

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



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)

CONTINUING CONNECTED TRANSACTIONS

Reference is made to the announcement of the Company dated 29 December 2008 in relation to the existing Asset Lease Agreement.

As the existing Asset Lease Agreement expired on 31 December 2011 and the transactions contemplated under the existing Lease Agreement shall continue to be entered into on a recurring basis, in compliance with Rule 14A.35(1) of the Listing Rules, the Company and CSAHC have entered into the new Asset Lease Agreement on 25 September 2012 (after trading hours) to renew the leases transactions for a term of three years from 1 January 2012 to 31 December 2014.

The Company also entered into the Property Lease Agreements with CSAHC in relation to certain fragmented leases for properties located in Harbin, Changchun, Dalian, Beijing and Shanghai for a term of two years from 1 January 2012 to 31 December 2013.

The transactions contemplated under the Asset Lease Agreement and the Property Lease Agreements constitute continuing connected transactions of the Company exempt from the independent shareholders' approval requirements and are only subject to the reporting, announcement and annual review requirements under the Listing Rules.

Reference is made to the announcement of China Southern Airlines Company Limited (the "Company") dated 29 December 2008 where the Company announced that China Southern Air Holding Company ("CSAHC") had renewed an asset lease agreement (the "existing Asset Lease Agreement") with the Company, pursuant to which CSAHC agreed to continue to lease to the Company certain parcels of land, properties, and civil aviation structures and facilities in Guangzhou, Haikou, Wuhan, Hengyang, Jingzhou (previously known as "Shashi"), Changsha, Shenyang, Dalian, Harbin, Changchun, Beijing, Shanghai and Nanyang for a term of 3 years up to 31 December 2011, which is renewable by agreement between both parties thereto.

As the existing Asset Lease Agreement expired on 31 December 2011 and the transactions contemplated under the existing Asset Lease Agreement shall continue to be entered into on a recurring basis, in compliance with Rule 14A.35(1) of The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), the Company and CSAHC have entered into the new Asset Lease Agreement on 25 September 2012 (after trading hours) to renew the leases transactions for a term of three years from 1 January 2012 to 31 December 2014.

ASSET LEASE AGREEMENT

Date

25 September 2012 (after trading hours)

Parties

- (a) The Company, the principal business activity of the Company is that of civil aviation.
- (b) CSAHC, the controlling shareholder of the Company, directly and indirectly holding approximately 53.07% equity interest in the Company as of the date hereof, and is therefore a connected person of the Company under the Listing Rules. The principal business activity of CSAHC, based on its business licence, is that of operating and managing, on behalf of the PRC government, certain state-owned assets.

Subject matter

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”), Nanyang, Beijing, Shanghai, Changsha, Shenyang, Dalian, Harbin and Changchun (other than certain properties located in Harbin, Changchun, Dalian, Beijing and Shanghai and certain assets located in Nanyang which were covered in the existing Asset lease Agreement) for a fixed term of three years, commencing from the 1 January 2012 to 31 December 2014, and are renewable by agreement between both parties thereto, subject to compliance with the relevant requirements of the Listing Rules by the Company.

Under the new Asset Lease Agreement, the annual rent payable is RMB35,924,400 for the three years ended 31 December 2014 and is payable in advance quarterly by the Company wholly out of its internal funds.

The lands and properties leased by CSAHC to the Company under the new Asset Lease Agreement are used in the civil aviation businesses of the Company. The purchase and/or transfer of such buildings, facilities, infrastructure and the land use rights will involve the more time-consuming and costly process of transferring to the Company the relevant titles, ownership or land use rights relating thereto; whereas the renewal of the new Asset Lease Agreement allows the Company to continue to use those buildings, facilities and infrastructure to operate its expanded civil aviation business from the commencement date of the Lease Agreements at rents not higher than the market rates for similar buildings, facilities, infrastructure and lands.

PROPERTY LEASE AGREEMENTS

The Company also entered into five individual lease agreements (the "Property Lease Agreements") with CSAHC 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 RMB 4,436,600 for a term of two years from 1 January 2012 to 31 December 2013 and is payable in advance semiannually by the Company wholly out of its internal funds.

