

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)

DISCLOSEABLE AND CONNECTED TRANSACTIONS

DISPOSAL OF 50% EQUITY INTERESTS IN MTU MAINTENANCE ZHUHAI CO. LTD.

AND

CONTINUING CONNECTED TRANSACTION

The Directors are pleased to announce that on 28 September 2009, the Company and CSAHC entered into the Transfer Agreement pursuant to which the Company conditionally agreed to sell and CSAHC conditionally agreed to acquire the 50% equity interests in the JV Company held by the Company at a Consideration of RMB 1,607,850,000.

The JV Company currently provides repair, overhaul and maintenance services on Jet Engines operated by the Group. On Completion, CSAHC will become the joint venture partner of the JV Company holding 50% of its equity interest and the Company will cease to have any equity interest in the JV Company. The continuing provision of the repair, overhaul and maintenance services by the JV Company to the Group shall constitute continuing connected transactions for the Company under the Listing Rules. The Company, CSAHC, the JV Company and MTU entered into the Agreement on 28 September 2009 for the purpose of, among others, regulating the ongoing continuing connected transactions with the JV Company after Completion.

The Proposed Transfer constitutes a discloseable transaction for the Company under Rule 14.06(2) of the Listing Rules. CSAHC is a controlling Shareholder, and thus a connected person of the Company. Therefore the Proposed Transfer also constitutes a connected transaction for the Company and is subject to the approval by the Independent Shareholders at the EGM under Chapter 14A of the Listing Rules. Further, one or more of the applicable percentage ratios (except for the profits ratio which is not applicable) as defined in Rule 14A.10 of the Listing Rules in respect of the Cap, on an annual basis, shall exceed 2.5% and have an annual consideration of more than HK\$10,000,000, thus, the Agreement, the Continuing Connected Transactions and the Cap are also subject to reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. CSAHC and its associates will abstain from voting in relation to the ordinary resolutions to be put forward at the EGM for the purpose of approving the Transfer Agreement, the Agreement, the Cap and the transactions contemplated respectively thereunder.

An Independent Board Committee has been established to advise the Independent Shareholders regarding the fairness and reasonableness of the terms of the Transfer Agreement, the Agreement, the Cap and the transactions contemplated thereunder so far as the Independent Shareholders are concerned. An independent financial adviser will be appointed to advise the Independent Board Committee and the Independent Shareholders on whether the Transfer Agreement, the Agreement (including the duration and

the Cap) and the transactions contemplated thereunder are on normal commercial terms, fair and reasonable and in the interests of the Group and the Shareholders as a whole and to advise whether the Independent Shareholders should vote in favour of the relevant resolutions at the EGM.

A circular containing, among others, further details of the Transfer Agreement, the Agreement, the Cap and the transactions contemplated thereunder, the respective advice of the independent financial adviser and the Independent Board Committee in relation to the Transfer Agreement, the Agreement, the Cap and the transactions contemplated thereunder together with notice convening the EGM will be despatched to the Shareholders as soon as practicable in compliance with 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 TRANSFER AGREEMENT

Date

28 September 2009

Parties to the Transfer Agreement

- (1) Purchaser: CSAHC, the controlling Shareholder; and
- (2) Vendor: the Company.

The assets to be disposed of

The 50% equity interests in the JV Company, a joint venture established between MTU and the Company with a registered capital of USD 63.1 million and a total investment of USD 189.29 million. The term of the JV Company is 30 years commencing from 6 April 2001. The principal business activity of the JV Company is engine maintenance, repair and overhaul. The JV Company is treated as a jointly controlled entity of the Company and is accounted for in the Group's financial statements under the equity method.

The audited financial information of the JV Company prepared in accordance with the PRC Accounting Rules and Regulations is as follows:

| | For the year ended/As at 31 December | | For the six months ended /As at 30 June 2009 |
|--|---|-----------------------|--|
| | 2007 (RMB million) | 2008 (RMB million) | (RMB million) |
| Profit before tax and extraordinary items | 143.32 | 269.60 | 224.67 |
| Profit after tax and extraordinary items | 143.32 | 269.60 | 202.09 |
| Revenue | - | 2,792.54 | 1,438.65 |
| Total assets | - | 1,742.61 | 1,824.02 |
| Net assets | - | 790.93 | 1,006.28 |

The valuation of the 50% equity interests in the JV Company as valued by 中聯資產評估有限公司 (China United Assets Appraisal Co., Ltd.) (an independent qualified valuer in the PRC), amounted to approximately RMB 1,607,850,000 as at 30 June 2009 (based on an income basis approach).

