THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

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

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

31 August 2011

CONTENTS

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

"Acquisition"	the acquisition of the Boeing Aircraft under the Boeing Aircraft Acquisition Agreement
"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, the vendor to the Boeing Aircraft Acquisition Agreement
"Boeing Aircraft"	six Boeing B777F freighters, the subject matter of the Boeing Aircraft Acquisition Agreement
"Boeing Aircraft Acquisition Agreement"	the aircraft acquisition agreement entered into between Boeing and the Company on 31 May 2011, pursuant to which the Company agreed to acquire and Boeing agreed to sell the Boeing Aircraft
"China" or "PRC"	the People's Republic of China and, for the purpose of this circular, excludes Hong Kong, Macau and Taiwan
"Company"	China Southern Airlines Company Limited, a company incorporated under the laws of the PRC, whose H Shares, A Shares and American depositary shares are listed on the Stock Exchange, the Shanghai Stock Exchange and the New York Stock Exchange, respectively
"CSAHC"	China Southern Air Holding Company, the controlling Shareholder directly and indirectly holding approximately 53.07% equity interest in the Company as at the Latest Practicable Date
"Director(s)"	the director(s) of the Company
"Group"	the Company and its subsidiaries (as defined under the Listing Rules)

"Hong Kong"	The Hong Kong Special Administrative Region of the PRC
"Latest Practicable Date"	26 August 2011, 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 Boeing Aircraft Purchase"	the acquisition from Boeing of 10 Boeing B737 series aircraft and six Boeing B787 series aircraft by Xiamen Airlines on 30 September 2010 and 9 May 2011, respectively
"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
"Xiamen Airlines"	Xiamen Airlines Company Limited, a limited liability company incorporated in the PRC and a subsidiary (as defined in the Listing Rules) owned as to 51% by the Company

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

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

(Stock Code: 1055)

Directors:

Non-Executive Directors:
Si Xian Min *(Chairman of the Board of Directors)*
Wang Quan Hua

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

Independent Non-Executive Directors:
Gong Hua Zhang
Wei Jin Cai
Ning Xiang Dong

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

Registered address:
278 Ji Chang Road
Guangzhou
PRC 510405

31 August 2011

To the Shareholders

Dear Sir or Madam,

MAJOR TRANSACTION
ACQUISITION OF AIRCRAFT

INTRODUCTION

Reference is made to the announcement of the Company dated 31 May 2011. The purpose of this circular is to provide you with, among other things, further details of the Acquisition.

BOEING AIRCRAFT ACQUISITION AGREEMENT

Date

31 May 2011

Parties

(i) The Company, as the purchaser. The principal business activity of the Company is that of civil aviation.

(ii) Boeing, as the vendor. The principal business activity of Boeing is that of aircraft manufacturing. To the best of the Directors' knowledge, information and belief after having made all reasonable enquiry, each of Boeing and its ultimate beneficial owners is a third party independent of the Company and connected persons (as defined in the Listing Rules) of the Company, and is not a connected person of the Company.

Aircraft to be acquired

Six Boeing B777F freighters

Consideration

According to the information provided by Boeing, the catalogue price of one Boeing B777F freighter is US$264 million. Such catalogue price includes price for airframe and engine.

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

In respect of the Acquisition, the Boeing Aircraft Acquisition Agreement contains confidentiality provisions restricting, among other things, disclosure of the consideration of the Acquisition. In addition, consistent with the customary practice of the local aviation industry, the consideration for the acquisition of the Boeing Aircraft is not customarily disclosed to the public. The Company has on separate occasions sought the consents of Boeing to the Company's disclosure of certain information as required under Chapter 14 of the Listing Rules (including the relevant actual consideration involved) in the relevant announcements and circulars. Nonetheless, Boeing rejected the Company's request in this respect, and insisted preservation of the confidentiality carried with such information to the extent possible. Disclosure of the actual consideration will result in the loss of the significant price concessions and hence a significant negative impact on the Group's cost for the Acquisition and will therefore not be in the interest of the Company and its Shareholders as a whole. The Company has made an application to the Stock Exchange for a waiver from strict compliance with the relevant provisions under the Listing Rules in respect of the disclosure of the actual consideration for the Boeing Aircraft.

