 and Nan Lung had subscribed for 312,500,000 new H Shares at HK\$2.73 per new H Share.
- (k) An aircraft acquisition agreement (the “**Aircraft Acquisition Agreement 2**”) dated 30 September 2010, between Xiamen Airlines and Boeing, pursuant to which Xiamen Airlines agreed to acquire and Boeing agreed to sell ten Boeing B737 series aircraft. The aggregate catalogue price of the ten Boeing B737 series aircraft was approximately US\$699 million.

- (l) The Airbus Aircraft Acquisition Agreement.

## 5. MATERIAL LITIGATION

The Company was not involved in any material litigation as at the Latest Practicable Date.

## 6. DIRECTORS' AND SUPERVISORS' INTERESTS

- (a) None of the Directors or Supervisors has any direct or indirect interest in any assets which have been, since 31 December 2009, the date to which the latest published audited financial statements of the Company were made up, acquired or disposed of by or leased to, or which are proposed to be acquired or disposed of by, or leased to, any member of the Group.
- (b) None of the Directors or Supervisors was materially interested in any contract or arrangement subsisting as at the Latest Practicable Date and which was significant in relation to the business of the Group.

## 7. SERVICE CONTRACTS

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

## 8. MISCELLANEOUS

- (a) The joint company secretaries of the Company are Mr. Xie Bing and Dr. Liu Wei. Mr. Xie Bing, aged 37, graduated from Nanjing University of Aeronautics and Astronautics, majoring in civil aviation management. He subsequently received a master degree of business administration and a master degree of international finance from Jinan University and the University of Birmingham, Britain respectively. Mr. Xie used to work in the Planning and Development Department, the Company Secretary Office of the Company and the Office of CSAHC. He is currently the company secretary to the Board and the Director of the Company Secretary Office of the Company.

Dr. Liu Wei, aged 53, graduated from the Northwest University of China, the Chinese University of Political Science and Law, the University of Cambridge and the University of Hong Kong, with a bachelor in Chinese literature, a master degree in law and a PhD in Law respectively. He also completed his Common Professional Examination (CPE) with the Manchester University in England, as well as a Postgraduate Certificate in Laws (PCLL) with the University of Hong Kong. Dr. Liu is qualified to practice as a solicitor in the PRC, Hong Kong and in England. He has extensive exposure in corporate finance and is a partner of DLA Piper Hong Kong.

- (b) The registered address of the Company is at 278 Ji Chang Road, Guangzhou, PRC and the principal place of business of the Company in Hong Kong is at Unit B1, 9th Floor, United Centre, 95 Queensway, Hong Kong.



- (c) The Hong Kong branch share registrar and transfer office of the Company is Hong Kong Registrars Limited, Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Hong Kong.

## 9. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours at the principal place of business of the Company in Hong Kong at Unit B1, 9th Floor, United Centre, 95 Queensway, Hong Kong up to and including 7 January 2011:

- (a) Articles of Association;
- (b) Property Management Framework Agreement;
- (c) Lease Agreement;
- (d) Airline Service Agreement;
- (e) Aircraft Sale Agreement;
- (f) Spare Parts Sale Agreement;
- (g) Equity Transfer Agreement;
- (h) CCT Agreement;
- (i) Aircraft Acquisition Agreement 1;
- (j) CSAHC Subscription Agreement;
- (k) Nan Lung Subscription Agreement;
- (l) Aircraft Acquisition Agreement 2;
- (m) Airbus Aircraft Acquisition Agreement;
- (n) the audited financial statements of the Group for the two years ended 31 December 2008 and 31 December 2009;
- (o) 2009 Annual Report; and
- (p) 2010 Interim Report.

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