Consideration

The Consideration of RMB 1,607,850,000 will be satisfied entirely by cash payable by CSAHC to the Company upon the date when all the conditions precedent is fulfilled.

The Consideration was determined after arm's length negotiation between the Company and CSAHC and after taking into account of the abovementioned valuation conducted by 中聯資產評估有限公司 (China United Assets Appraisal Co., Ltd.) (an independent qualified valuer in the PRC) as at 30 June 2009.

The Directors (other than the independent non-executive Directors whose views will be set out in the circular to be despatched to the Shareholders together with the advice of the independent financial advisor) consider that the Consideration is fair and reasonable and the Transfer Agreement was made on normal commercial terms.

Conditions precedent

Completion of the Transfer Agreement is conditional upon fulfilment of the following conditions:

- (i) the passing by the Independent Shareholders at the EGM (with CSAHC and its associates abstaining from voting) of resolution(s) approving, among other things, the Transfer Agreement and the transactions contemplated thereunder in accordance with the requirements of the Listing Rules; and
- (ii) the obtaining of consents from State-Owned Assets Supervision and Administration Commission and Ministry of Commerce of the PRC which are necessary in connection with the execution and performance of the Transfer Agreement and any of the transactions contemplated thereunder.

If the conditions above are not fulfilled on or before the Long Stop Date or such other date as mutually agreed by the parties to the Transfer Agreement, the Transfer Agreement will be terminated and all obligations of the parties under the Transfer Agreement shall cease, provided that the rights and liabilities of the parties thereto which have accrued prior to termination shall subsist and none of the parties to the Transfer Agreement shall have any claims against the other (save for any antecedent breach).

Completion

Completion shall take place on the date when the Consideration has been fully paid by CSAHC to CSA. Upon Completion, the JV Company will cease to be a jointly controlled entity of the Company and the Company will cease to have any equity interest in the JV Company.

AGREEMENT

Since the establishment of the JV Company in 2001, the jet engines operated by the Group have been principally maintained by the JV Company. The Company is expected to benefit from the JV Company's better understanding of the Jet Engines operated by the Group which should allow the Group to maintain its aircraft fleet and secure the provision of quality and stable maintenance services in a cost effective, expedient and efficient manner by continuing to perform certain existing obligations under the JV Contract, in particular, the exclusive maintenance undertaking.

Further, pursuant to the terms and conditions of JV Contract and the JV M&A, neither party shall transfer all or any part of its shares to a third party without the consent of the other party and the prior written approval of the relevant governmental authority. In order to obtain the consent from MTU for the Proposed Transfer, the Company has agreed to continue to perform certain existing obligations, in particular, the

exclusive maintenance undertaking, under the JV Contract to ensure the continuity and stability of the business of the JV Company be maintained and not be affected by the Proposed Transfer.

Based on the above, the following Agreement was entered into:

Date

28 September 2009

Parties to the Agreement

- (1) the Company;
- (2) CSAHC;
- (3) JV Company; and
- (4) MTU.

Conditions precedent

The Agreement is conditional upon the passing by the Independent Shareholders at the EGM (with CSAHC and its associates abstaining from voting) of resolution(s) approving, among other things, the Agreement and the transactions contemplated thereunder in accordance with the requirements of the Listing Rules and the obtaining of the approval by the PRC government authorities' approval (if necessary) and is effective upon Completion.

If the Agreement does not become effective on or before the Long Stop Date, it will lapse and be of no further force and effect, and the parties thereto shall have no claims whatsoever against each other.