The Board is of the view that the extent of the price concessions granted to the Company in the Acquisition is comparable with the price concessions that the Group had obtained in the Previous Boeing Aircraft Purchase. The Company also believes that there is no material difference between the effect of the price concessions obtained in the Acquisition and each of the Previous Boeing 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 Boeing Aircraft will be delivered in stages to the Company during the period commencing from 2013 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 had not entered into any agreement with any of these commercial banks for financing the Acquisition. The Company will follow the necessary legal procedures and will make the necessary disclosure in accordance with the Articles of Association and in compliance with the applicable Listing Rules when 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 Group; and the Acquisition will facilitate the optimization of the structures of the Group's cargo business, freighter fleet and cargo traffic capacity, thus maximizing the operational efficiency of the cargo freighter, enhancing the competitiveness of the cargo business of the Group. The Boeing Aircraft will increase the ATKs of the Group by 8.4% when compared to the ATKs of the Group as at 31 December 2010, without taking into account the adjustment to be made by the Company according to market conditions and age of the aircraft fleet.

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

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 Boeing Aircraft Purchase, is above 25% and less than 100%, so the Acquisition together with the Previous Boeing 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.

CSAHC, which directly or indirectly holds approximately 53.07% of the issued share capital of the Company, does not have any interest or benefit under the Boeing Aircraft Acquisition Agreement. No shareholder (including CSAHC) would be required to abstain from voting at any shareholders' general meeting, if convened, to approve the Boeing Aircraft Acquisition Agreement. The Boeing Aircraft Acquisition Agreement has accordingly been approved in writing by CSAHC pursuant to Rule 14.44 of the Listing Rules, and no general meeting is required to be convened.

PROSPECTS

Looking into the second half of the year, benefit from the rapidly growing domestic economy, robust demand for air transportation and limited increase in supply from the industry, the domestic aviation market will hopefully maintain a higher level of prosperity. Meanwhile, the Company is also clearly aware that, the economic situation at home and abroad will become more complicated while difficulties and uncertainties in economic growth will arise in the second half of the year. Moreover, the continuous construction and operation of high-speed railway lines will also cause certain adverse impact on the aviation industry. As such, the Group will fully capitalize on the favourable market environment to ensure the achievement of its annual operation goals by taking the following approaches in the second half of the year:

1. To realize safe flight throughout the whole year

For the second half of 2011, the Group will further improve its risk management capacity, take full consideration of various potential safe flight risks and strengthen management of the safe operation of new aircraft models, so as to realize safe flight throughout the whole year.

2. To achieve higher operating efficiency by increasing revenue and reducing costs

The Group will increase its marketing efforts, strengthen its market-responding capability, improve its revenue management standard by diversifying revenue sources, optimize the portfolio of its cargo operations and enhance its cost control capability.

3. To promote internationalization steadily and progressively by continuously strengthening strategic transformation and hub construction

The Group will further optimize the structure of its flight routes network, put greater efforts in the construction of key hubs, increase investments in transportation capacity of international flight routes, strengthen the development of its international high-end markets and boost transit sales, with an aim to speed up internationalization progress.

4. To continuously improve service quality and enhance brand image

For the second half of 2011, the Group will increase investments to continuously promote the standardization and internationalization of its services and constantly expand the influence of its brand in international markets. The Group will endeavour to improve its service quality and enhance its brand image by exercising more stringent control over its transportation capacity and optimizing passenger experiences in the event of irregular flight service, to the greatest extent.

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 the six months ended 30 June 2011 and each of the three years ended 31 December 2010, 2009 and 2008 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):

- interim report of the Company for the six months ended 30 June 2011 published on 30 August 2011 (pages 12 – 36);
- annual report of the Company for the year ended 31 December 2010 published on 12 April 2011 (pages 45 – 137);
- annual report of the Company for the year ended 31 December 2009 published on 21 April 2010 (pages 44 – 138); and
- annual report of the Company for the year ended 31 December 2008 published on 24 April 2009 (pages 41 -138).

2. INDEBTEDNESS

At the close of business on 30 June 2011, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular, the total indebtedness of the Group was as follows:

	RMB (Million)
Bank loans and other loans	
Unsecured loans	22,220
Mortgaged loans	20,569
Mortgaged and guaranteed loans	291
Total	43,080
Obligation under finance leases	
Obligation under finance leases without guarantee	12,283
Obligation under finance leases with guarantee	3,111
Total	15,394
Contingent liabilities	
Personal bank loan for pilot trainees	303

At 30 June 2011, bank and other loans of the Group of approximately RMB20,860,000,000 were secured by certain aircraft and aircraft advanced payment with a carrying amount of RMB29,234,000,000. Obligation under finance leases of approximately RMB12,283,000,000 were secured by the relevant and other leased aircraft with a carrying amount of RMB22,295,000,000. In addition, bank loans of approximately RMB291,000,000 and obligation under finance leases of approximately RMB3,111,000,000 were guaranteed by CSAHC and certain banks.

