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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)

DISCLOSEABLE TRANSACTION RELATING TO DISPOSAL OF AIRCRAFT, SPARE ENGINES AND SPARE PARTS

On 31 July 2009, the Company, Tigris, Galink and the Export Agent entered into the Aircraft Sale Agreement pursuant to which the Company conditionally agreed to sell and Tigris conditionally agreed to acquire the Aircraft, the Spare Engines and the corresponding Spare Parts at an aggregate consideration of US\$124 million; and (2) the Company, Galink and the Export Agent entered into the Spare Parts Sale Agreement pursuant to which the Company conditionally agreed to sell and Galink conditionally agreed to acquire the Spare Parts at an aggregate consideration of US\$1.02 million.

As the applicable percentage ratios calculated under Rule 14.07 of the Listing Rules in respect of the Disposal are greater than 5% but less than 25%, the Disposal constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules and is subject to the reporting and announcement requirement and is exempt from the shareholders' approval requirement under the Listing Rules.

The Board and all of its members confirm that this announcement does not contain any misrepresentation, misleading statement or material omission, and jointly and severally accept full responsibility for the truthfulness, accuracy and completeness of the contents of this announcement.

THE AIRCRAFT SALE AGREEMENT

Date

31 July 2009

Parties to the Agreement

- (1) Buyer: Tigris International N.V., a company incorporated under the laws of Netherlands Antilles which is principally engaged in investment holding;
- (2) Seller: the Company, incorporated under the laws of PRC which is principally engaged in civil aviation;
- (3) Broker: Galink Aviation Technology Co., Limited, a company incorporated in Hong Kong which is principally engaged in the sale of aircraft and aircraft spare parts; and
- (4) Export Agent: Shenyang Southern Airlines Import and Export Trading Corp., Ltd., a company incorporated under the laws of PRC which is principally engaged in the import and export

of aircraft, flight equipment and facilities, and custom clearance services. The Export Agent is an indirectly wholly-owned subsidiary of SAIETC, a company wholly owned by CSAHC.

To the best knowledge, information and belief of the Directors and having made all reasonable enquiries, Tigris and Galink and their respective ultimate beneficial owners are Independent Third Parties not connected with the Company and its connected persons (as defined under the Listing Rules). Tigris and Galink and their respective associates have no interest in the Shares.

The assets to be disposed of

Six Airbus A300-600R Aircraft and Five Pratt & Whitney Model PW4158-3 Turbofan Spare Engines and the corresponding Spare Parts.

It is technically not viable to determine the net profit attributable to just the Aircraft, the Spare Engines and/or the corresponding Spare Parts for the two previous financial years, however, there is no change in relation to the net profit attributable to the Aircraft, the Spare Engines and/or the corresponding Spare Parts for the two previous financial years as a result of the Disposal.

The Aircraft shall be delivered on or before 27 August 2009 or such other date as the parties may agree and the Spare Engines shall be delivered within 60 days after the Delivery of the last Aircraft under the Aircraft Sale Agreement.

Consideration

The consideration for the Aircraft, the Spare Engines and the corresponding Spare Parts is US\$ 111 million, US\$10 and US\$3 million respectively. The aggregate consideration of US\$ 124 million will be satisfied entirely by Tigris by transfer of immediately available funds to the account designated by the Company by instalment as follows:

- (i) US\$10,877,697.92 shall be payable on or before the signing of the Aircraft Sale Agreement;
- (ii) US\$57,235,487.56 shall be payable on or prior to the date on which the first Aircraft is ferry flown out of PRC to the designation directed by Tigris under the Aircraft Sale Agreement; and
- (iii) US\$55,886,814.52 shall be payable on or prior to the date on which the fourth Aircraft is ferry flown out of PRC to the designation directed by Tigris under the Aircraft Sale Agreement.

