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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)**

**OVERSEAS REGULATORY ANNOUNCEMENT**

This announcement is published pursuant to Rule 13.09(2) of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited.

China Southern Airlines Company Limited (the “Company”) has published an “Announcement of the Connected Transactions of China Southern Airlines Company Limited” on the website of Shanghai Stock Exchange, the full text of which is set out below for information purpose only.

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

7 May 2009

*As at the date of this announcement, the Directors of the Company include Si Xian Min, Li Wen Xin, Wang Quan Hua, Liu Bao Heng, Tan Wan Geng, 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.*

## **Announcement of the Connected Transactions of China Southern Airlines Company Limited**

The board (the "Board") of directors (the "Directors") of the Company and all of its members confirm that the contents of this announcement does not contain misrepresentations, misleading statements or material omission, and jointly and severally accept full responsibilities for the truthfulness, accuracy and completeness of the information contained in this announcement.

Pursuant to the Articles of Association of China Southern Airlines Company Limited (the ("Company")), the Board held an extraordinary meeting on 7 May 2009 and adopted the following resolutions:

1. The Airline Service Agreement of TravelSky Technology Limited ("Service Agreement") entered into between the Company and TravelSky Technology Limited ("TravelSky") was considered and approved and the executive Directors are authorized to execute agreements in relation thereto.
2. The Company anticipates that 2009 annual cap for the continuing connected transactions to be conducted between the Company and TravelSky in the ordinary course of business to be approximately RMB 400 million, which exceeds 5% of the latest audited net assets value of the Company. The above connected transactions shall be submitted for approval at the general meeting of the Company under the listing rules of Shanghai Stock Exchange.

The number of Directors supposed to be present was 10, of which 10 attended in person. The above resolutions have been reviewed and approved by the Directors unanimously. As Mr. Wang Quan Hua, a Director of the Company is also a director of TravelSky, the above transactions constitute connected transactions under the listing rules of Shanghai Stock Exchange (the "SSE Listing Rules"), therefore Mr. Wang Quan Hua being a connected director had abstained from voting on the resolution. The method and procedures for the consideration and approval of the resolutions are in compliance with the relevant provisions of the Company Law, the Securities Law and the Articles of Association of the Company.

### **I. SUMMARY OF THE CONNECTED TRANSACTIONS**

TravelSky Technology Limited is a provider of information technology solutions for aviation and travel industry which provides flight control system services, electronic travel distribution system services, civil aviation and commercial data network services and ticket-reservation system extended services to airline companies. On 7 May 2009, the Company entered into the Airline Service Agreement of TravelSky Technology Limited ("Service Agreement") with TravelSky Technology Limited ("TravelSky") for the period from 1 January 2009 to 31 December 2009. Pursuant to the Service Agreement, TravelSky agrees to provide to the Company with flight control system services, electronic travel distribution system services, ticket-reservation system extended services and civil aviation and commercial data

network services. In return, the Company pays service fees to TravelSky with reference to the standard rate set by Civil Aviation Administration of China.

The total service fees paid by the Company to TravelSky for 2008 was RMB328.4 million. It is expected that the service fees payable in 2009 to be approximately RMB400 million as determined based on the service fees paid in 2008 and calculated by using the formula  $3.284 * (1 + 30\% * 70\%)$  (assuming an increment of 70% multiplied by the expected growth rate of passengers handled in 2009 (expected to be 30%)).

## **II. INFORMATION ON THE CONNECTED PARTIES AND THEIR RELATIONSHIP**

TravelSky was incorporated in October 2000 and was listed and traded on the Stock Exchange of Hong Kong Limited in February 2001, with its legal representative being Xu Qiang. Its registered office is at Floor 18-20, Block C, Raycom InfoTech Park, No.2 Ke Xue Yuan South Road, Haidian District, Beijing, the People's Republic of China. It has a registered capital of RMB1,950,806,393. Its business scope covers "Permitted businesses - Internet information services (other than the press, publication, education, health care, pharmaceuticals, medical equipment and BBS) expiring on 18 July 2011 and General businesses - computer software and hardware undertaking; computer software and hardware, peripherals, the research, development, production, sales and leasing of networking product and the technical information, technical services related with such businesses; import and export; consulting service on trade and tourism information."

