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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)**

**ANNOUNCEMENT ON BUSINESS UPDATE**

**SUPPLEMENTAL BOEING AIRCRAFT ACQUISITION AGREEMENT**

References are made to the announcement of the Company dated 20 October 2017 and the circular of the Company dated 22 December 2017 in relation to the Original Acquisition.

**SUPPLEMENTAL BOEING AIRCRAFT ACQUISITION AGREEMENT**

On 28 February 2019 (after trading hours), the Company entered into the Supplemental Boeing Aircraft Acquisition Agreement with Boeing to amend the terms of the Boeing Aircraft Acquisition Agreement to change the 2 B777-300ER aircraft originally agreed to be acquired by the Company under the Boeing Aircraft Acquisition Agreement to 2 B777F aircraft.

**IMPLICATIONS UNDER THE LISTING RULES**

As the relevant percentage ratios under Rule 14.07 of the Listing Rules with regards to the Revised Acquisition are all less than 5%, the Revised Acquisition does not constitute a discloseable transaction under the Listing Rules.

Pursuant to Rule 14.22 of the Listing Rules, the Revised Acquisition would be aggregated with the Original Acquisition and be treated as if they were one transaction for the purpose of Chapter 14 of the Listing Rules. Nonetheless, the Revised Acquisition, even if aggregated with the Original Acquisition, will still be classified as a major transaction of the Company under Chapter 14 of the Listing Rules of which relevant disclosure and approval requirements have been complied with by the Company. Accordingly, pursuant to the Stock Exchange's Series 7 Frequently Asked Question 14, the Company would not be required to re-classify the Revised Acquisition by aggregating it with Original Acquisition.

References are made to the announcement of the Company dated 20 October 2017 and the circular of the Company dated 22 December 2017 in relation to the Original Acquisition.

On 28 February 2019 (after trading hours), the Company entered into the Supplemental Boeing Aircraft Acquisition Agreement with Boeing to amend the terms of the Boeing Aircraft Acquisition Agreement to change the 2 B777-300ER aircraft originally agreed to be acquired by the Company under the Boeing Aircraft Acquisition Agreement to 2 B777F aircraft.

## **SUPPLEMENTAL BOEING AIRCRAFT ACQUISITION AGREEMENT**

### **Parties**

- (i) The Company, the principal business activity of which is that of civil aviation.
- (ii) The Boeing Company, a company incorporated in the State of Delaware of the United States of America. The principal business activity of Boeing is that of aircraft manufacturing. To the best of the Directors' knowledge, information and belief 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.

Under the terms of the Supplemental Boeing Aircraft Acquisition Agreement, the Company shall purchase 6 B777-300ER, 2 B777F and 30 B737-8 aircraft, as opposed to 8 B777-300ER and 30 B737-8 aircraft as stipulated under the Boeing Aircraft Acquisition Agreement.

According to the information provided by Boeing, the catalogue price of each of the B777F aircraft is priced about US\$314 million and the catalogue price of each of the B777-300ER aircraft is priced about US\$317.7 million. Such catalogue price includes price for airframe and engine. The aggregate actual consideration for the Revised Boeing 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 Boeing because of the substantial price concessions granted by Boeing in relation to the Revised Boeing Aircraft.

The Board is of the view that the extent of the price concessions granted to the Group in the Revised 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 Revised Acquisition and each of the previous purchase from Boeing on the Group's operating costs taken as a whole.

The Revised Boeing Aircraft will be delivered in 2020. The total consideration will be paid to Boeing in instalments from 2019 to 2020.

The Board is of the view that the above amendments are not material variations of the terms of the Original Acquisition. Save as disclosed above, the principal terms of the Boeing Aircraft Acquisition Agreement remain unchanged and are still in full force and effect.

### **REASONS FOR THE SUPPLEMENTAL BOEING AIRCRAFT ACQUISITION AGREEMENT**

The Directors (including the independent non-executive Directors) consider that the Revised Acquisition is in line with the Company's fleet planning, which helps to flexibly respond to changes in the passenger and freight markets and to better address the Company's market demand, and in turn enhances the Company's market competitiveness.

The Directors (including the independent non-executive Directors) consider that the Revised Acquisition is in the ordinary and usual course of business of the Group, the terms of the Supplemental 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.

## **IMPLICATION UNDER THE LISTING RULES**

As the relevant percentage ratios under Rule 14.07 of the Listing Rules with regards to the Revised Acquisition are all less than 5%, the Revised Acquisition does not constitute a discloseable transaction under the Listing Rules.

Pursuant to Rule 14.22 of the Listing Rules, the Revised Acquisition would be aggregated with the Original Acquisition and be treated as if they were one transaction for the purpose of Chapter 14 of the Listing Rules. Nonetheless, the Revised Acquisition, even if aggregated with the Original Acquisition, will still be classified as a major transaction of the Company under Chapter 14 of the Listing Rules of which relevant disclosure and approval requirements have been complied with by the Company. Accordingly, pursuant to the Stock Exchange's Series 7 Frequently Asked Question 14, the Company would not be required to re-classify the Revised Acquisition by aggregating it with Original Acquisition.

## **DEFINITIONS**

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

“Board”	the board of Directors
“Boeing”	the Boeing Company, a company incorporated in the State of Delaware of the United States of America
“Boeing Aircraft Acquisition Agreement”	the aircraft acquisition agreement entered into between Boeing and the Company on 20 October 2017 in relation to the acquisition of 8 B777-300ER and 30 B737-8 aircraft, as disclosed in the announcement of the Company dated 20 October 2017 and the circular of the Company dated 22 December 2017
“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
“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
“Original Acquisition”	the acquisition of Boeing aircraft under the Boeing Aircraft Acquisition Agreement

“Revised Acquisition”	the revised acquisition to change the 2 B777-300ER aircraft originally agreed to be acquired by the Company under the Boeing Aircraft Acquisition Agreement to 2 B777F aircraft
“Revised Boeing Aircraft”	2 B777F aircraft, the subject matter of the Supplemental Boeing Aircraft Acquisition Agreement
“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
“Supplemental Boeing Aircraft Acquisition Agreement”	the supplemental aircraft acquisition agreement entered into between Boeing and the Company on 28 February 2019
“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**  
*Company Secretary*

Guangzhou, the People’s Republic of China

28 February 2019

*As at the date of this announcement, the Directors include Wang Chang Shun and Zhang Zi Fang as executive Directors; and Zheng Fan, Gu Hui Zhong, Tan Jin Song and Jiao Shu Ge as independent non-executive Directors.*