Undertaking

Pursuant to the Agreement, to maintain the continuity and stability of the business of the JV Company, the Company has undertaken to each of MTU and the JV Company (and CSAHC shall procure the Company to duly comply with its undertakings to MTU and the JV Company) that upon Completion,

- 1. the Company shall continue to perform certain existing obligations under the JV Contract, in particular:
 - (i) the Company shall assist the JV Company to apply and exert to obtain preferential treatment with respect to customs and tax exemptions, reductions or rebates, and all other preferences and protections to which it is or may in the future be entitled;
 - (ii) the Company shall assist the JV Company with respect to the receipt of the repair licenses and technical assistance from the Jet Engine manufacturers in collaboration with CAAC, as well as the receipt of appropriate certificates;
 - (iii) the Company shall exclusively contract to the JV Company all Jet Engine work for repair, overhaul and maintenance (except as those provided under the JV Contract) which can be performed by the JV Company in accordance with the preliminary maintenance level schedule and its amendments for an initial period of 30 years in accordance with the terms and conditions of separate exclusive maintenance contracts as agreed between the JV Company and the Company, subject to the international competitiveness of the JV

Company as defined through the "Net Most Favoured Contract Terms";

- (iv) the Company shall cause all its branches and wholly-owned subsidiaries (branches and wholly-owned subsidiaries hereinafter together "Branches") and use its best efforts to encourage all its subsidiaries which are not wholly-owned by the Company (hereinafter referred to as the "Subsidiaries") to exclusively contract their Jet Engine repair, overhaul and maintenance to the JV Company under the terms and conditions as defined in (iii) above;
 - (v) the Company shall grant to the JV Company the opportunity to offer repair, overhaul and maintenance for any new engine type that the Company and/or its Branches introduce in its fleet and using its best efforts to encourage all the Subsidiaries to grant to the JV Company the opportunity to offer repair, overhaul and maintenance of such engine type;
 - (vi) with regard to such jet engine types now or in the future operated by the Company, its Branches and Subsidiaries, which at any respective date are not serviced by the JV Company and if at the required time such jet engine types can or cannot be serviced by MTU-H, the Company and its Branches shall grant to MTU-H the Right of First Refusal with regard to the repair, overhaul and maintenance of such engine type for the Company and its Branches and the Company shall exercise its best efforts that the Subsidiaries grant the Right of First Refusal to MTU-H;
 - (vii) the Company shall not either directly or indirectly solicit or provide service which is in competition, in any material way, with the business of the JV Company within the territory of the PRC and Southeast Asia, after the date the JV Contract becomes effective until the date which is three years after the Company has ceased to be a shareholder in the JV Company; and
2. the Proposed Transfer shall not in any way affect the performance by the Company of its obligations under each of the CFM56 Maintenance Agreement, the V2500 Maintenance Agreement and any other agreements entered into between the Company and the JV Company for the term of the JV Contract.

CSAHC undertakes and warrants to MTU and the JV Company that upon Completion:

- 1. it shall continue to be the controlling shareholder of the Company and shall not sell or otherwise dispose of a controlling stake in the Company during the term of the JV Contract;
- 2. it shall take all actions and perform all acts necessary, or shall procure that all actions are taken and all acts necessary are performed, to ensure that the Company will not act in any manner that will (i) result in any breach of CSAHC's obligations under the JV Contract and/or the JV M&A of the JV Company, or (ii) otherwise contravene CSAHC's obligations under the JV Contract and/or the JV M&A; and
- 3. it shall procure that the Company will duly perform its obligations and comply with the Agreement and the relevant provisions under the JV Contract.

Continuing Connected Transactions

The JV Company currently provides the repair, overhaul and maintenance services on Jet Engine to the Group. On Completion, CSAHC will become the joint venture partner of the JV Company holding 50% of its equity interest and the Company will cease to have any equity interest in the JV Company. The continuing provision of the repair, overhaul and maintenance services on Jet Engine by the JV Company to the Group shall constitute continuing connected transactions for the Company under the Listing Rules. As disclosed above, the Agreement (effective upon Completion) was entered into also for the purpose of

regulating the ongoing continuing connected transactions with the JV Company after Completion.

Continuing transaction

As disclosed above, pursuant to the JV Contract and the Agreement, the Company shall exclusively engage the JV Company to provide repair, overhaul and maintenance services on all Jet Engines operated by the Company which can be performed by the JV Company in accordance with the preliminary maintenance level schedule, subject to the JV Company being internationally competitive as defined through the Net Most Favoured Contract Terms, for a period commencing from the Completion Date to the expiry of the term of the JV Contract (i.e. 5 April 2031). Accordingly, the term of the Agreement shall be of a period more than 3 years, so that the Company can continue to fulfill its contractual obligations under the JV Contract and the Relevant Agreements. It is also considered that duration of such a longer period is required for the JV Company to maintain necessary facilities, components and spare parts for providing the maintenances services to the Group cost-effectively.