The consideration was determined after arm's length negotiation between the Company and Tigris on normal commercial terms and after taking into account of the assessed value of the Aircraft, the Spare Engines and the corresponding Spare Parts of approximately RMB 748.40 million, RMB 78.01 million and RMB 27.47 million respectively prepared by Zhongming International Certified Public Valuer (Beijing) Co., Ltd. (中銘國際資產評估(北京)有限責任公司) (an independent qualified valuer in the PRC), with reference to the total values of the Aircraft, the Spare Engines and the Spare Parts of approximately RMB 1,686.79 million, RMB 229.37 million and RMB 299.34 million respectively and the book values of the Aircraft, the Spare Engines and the corresponding Spare Parts of approximately RMB 540.75 million, RMB 118.08 million and RMB 82.32 million respectively as at 31 May 2009. *(Note: Such valuation on the Spare Parts covers the spare parts sold to Tigris under the Aircraft Sale Agreement and the spare parts sold to Galink under the Spare Parts Sale Agreement.)*

The Directors (including the independent non-executive Directors) consider that the consideration is fair and reasonable and the Aircraft Sale Agreement was made on normal commercial terms.

Conditions precedent

The Company's obligation to sell and deliver each Aircraft, the Spare Engine and the Spare Parts to Tigris is subject to satisfaction of each of the following conditions precedent:

- (i) the representations and warranties given by Tigris being true and accurate as at Delivery;
- (ii) Tigris shall have performed all of its obligations under the Aircraft Sale Agreement on or prior to the date of Delivery;
- (iii) the Company having received the consideration for the relevant Aircraft or Spare Engine, as the case may be, in full pursuant to the Aircraft Sale Agreement;
- (iv) the Company having received the insurance certificate required under the Aircraft Sale Agreement;
- (v) the Company having received the documents from Tigris in accordance with the Aircraft Sale Agreement; and
- (vi) the Company having received all PRC government approvals necessary for the sale of the Aircraft and the Spare Engines to Tigris.

Others

Pursuant to the Aircraft Sale Agreement, Tigris irrevocably agreed and confirmed to the Company that the corresponding Spare Parts related to the Aircraft and the Spare Engines shall be sold and delivered by Tigris to Galink.

THE SPARE PARTS SALE AGREEMENT

Date

31 July 2009

Parties to the Agreement

- (1) Buyer: Galink Aviation Technology Co., Limited, a company incorporated in Hong Kong which is principally engaged in the sale of aircraft and aircraft spare parts;
- (2) Seller: the Company; and
- (3) Export Agent: Shenyang Southern Airlines Import and Export Trading Corp., Ltd., a company incorporated under the laws of PRC which is principally engaged in the import and export of aircraft, flight equipment and facilities, and custom clearing services. The Export Agent is an indirectly wholly-owned subsidiary of SAIETC, a company wholly owned by CSAHC.

To the best knowledge, information and belief of the Directors and having made all reasonable enquiries, Galink and its ultimate beneficial owners are Independent Third Parties not connected with the Company and its connected persons (as defined under the Listing Rules). Galink and its associates have no interest in the Shares.

The assets to be disposed of

A300 Aircraft Spare Parts

It is technically not viable to determine the net profit attributable to just the Spare Parts for the two previous financial years, however, there is no change in relation to the net profit attributable to the Spare Parts for the two previous financial years as a result of the Disposal.

The Spare Parts shall be delivered within 60 days after the last Aircraft is ferry flown out of PRC to the designation directed by Tigris under the Aircraft Sale Agreement.

Consideration

The consideration of an aggregate of US\$1.02 million will be satisfied entirely by Galink by transfer of immediately available funds to the account designated by the Company by instalment as follows:

- (i) US\$100,000 shall be payable on or before the signing of the Spare Parts Sale Agreement;
- (ii) US\$400,000 shall be payable within 7 days after the first Aircraft is ferry flown out of PRC to the designation directed by Tigris under the Aircraft Sale Agreement; and
- (iii) US\$520,000 shall be payable within 7 days after the fourth Aircraft is ferry flown out of PRC to the designation directed by Tigris under the Aircraft Sale Agreement.

The consideration was determined after arm's length negotiation between the Company and Galink and after taking into account of the accessed value of the Spare Parts of approximately RMB 27.47 million. Such valuation was prepared by Zhongming International Certified Public Valuer (Beijing) Co., Ltd. (中銘國際資產評估(北京)有限責任公司) (an independent qualified valuer in the PRC) with reference to the total value and the book value of the Spare Parts of approximately RMB 299.34 million and RMB 82.32 million as at 31 May 2009. *(Note: Such valuation on the Spare Parts covers the spare parts sold to Tigris under the Aircraft Sale Agreement and the spare parts sold to Galink under the Spare Parts Sale Agreement.)*

The Directors (including the independent non-executive Directors) consider that the consideration is fair and reasonable and the Spare Parts Sale Agreement was made on normal commercial terms.