As (a) it is costly and time consuming for the Company to reassess the rental value of these

fragmented leased properties each time when the Asset Lease Agreement is to be renewed; and (b) the Company had already entered into entered into two lease agreements (the "2011 Lease Agreements"), namely, the building lease agreement (the "Building Lease Agreement") and the land lease agreement (the "Land Lease Agreement") with CSAHC, pursuant to which CSAHC continued to lease to the Company (i) 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, etc; and (ii) certain lands by leasing the land use rights of such lands to the Company for the purposes of civil aviation and related businesses of the Company for a term of 3 years from 1 January 2011 to 31 December 2013, these five leases will be covered under the 2011 Lease Agreements when it is further renewed in 2014 so as to save resources as well as time of management of various property leases with CSAHC.

Further, the lease relating to Nanyang Jiangying Airport originally covered under the existing Asset Lease Agreement was excluded in the new Asset Lease Agreement as Nanyang Jiangying Airport is currently under expansion reconstruction and the asset conditions and valuation of Nanyang Jiangying Airport are likely to be substantially changed after such reconstruction, which no accurate assessment of the rental value of Nanyang Jiangying Airport is available at this stage.

Historical Figures and Cap

The previous annual rental paid to CSAHC by the Company (i) under the existing Asset Lease Agreement; and (ii) for all leases relating to lands and properties for the three years ended 31 December 2011 are as follows:

	Under the existing Asset Lease Agreement	For all leases of lands and properties
2009	RMB37,148,660	RMB 107,000,000
2010	RMB39,006,093	RMB 109,000,000
2011	RMB 40,956,397.65	RMB 140,000,000

The annual rent payable pursuant to each of the new Asset Lease Agreement of RMB 35,924,400 and the Property Lease Agreement of RMB4,436,600 is determined after arm's length negotiation by the parties with reference to the rental assessment report prepared by Zhonglian Asset Valuation Group Co., Ltd. (中聯資產評估集團有限公司) taking into account the prevailing market rental for properties located at similar locations.

Implications under the Listing Rules

As CSAHC is a connected person of the Company, the transactions contemplated under the new Asset Lease Agreement and the Property Lease Agreements (the "2012 Lease Agreements") constitute continuing connected transactions for the Company under the Listing Rules. The board (the "Board") of directors (the "Directors") of the Company (including the independent non-executive Directors) considers that the terms of the 2012 Lease Agreements and the cap in respect thereof are fair and reasonable and are entered into on normal commercial terms, or on terms no less favourable than those available to independent third parties under the prevailing local market conditions, in the ordinary and usual course of business of the Company and in the interests of the Group and its shareholders as a whole.

Since the applicable percentage ratios for the transactions contemplated under the 2012 Lease Agreements is on an annual basis exceeding 0.1% and less than 5%, the transactions

contemplated under the 2012 Lease Agreements are only subject to the reporting, announcement and annual review requirements and are exempt from the independent shareholders' approval requirements under the Listing Rules. Transactions contemplated under the 2012 Lease Agreements which took place since 1 January 2012 and prior to this announcement represented de minimis transactions under Rule 14A.33(3) of the Listing Rules.

The 2012 Lease Agreements are also required to be disclosed pursuant to the relevant rules and regulations of the Shanghai Stock Exchange.

GENERAL

Among the 11 Directors, three Directors, Mr. Si Xian Min, Mr. Wang Quan Hua and Mr. Yuan Xin An, who were duly appointed to the Board by CSAHC, were required to abstain from voting in respect of the resolutions to approve the 2012 Lease Agreements. All the remaining Directors who were entitled to vote, unanimously approved the resolutions approving the above 2012 Lease Agreements.

By order of the Board of
China Southern Airlines Company Limited
Xie Bing and Liu Wei
Joint Company Secretaries

Guangzhou, the People's Republic of China

25 September 2012

As at the date of this announcement, the Directors include Si Xian Min, Wang Quan Hua and Yuan Xin An as non-executive Directors, Tan Wan Geng, Zhang Zi Fang, Xu Jie Bo and Chen Zhen You as executive Directors, and Gong Hua Zhang, Wei Jin Cai, Ning Xiang Dong and Liu Chang Le as independent non-executive Directors.