The Board will appoint an independent financial adviser to advise it in relation to the duration of the Agreement in compliance with Rule 14A.35 of the Listing Rules. The opinion of the independent financial advisor will be set out in the circular to be despatched to the Shareholders in accordance with the Listing Rules.

The Agreement incorporates the Relevant Agreement between the Group and the JV Company and provides for a framework under which a Relevant Agreement is entered into. The maintenance services are provided under the following Relevant Agreements:

- (1) CFM56 Maintenance Agreement entered into between the Company and the JV Company dated 12 March 2001 relating to the time and material services concerning the CFM56-3 (including CFM56-5 and CFM56-7) type engines operated by the Company;
- (2) V2500 Maintenance Agreement entered into between the Company and the JV Company dated 12 March 2001 relating to the time and material services concerning the V2500-A5 type engines operated by the Company; and
- (3) any further separate exclusive maintenance agreements entered into between the Company and the JV Company in respect of repair, overhaul and maintenance of aircraft engines operated by the Group from time to time.

Pricing

The pricing basis is determined after arm's length negotiation between the Company and the JV Company by reference to the applicable service for the aircraft engine on a total cost basis taking into consideration price, specific contractual turn time, operational conditions of the engines, performance specifications, spares guarantees, contract duration, volume of work, delivery, transportation, quality and warranty (length and remedies) criteria and other factors related directly to costs and quality.

Cap

The Cap for the Continuing Connected Transaction is as follows:

| | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 |
|----------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| (RMB billion) | 1.2 | 1.2 | 1.2 | 1.6 | 1.6 | 1.6 | 2.6 | 2.6 |
| | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 |

| | | | | | | | | |
|----------------------|-------------|-------------|-------------|-------------|-------------|--|-----|-----|
| (RMB billion) | 2.6 | 2.6 | 3.0 | 3.0 | 3.0 | 3.0 | 3.0 | 3.0 |
| | 2026 | 2027 | 2028 | 2029 | 2030 | For the period ended 5 April 2031 | | |
| (RMB billion) | 3.0 | 3.0 | 3.0 | 3.0 | 3.0 | 1.0 | | |

The Cap is determined based on the following:

1. historical transaction amounts as set out below;

| 31 December 2006 | 31 December 2007 | 31 December 2008 | 30 June 2009 |
|-------------------------|-------------------------|-------------------------|----------------------|
| <i>(RMB million)</i> | <i>(RMB million)</i> | <i>(RMB million)</i> | <i>(RMB million)</i> |
| 497 | 386 | 383 | 212 |

2. as the maintenances stages of the various types of engines differ, the Cap for 2010 - 2012 is fixed at RMB 1.2 billion because the current CFM56-7 types engines (over 30) has been in use only for a short period of time, thus, they have not been entered into their maintenance stages and not much maintenance services were required in the past. However, with the continued usage of these engines, it is expected that these types of engines will soon enter into their maintenance stages and substantial maintenance services will thus be required during the 2010 - 2012 session. Further, the volume of maintenance services required for CFM56-5 types engines is also expected to be substantially increased during the 2010 - 2012 session;
3. by the same token, as the current fleet operated by the Company is of a younger age, the current demand for maintenance services for the corresponding engines will not be substantial. With the increased age and the continued usage of the fleet, the engines will be further deteriorated and more maintenance services will be required, thus the level of the maintenance services fee payable will be correspondingly increased in the future;
4. the anticipated increase in demand for the level of maintenance services provided by the JV Company associated with the growth and scheduled and possible unscheduled maintenance of the aircraft of the Group as a result of the internal projections of the Group in respect of its development plans, fleet size, annual aircraft utilisation, aircraft engines maintenance plan and other operating parameters as well as the maintenance capability of and the current maintenance fees charged by the JV Company. Such expected increase in demand for the maintenance services provided by the JV Company is merely assumed for the purpose of determining the Cap and shall not be regarded as any indication directly or indirectly as to the Group's revenue, profitability or trading prospects;
5. currently, some of the engines operated by the Company have been contracted to independent maintenance contractors under certain "Power by hour" contracts where these contractors receive agreed payments based on the number of operating hours for the engines. These independent maintenance contractors will then send the engines to the JV Company for maintenance at their own expenses. After the expiry of these types of maintenance contracts in 2016 and 2017, instead of paying a fixed agreed maintenance fee to the independent maintenance contractors, the Company shall exclusively contract to the JV Company these engines work for repair, overhaul and maintenance pursuant to the Agreement and the Relevant Agreements and thus, it is expected that the maintenance fee payable by the Company to the JV Company will substantially increase;
6. the assumptions that the costs of the raw materials and labour resources applicable for the maintenance service provided by the JV Company will grow with annual inflation; and