As Mr. Wang Quan Hua, a Director of the Company is also a director of TravelSky, TravelSky is a connected person of the Company under Rules 10.1.3 and 10.1.5 of the SSE Listing Rules and the transactions entered into between the Company and TravelSky constitute connected transactions.

## **III. MAIN CONTENTS OF THE CONNECTED TRANSACTIONS**

The principal terms of the Service Agreement entered into between the Company and TravelSky are as follows:

1. TravelSky is to provide the Company with flight control system services, electronic travel distribution system services, ticket-reservation system extended services and civil aviation and commercial data network services during the term of the contract.
2. TravelSky is responsible for the central computer's software and hardware upgrade and the daily maintenance of the application system, ensuring the reliable operation of the production system and providing the Company with round-the-clock system services and network service safeguarding as well as necessary basic training.
3. The services provided by TravelSky to the Company must comply with the purposes as agreed by both parties in the Service Agreement and the relevant safety and quality standards provided by the state and civil aviation

administrative authorities.

4. The Company shall pay service fees in time for the services provided by TravelSky with reference to the rates provided by Civil Aviation Administration of China.
5. Modification of the Service Agreement must be made in writing and agreed by both Parties. The Service Agreement shall take effect after being signed by the legal representatives or authorised representatives, affixed with company seals and approved by the board of directors and shareholders at the general meeting of the respective parties.

#### **IV. COMMENTS OF THE BOARD**

The above-mentioned connected transactions were entered into in accordance with the relevant provisions of Civil Aviation Administration of China after due and thorough negotiation and based on fair and reasonable commercial terms. The entering into the Service Agreement helps ensure the daily operation of the Company, satisfy the increasing needs of the Company for aviation information service and technical support service and is in the interests of the Company and the shareholders as a whole.

#### **V. INDEPENDENT OPINIONS OF INDEPENDENT DIRECTORS**

In order to protect the interests of the minority shareholders and comply with the relevant provisions of the SSE Listing Rules, the independent Directors of the Company shall express their independent opinions on these connected transactions.

The independent Directors of the Company have carefully considered the connected transactions under the Service Agreement entered into between the Company and TravelSky and reviewed the relevant agreements, and made inquiries to the executive Directors and senior management of the Company on relevant issues and hereby present their independent opinions on the connected transactions as follows:

1. A majority of the Board passed the resolution on the connected transactions with the connected Directors abstaining from voting and the decision-making procedures are legal and valid;
2. The above-mentioned connected transactions were entered into in accordance with the needs of daily operation and production under the principles of "fairness, equity, voluntariness and sincerity", which are in line with market practices and in the interests of the Company and the shareholders as a whole without jeopardizing the interests of minority shareholders.
3. The above-mentioned connected transactions are able to satisfy the increasing needs of the Company for system service and technical support service and will help to ensure the normal operation and production of the Company and boost the operating results of the Company. It is beneficial to the operation and long-term development of the Company and in the interests of the Company and the shareholders as a whole.

## **VI. INDEPENDENT OPINIONS OF THE SUPERVISORY COMMITTEE**

The Supervisory Committee of the Company has carefully considered the connected transactions under the Service Agreement entered into between the Company and TravelSky and concluded that the above connected transactions are in line with the fair market conditions without jeopardizing the interests of the Company and its shareholders, especially the minority shareholders. The decision-making procedures are in compliance with the listing rules of the stock exchange where its shares are listed as well as the articles of association of the Company and therefore valid and beneficial to the operation and long-term development of the Company.

### Documents Available for Inspection

1. Resolutions of the Board of Directors of China Southern Airlines Company Limited (No. Lin 20090507);
2. Independent opinions of Independent Directors of China Southern Airlines Company Limited on the connected transactions under the Airline Service Agreement of TravelSky Technology Limited entered into between the Company and the TravelSky Technology Limited;
3. Independent opinions of the Supervisory Committee of China Southern Airlines Company Limited on the connected transactions under the Airline Service Agreement of TravelSky Technology Limited entered into between the Company and the TravelSky Technology Limited;
4. Airline Service Agreement of TravelSky Technology Limited

China Southern Airlines Company Limited  
7 May 2009

*Note: As TravelSky is not a connected person of the Company under The Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules"), the reporting, announcement and independent shareholders' approval requirements pursuant to Chapter 14A of the Listing Rule is not applicable to this continuing connected transaction contemplated under the Service Agreement.*