Conditions precedent

The Company's obligation to sell and deliver the Spare Parts to Galink is subject to the satisfaction of the following conditions precedent, inter alia:

- (i) the representations and warranties given by Galink being true and accurate as at Delivery;
- (ii) Galink shall have performed all of its obligations under the Spare Parts Sale Agreement on or prior to the a date falling within 60 days after the Delivery of the last Aircraft under the Aircraft Sale Agreement or such other date as the Company and Galink may agree (whichever is later);
- (iii) the Company having received the consideration for the Spare Parts in full pursuant to the Spare Parts Sale Agreement;
- (iv) the Company having received the insurance certificate required under the Spare Parts Sale Agreement;
- (v) the Company having received the documents from Galink in accordance with the Spare Parts Sale Agreement; and
- (vi) the Company having received all PRC government approvals necessary for the sale of the Spare Parts to Galink.

Others

Pursuant to the Spare Parts Sale Agreement, Galink irrevocably and unconditionally (a) appoints the Tigris as its nominee to accept and take delivery of any or all Spare Parts on behalf of Galink and (b) agrees and confirms that the Company shall be deemed to have fully performed all its obligations in respect of delivery of Spare Parts under the Spare Parts Sale Agreement by delivering Spare Parts to Tigris and that after delivery of Spare Parts to Tigris the Company shall have no further obligations to Galink in respect of the delivery of Spare Parts.

AGENCY SERVICES IN RESPECT OF THE EXPORT AND CUSTOM CLEARANCE OF THE AIRCRAFT, SPARE ENGINES AND SPARE PARTS

The Export Agent has executed and delivered the Aircraft Sale Agreement and the Spare Parts Sale Agreement respectively to the Company only for the purpose of acting as an export agent for the export and custom clearance of the Aircraft, the Spare Engines and/or the Spare Parts (as the case may be) for the Company at an aggregate agency fee of approximately RMB 8,470,000 pursuant to the Import and Export Agency Framework Agreement, the material terms of which have been disclosed in an announcement of the Company dated 10 January 2008. The Export Agent has no liability or obligation whatsoever (a) with respect to the sale and purchase of the Aircraft or the Spare Engines or the Spare Parts (as the case may be) under the Aircraft Sale Agreement and the Spare Parts Sale Agreement respectively; and (b) to or against Galink under the Aircraft Sale Agreement.

As the Export Agent (being an indirectly wholly-owned subsidiary of SAIETC) is an indirectly wholly-owned subsidiary of CSAHC, the controlling shareholder of the Company, the provision of the export and custom clearance services by the Export Agent to the Company constitute a continuing connected transaction of the Company. The Company has already complied with all the reporting and announcement requirements pursuant to Rule 14A.32 of the Listing Rule which are applicable to this continuing connected transaction in 2008 as disclosed in the announcement of the Company dated 10 January 2008. The Company also confirmed that the provision of such export agency services by the Export Agent under the Aircraft Sale Agreement and the Spare Parts Sale Agreement will not result in the annual cap (RMB 90 million) for each of the years ending 31 December 2009 and 31 December 2010 as disclosed in the announcement of the Company dated 10 January 2008 and the 2008 annual report being exceeded.

REASONS FOR AND BENEFITS OF THE DISPOSAL

The Company has already disclosed its intention to adjust and optimize its fleet structure and dispose of certain aircraft with poor profitability, including the Aircraft, ahead of time pursuant to its strategic development plan in the announcements of the Company dated 12 March 2009, 15 April 2009 and 15 May 2009 and the 2008 annual report. The Aircraft has already served the Company for 14 to 16 years and the production and ceased production, thus the maintenance cost and the price of materials and spare components of the Aircraft are higher than the other aircraft owned by the Company. Accordingly, the Company decided to dispose of the Aircraft.

The Disposal will facilitate the Company to adjust and optimize its fleet structure and to enhance the operating results of the Company which is consistent with the long term development strategy of the Company.

The Directors (including the independent non-executive Directors) consider the Disposal, the terms of and consideration for the Disposal to be fair and reasonable and in the interests of the Company and the Shareholders as a whole.