7. the assumptions that the maintenance capability of the JV Company will be saturated after 2019 and thus, the maintenance fees payable to the JV Company will remain largely the same up to the Cap of RMB 3 billion.

The Company will review and report on the status of the Continuing Connected Transactions in annual reports and seek shareholders' approval of any Cap that need to be revised, if required.

The Directors (other than the independent non-executive Directors whose views will be set out in the circular to be despatched to the Shareholders together with the advice of the independent financial advisor) are of the view that the Continuing Connected Transactions will continue as part of the ordinary and usual course of business of the Group, the terms and duration of the Agreement and the Continuing Connected Transactions are consistent with normal business practice and on normal commercial terms, which are fair and reasonable and in the interest of the Company and its shareholders as a whole.

INFORMATION OF THE PARTIES

The principal business activity of the Company is that of civil aviation.

CSAHC is a state-owned enterprise established in the PRC. The principal activity of CSAHC is investment holding.

As far as the Company is aware after making reasonable enquiries, MTU is company duly incorporated and existing under the laws of the Federal Republic of Germany and its principal activities are development, manufacturing and repair of commercial and military engines, both nationally and internationally.

FINANCIAL EFFECTS OF THE PROPOSED TRANSFER

The gain from the Proposed Transfer is expected to be approximately of RMB 1.1 billion, taken into account the difference between the net asset value of the JV Company as at 30 June 2009 and the Consideration.

The proceeds from the Proposed Transfer will be applied towards the Group's general working capital requirement.

REASONS FOR AND BENEFITS OF ENTERING INTO THE TRANSFER AGREEMENT AND THE AGREEMENT

CSAHC is the controlling shareholder of the Company. CSAHC, through the Company, is devoted to develop its civil aviation business in the PRC and to further expand the passenger and air cargo business of the Company through optimizing its network coverage, promoting and raising the brand recognition as well as minimizing internal competition, reducing costs and realizing synergies with a view to establish the Company as an internationalized carrier with a well-developed network.

The Proposed Transfer enables the Company to realise cash from its equity interests in the JV Company, so that the Company can focus its resources to further develop its passenger and air cargo business, reduce its financing costs as well as lower its gearing ratio. At the same time, the Proposed Transfer also helps facilitate the consolidation and integration of the resources of CSAHC and the development of the aircraft maintenance business of CSAHC. Taking advantage of the policy, resources and brand of CSAHC, the business and the financing channel of the JV Company can be further expanded and widened by way of enhancing its maintenance capability as well as extending its provision of services to third parties, in addition to the Group.

As disclosed above, since the establishment of the JV Company in 2001, the jet engines operated by the Group have been principally maintained by the JV Company. The JV Company has the necessary expertise and efficiency to provide the maintenance services to the Group which will enable the Group to maintain its aircraft fleet (over 300) and secure the provision of quality and stable maintenance services in a cost effective manner which is beneficial to the Group's normal operation and long term healthy development. The Group is also expected to benefit from the JV Company's better understanding of the Jet Engines operated by the Group which should allow expedient and efficient maintenance service provision. It is also a normal business practice for the parties to enter into such a long term aircraft engines maintenance services agreement in the aviation industry.