Save as aforesaid or as otherwise mentioned herein and apart from intra-group liabilities, the Group did not have any outstanding mortgages, charges, debentures, loan capital, debt securities, bank loans and overdrafts or other similar indebtedness, finance leases or hire purchase commitments, liabilities under acceptances or acceptance credits or any guarantees or other material contingent liabilities as at the close of business on 30 June 2011.

The Directors are not aware of any material changes in the indebtedness or contingent liabilities of the Group since 30 June 2011.

3. EFFECT

The Group's principal business activity is that of civil aviation. Following the completion of the Acquisition, the Group's traffic volume is expected to increase and operating cost per available seat kilometres is expected to decrease. The Boeing Aircraft will increase the ATKs of the Group by 8.4% when compared to the ATKs of the Group as at 31 December 2010, without taking into account the adjustment to be made by the Company according to market conditions and age of the aircraft fleet. As a result, the Group's earnings are expected to be better off. The Group therefore considered that the Acquisition is in the best interest of the Group.

As the Acquisition will be partly financed through commercial loans from commercial banks and partly financed by internal fund, the Acquisition may therefore result in an increase in the 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 2010 (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 *(Notes 1, 2)*	Beneficial owner	A Share	4,145,050,000 (L)	59.02%	–	42.22%
	Interest of controlled corporation	H Share	1,064,770,000 (L)	–	38.10%	10.85%
		Total	5,209,820,000 (L)	–	–	53.07%
Nan Lung Holding Limited ("**Nan Lung**") *(Note 1)*	Beneficial owner	H Share	1,064,770,000 (L)	–	38.10%	10.85%
FIL Limited	Investment manager	H Share	139,840,000 (L)	–	5.00%	1.42%

Notes:

1. CSAHC was deemed to be interested in an aggregate of 1,064,770,000 H Shares through its direct and indirect wholly-owned subsidiaries in Hong Kong, of which 31,120,000 H Shares were directly held by Yazhou Travel Investment Company Limited (representing approximately 1.11% of its then total issued H Shares) and 1,033,650,000 H Shares were directly held by Nan Lung (representing approximately 36.99% of its then total issued H Shares). As Yazhou Travel Investment Company Limited is also an indirect wholly-owned subsidiary of Nan Lung, Nan Lung was also deemed to be interested in the 31,120,000 H Shares held by Yazhou Travel Investment Company Limited.

2. As at the Latest Practicable Date, Si Xian Min 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) An 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.

(b) A continuing connected transaction 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.

(c) 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.

(d) A 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.

(e) A 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 the 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.

(f) 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 10 Boeing B737 series aircraft. The aggregate catalogue price of the 10 Boeing B737 series aircraft was approximately US$699 million.

(g) An aircraft acquisition agreement (the "**Aircraft Acquisition Agreement 3**") dated 4 November 2010, between the Company and Airbus SNC, pursuant to which the Company agreed to acquire and Airbus SNC agreed to sell six Airbus A330 aircraft and 30 Airbus A320 series aircraft . The catalogue price of six Airbus A330 aircraft and 30 Airbus A320 series aircraft is US$1.205 billion and US$2.575 billion, respectively.

(h) A financial services agreement (the "**Financial Services Agreement**") dated 8 November 2010 between the Company and Southern Airlines Group Finance Company Limited (the "**Finance Company**"), a non wholly-owned subsidiary of CSAHC which is owned as to approximately 66% by CSAHC and its wholly-owned subsidiary and 34% by the Company together with its five subsidiaries, pursuant to which the Finance Company agreed to provide various financial services to the Group for a period of three years. The maximum daily balance of deposits (including the corresponding interests thereon) placed by the Group during the life of the Financial Services Agreement shall not exceed the Cap which is set at RMB4 billion on any given day. In respect of the other financial services to be provided by the Finance Company to the Group, the total fees payable by the Group to the Finance Company shall not exceed RMB5 million for each of the three years ending 31 December 2013.

(i) A sales agency framework agreement (the "**Sales Agency Services Framework Agreement**") dated 28 January 2011 between the Company and China Southern Airlines Group Passenger and Cargo Agent Company Limited ("**PCACL**"), a wholly-owned subsidiary of CSAHC, pursuant to which PCACL agrees to provide the (1) air ticket sales agency services, (2) airfreight forwarding sales agency services, (3) chartered flight and pallets agency services, (4) internal operation services for the inside storage area; and (5) delivery services for the outside storage area to the Group. The maximum annual aggregate amount of the services fee payable by the Company to PCACL under the Sales Agency Services Framework Agreement for each of the three years ending 31 December 2013 shall not exceed RMB250 million.