FINANCIAL EFFECTS OF THE DISPOSAL

The Group is expected to realise a gain of approximately RMB 46.58 million as a result of the Disposal. The gain is calculated by reference to the consideration, the book values of the Aircraft, the Spare Engines and the

Spare Parts as at 31 May 2009 as well as the estimated costs to be incurred for the Disposal. The proceeds from the Disposal will be used for the Group's general working capital purposes.

GENERAL INFORMATION

As the applicable percentage ratios calculated under Rule 14.07 of the Listing Rules in respect of the Disposal are greater than 5% but less than 25%, the Disposal constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules and is subject to the reporting and announcement requirement and is exempt from the shareholders' approval requirement under the Listing Rules.

DEFINITIONS

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

"Aircraft "	six used Airbus A300-600R aircraft including the airframe, the engines installed on the relevant Aircraft, the spare parts and all equipment, accessories, parts and other property installed in or appurtenant to the relevant Aircraft
"Aircraft Sale Agreement"	the conditional sale and purchase agreement entered into on 31 July 2009 between the Company, Tigris, Galink and the Export Agent in relation to the disposal of the Aircraft and Spare Engines
"associates"	has the meaning ascribed to it under the Listing Rules
"Board"	the board of Directors
"Company"	China Southern Airlines Company Limited, a company incorporated under the laws of the PRC whose H Shares, A Shares and American Depositary Receipts are listed on the Stock Exchange, the Shanghai Stock Exchange and the New York Stock Exchange, Inc., respectively
"connected person(s)"	has the meaning ascribed to it under the Listing Rules
"controlling shareholder(s)"	has the meaning ascribed to it under the Listing Rules
"CSAHC"	China Southern Air Holding Company, the controlling Shareholder holding approximately 50.38% equity interest in the Company as at the date of this announcement
"Delivery"	the transfer of title to an Aircraft or Spare Engine (as the case may be) from the Company to Tigris as contemplated under the Aircraft Sale Agreement; or the transfer of title to a Spare Part from the Company to Galink as contemplated under the Spare Parts Sale Agreement, as the case may be
"Directors"	the directors of the Company
"Disposal"	collectively, the disposal of the Aircraft and the Spare Engines from the Company to Tigris pursuant to the Aircraft Sale Agreement and the disposal of the Spare Parts from the Company to Galink pursuant to the Spare Parts Sale Agreement
"Galink"	Galink Aviation Technology Co., Limited, a company incorporated in Hong

	Kong with limited liability
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
"Import and Export Agency Framework Agreement"	an import and export agency framework agreement entered into between the Company and SAIETC on 10 January 2008 in respect of the provision of import and export services, customs clearance services, customs declaration and inspection services, tendering and agency services with an annual cap of not more than RMB 90 million
"Independent Third Parties"	the person(s) is/are independent of the Company and its connected person (as defined under the Listing Rules)
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange
“PRC” or "Mainland China"	the People’s Republic of China, for the purpose of this announcement, exclusively refer to Mainland China
"RMB"	Renminbi, the lawful currency of the PRC
"SAIETC"	Southern Airlines (Group) Import and Export Trading Company, a wholly-owned subsidiary of CSAHC
"Share(s)"	share of RMB1.00 each in the capital of the Company
"Shareholder(s)"	the holders of the Shares
"Spare Engines"	Five Pratt & Whitney Model PW4158-3 Turbofan Spare Engines
"Spare Parts"	the spare parts of A300 Aircraft, including the spare parts sold to Tigris under the Aircraft Sale Agreement and the spare parts sold to Galink under the Spare Parts Sale Agreement
“Spare Parts Sale Agreement”	the conditional sale and purchase agreement entered into on 31 July 2009 between the Company, Galink and the Export Agent in relation to the disposal of the Spare Parts
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
"Tigris"	Tigris International N.V., a company incorporated under the laws of Netherlands Antilles
"US\$" or "US dollars"	United States Dollars, the lawful currency of 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

31 July 2009

As at the date of this announcement, the Directors include Si Xian Min, Li Wen Xin, Wang Quan Hua, Liu Bao Heng, Tan Wan Geng, Zhang Zi Fang, Xu Jie Bo and Chen Zhen You as executive Directors; and Wang Zhi, Sui Guang Jun, Gong Hua Zhang and Lam Kwong Yu as independent non-executive Directors.