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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)

(1) VERY SUBSTANTIAL TRANSACTION
IN RELATION TO ACQUISITION OF AIRCRAFT

AND

(2) VOLUNTARY DISCLOSURE
IN RELATION TO THE DISPOSAL OF SIX ERJ145 AIRCRAFT

VERY SUBSTANTIAL TRANSACTION

The Board hereby announces that on 16 May 2014 (after trading hours), the Company entered into the Airbus Aircraft Acquisition Agreement with Airbus S.A.S. to purchase the Airbus Aircraft from Airbus S.A.S.

As the relevant applicable percentage ratios for the Acquisition with regards to the consideration test under Rule 14.07 of the Listing Rules is above 100%, the Acquisition constitutes a very substantial acquisition of the Company, and therefore is also subject to the reporting, announcement and shareholders' approval requirements under the Listing Rules.

VOLUNTARY DISCLOSURE

On 16 May 2014 (after trading hours), the Company as the seller entered into the Aircraft Disposal Agreement with Airbus S.A.S. as the purchaser regarding the Disposal. The Disposal does not constitute a notifiable transaction under Chapter 14 of the Listing Rules.

GENERAL

A circular containing, amongst other things, further information on the Acquisition together with a notice convening the general meeting, will be despatched to the Shareholders on or before 30 May 2014.

On 16 May 2014 (after trading hours), the Company entered into the Airbus Aircraft Acquisition Agreement, pursuant to which the Company agreed to purchase the Airbus Aircraft from Airbus S.A.S in accordance with the terms and conditions thereof.

AIRBUS AIRCRAFT ACQUISITION AGREEMENT

Parties

- (i) The Company, as the purchaser. The principal business activity of the Company is that of civil aviation.
- (ii) The Airbus S.A.S, a company incorporated in Toulouse, as the vendor. The principal business activity of Airbus S.A.S is that of aircraft manufacturing. To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, each of Airbus S.A.S 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

30 Airbus A320 series aircraft and 50 A320 NEO series aircraft

Consideration

According to the information provided by Airbus S.A.S, the catalogue price of one Airbus A320 series aircraft is priced differently in the range of US\$85.8 million and US\$110.1 million and one A320NEO series aircraft is priced differently in the range of US\$94.4 million to US\$120.5 million. Such catalogue prices includes price for airframe and engine.

The Airbus Aircraft Acquisition Agreement was negotiated and entered into with customary business and industry practice. The aggregate actual consideration for the Airbus Aircraft, which is payable in cash, and determined after an arm's length negotiation between the parties, is significantly lower than the catalogue price as provided by Airbus S.A.S because of the substantial price concessions granted by Airbus S.A.S in relation to the Airbus Aircraft. 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 S.A.S 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, Airbus S.A.S 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

past. 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 purchase on the Group's operating costs taken as a whole.

Payment and delivery terms

The aggregate consideration for the Acquisition is payable by cash in United States dollars. The consideration will be partly payable by cash and partly by financing arrangements with banking institutions. The Airbus Aircraft will be delivered in stages to the Company during the period commencing from 2016 to 2020 and the consideration for each of the relevant Airbus Aircraft will be paid according to its respective delivery schedule.

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 of the date hereof, 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 comply 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 are consistent with the strategic target and the aircraft fleet structure plan of the Company; and the Acquisition will facilitate the strategic change and the internationalization of the Company, the optimization of the Company's fleet structures, thus maximizing the operational efficiency and enhancing the competitiveness of the Company. The Airbus Aircraft will increase the ATKs of the Group by 12.1% when compared to the ATKs of the Group as at 31 December 2013, 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 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.

Conditions Precedent

The Acquisition is subject to the following:

- (i) the approval of the relevant government authorities in the PRC; and
- (ii) the Shareholders' approval,

pursuant to the Listing Rules, the Articles of Association and the relevant rules and regulations of the Shanghai Stock Exchange.

None of the Shareholders is required to abstain from voting in respect of the proposed resolution to approve the Acquisition.

It is expected that the completion of the Acquisition will take place in or around 2020.

IMPLICATION UNDER THE LISTING RULES

As the relevant applicable percentage ratios for the Acquisition with regards to the consideration test under Rule 14.07 of the Listing Rules is above 100%, the Acquisition constitutes a very substantial acquisition of the Company, and therefore is also subject to the reporting, announcement and shareholders' approval requirements under the Listing Rules.

The Acquisition is also required to be disclosed pursuant to the relevant rules and regulations of the Shanghai Stock Exchange.

VOLUNTARY DISCLOSURE

The proposed Disposal was considered and approved by the Board. On 16 May 2014 (after trading hours), the Company as the seller entered into the Aircraft Disposal Agreement with Airbus S.A.S. as the purchaser regarding the Disposal. The Disposal does not constitute a notifiable transaction under Chapter 14 of the Listing Rules.

The Disposal will decrease the ATKs of the Group by 0.02% when compared to the ATKs of the Group as at 31 December 2013, without taking into account the adjustment to be made by the Company according to market conditions and age of the aircraft fleet.

GENERAL

A circular containing, amongst other things, further information on the Acquisition together with a notice convening the general meeting, will be despatched to the Shareholders on or before 30 May 2014, as more time is required to prepare the indebtedness statement to be included in the circular.

DEFINITIONS

In this announcement, the following expressions shall have the meanings set out below unless the context requires otherwise:

“Acquisition”	the acquisition of the Airbus Aircraft under the Airbus Aircraft Acquisition Agreement
“Airbus Aircraft”	30 Airbus A320 series aircraft and 50 A320 NEO series aircraft, the subject matter of the Airbus Aircraft Acquisition Agreement
“Airbus Aircraft Acquisition Agreement”	the aircraft acquisition agreement entered into between Airbus S.A.S. and the Company on 16 May 2014, pursuant to which the Company agreed to acquire and Airbus S.A.S. agreed to sell the Airbus Aircraft
“Aircraft Disposal Agreement”	the aircraft disposal agreement entered into between the Company and Airbus S.A.S. on 16 May 2014, pursuant to which Airbus S.A.S. agreed to acquire and the Company agreed to sell six ERJ145 aircraft and certain aircraft spare parts and spare engines

“Articles of Association”	the articles of association of the Company
“available tonne kilometers” or “ATKs”	the tones of capacity available for the transportation of revenue load (passengers and/or cargo) multiplied by the kilometers flown
“Board”	the board of Directors
“China” or “PRC”	the People’s Republic of China and, for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region 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, Inc., respectively
“Director(s)”	the director(s) of the Company
“Disposal”	the disposal of six ERJ145 aircraft and certain aircraft spare parts and spare engines by the Company under the Disposal Agreement
“Group”	the Company and its subsidiaries (as defined under the Listing Rules)
“Hong Kong”	The Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“RMB”	Renminbi, the lawful currency of the PRC
“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
“US dollars” or “US\$”	United States dollars, the lawful currency of the United States of America

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

Guangzhou, the People’s Republic of China

16 May 2014

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