(j) An import and export agency framework agreement (the "**Import and Export Agency Framework Agreement**") dated 28 January 2011 between the Company and Southern Airlines (Group) Import and Export Trading Company ("**SAIETC**"), a wholly-owned subsidiary of CSAHC, pursuant to which SAIETC agrees to provide the (1) import and export services, (2) custom clearing service, (3) customs declaration and inspection services; and (4) tendering and agency services to the Group. The maximum annual aggregate amount of the services fee payable by the Company to SAIETC under the Import and Export Agency Framework Agreement for each of the three years ending 31 December 2013 shall not exceed RMB97.2 million.

(k) A building lease agreement (the "**Building Lease Agreement**") dated 14 February 2011 between the Company and CSAHC, pursuant to which CSAHC leases to the Company certain buildings, facilities and other infrastructure related to the civil aviation businesses of the Company situated at various locations in Shenyang, Dalian, Jilin, Harbin, Xinjiang. The maximum annual aggregate amount of rent payable by the Company to CSAHC under the Building Lease Agreement for each of the three years ending 31 December 2013 shall not exceed RMB42,975,542.

(l) A land lease agreement (the "**Land Lease Agreement**") dated 14 February 2011 between the Company and CSAHC, pursuant to which CSAHC leases to the Company certain lands by leasing the land use rights of such lands to the Company for the purposes of its civil aviation and related businesses situated at various locations. The maximum annual aggregate amount of rent payable by the Company to CSAHC under the Land Lease Agreement for each of the three years ending 31 December 2013 shall not exceed RMB56,329,131.

(m) An aircraft acquisition agreement (the "**Aircraft Acquisition Agreement 4**") dated 9 May 2011, between Xiamen Airlines and Boeing, pursuant to which Xiamen Airlines agreed to acquire and Boeing agreed to sell six Boeing B787 series aircraft. The catalogue price of six Boeing B787 series aircraft is US$1,089 million.

(n) The Boeing Aircraft Acquisition Agreement.

5. LITIGATION

The Company received a claim on 11 July 2011 from an overseas entity (the "**claimant**") against the Company for the alleged breach of certain terms and conditions of an aircraft sale agreement. The claimant has made a claim against the Company for an indemnity of USD46,376,000 or for the refund of the down payments of USD12,377,698, and the interest thereon which is calculated in accordance with Clause 35A, United Kingdom Supreme Court Act 1981. The Company has submitted an acknowledgement of service for the claim. The proceedings are at the preliminary stage and the Directors are of the opinion that the claims are without merit. The Company has involved its legal advisor to defend the claim. The Directors consider that the outstanding claim should have no material adverse effect on the financial position of the Group.

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

6. DIRECTORS' AND SUPERVISORS' INTERESTS

(a) None of the Directors or Supervisors has any direct or indirect interest in any assets which have been, since 31 December 2010, 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 38, graduated from Nanjing University of Aeronautics and Astronautics, majoring in civil aviation management. He subsequently received a master degree of business administration, a master degree of international finance and a master degree in Business Administration (EMBA) from Jinan University, the University of Birmingham, Britain and School of Economics and Management of Tsinghua University, respectively. Mr. Xie used to work in the Planning and Development Department, the Company Secretary Office of the Company and the Office of CSAHC. He has been the Company Secretary since November 2007.

    Dr. Liu Wei, aged 54, graduated from the Northwest University of China, the Chinese University of Political Science and Law, the University of Cambridge and the University of Hong Kong, with a bachelor in Chinese literature, a master degree in law and a PhD in Law respectively. He also completed his Common Professional Examination (CPE) with the Manchester University in England, as well as a Postgraduate Certificate in Laws (PCLL) with the University of Hong Kong. Dr. Liu is qualified to practice law in PRC, Hong Kong and England. He has extensive exposure in corporate finance and is a partner of DLA Piper Hong Kong.

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

(c) The Hong Kong branch share registrar and transfer office of the Company is Hong Kong Registrars Limited, 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 14 September 2011:

(a) Articles of Association;

(b) the material contracts referred to in the paragraph headed "Material Contracts" in this Appendix; and

(c) the annual report of the Company for each of the two years ended 31 December 2009 and 2010 and the interim report of the Company for the six months ended 30 June 2011.

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