The Directors (other than the independent non-executive Directors whose views will be set out in the circular to be despatched to the Shareholders together with the advice of the independent financial advisor) consider the terms of the Proposed Transfer, the Transfer Agreement and the Agreement and the Cap to be fair and reasonable and are on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

GENERAL INFORMATION

The Proposed Transfer constitutes a discloseable transaction for the Company under Rule 14.06(2) of the Listing Rules. CSAHC is a controlling Shareholder, and thus a connected person of the Company. Therefore the Proposed Transfer also constitutes a connected transaction for the Company and is subject to the approval by the Independent Shareholders at the EGM under Chapter 14A of the Listing Rules. Further, one or more of the applicable percentage ratios (except for the profits ratio which is not applicable) as defined in Rule 14A.10 of the Listing Rules in respect of the Cap, on an annual basis, shall exceed 2.5% and have an annual consideration of more than HK\$10,000,000, thus, the Agreement, the Continuing Connected Transactions and the Cap are also subject to reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. CSAHC and its associates will abstain from voting in relation to the ordinary resolutions to be put forward at the EGM for the purpose of approving the Transfer Agreement, the Agreement, the Cap and the transactions contemplated respectively thereunder.

An Independent Board Committee has been established to advise the Independent Shareholders regarding the fairness and reasonableness of the terms of the Transfer Agreement, the Agreement, the Cap and the transactions contemplated thereunder so far as the Independent Shareholders are concerned. An independent financial adviser will be appointed to advise the Independent Board Committee and the Independent Shareholders on whether the Transfer Agreement, the Agreement, the Cap and the transactions contemplated thereunder are on normal commercial terms, fair and reasonable and in the interests of the Group and the Shareholders as a whole and to advise whether the Independent Shareholders should vote in favour of the relevant resolutions at the EGM.

A circular containing, among others, further details of the Transfer Agreement, the Agreement, the Cap and the transactions contemplated thereunder, the respective advice of the independent financial adviser and the Independent Board Committee in relation to the Transfer Agreement, the Agreement (including the duration and the Cap) and the transactions contemplated thereunder together with notice convening the EGM will be despatched to the Shareholders as soon as practicable in compliance with the Listing Rules.

DEFINITIONS

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

| | |
|-------------------------------------|--|
| “Agreement” | a conditional agreement (effective upon Completion) entered into between the Company, CSAHC, MTU and the JV Company regarding the rights and obligations of the parties after the Proposed Transfer as well as the Continuing Connected Transactions dated 28 September 2009 |
| “associates” | has the meaning ascribed to it under the Listing Rules |
| “Board” | the board of Directors |
| “Business Day(s)” | a day (other than Saturday, Sunday and public holidays) on which banks in Hong Kong and PRC are generally open for business |
| "CAAC" | Civil Aviation Administration of China |
| “Cap” | the maximum aggregate annual consideration for the Continuing Connected Transactions contemplated under the Agreement as referred to above |
| "CFM56 Maintenance Agreement" | the maintenance agreement entered into between the Company and the JV Company dated 12 March 2001 relating to the time and material services concerning the CFM56-3 (including CFM56-5 and CFM56-7) type engines operated by the Company |
| “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 |
| “Completion” | completion of the Proposed Transfer pursuant to the Transfer Agreement |
| “Completion Date” | the date at which Completion takes place, which shall be the date on which the Consideration has been fully paid by CSAHC to CSA |
| “connected person(s)” | has the meaning ascribed to it under the Listing Rules |
| "Consideration" | the consideration for the Proposed Transfer in the sum of RMB 1,607,850,000 pursuant to the Transfer Agreement |
| “Continuing Connected Transactions” | the provision of repair, overhaul and maintenance services on the Jet Engines by the JV Company to the Group as contemplated under the Agreement |
| “controlling shareholder(s)” | has the meaning ascribed to it under the Listing Rules |
| “CSAHC” | China Southern Air Holding Company, the controlling Shareholder holding approximately 59.32% equity interests in the Company as at the date of this announcement |
| “Directors” | the directors of the Company |
| “EGM” | the extraordinary general meeting of the Company to be held to consider the ordinary resolutions to be proposed to approve, among others, the Transfer Agreement, the Agreement, the Cap and the transactions contemplated thereunder |

| | |
|------------------------------------|---|
| “Group” | the Company and its subsidiaries |
| “HK\$” | Hong Kong dollars, the lawful currency of Hong Kong |
| “Hong Kong” | the Hong Kong Special Administrative Region of the PRC |
| “Independent Board Committee” | the independent board committee of the Company formed to advise the Independent Shareholders in respect of the Transfer Agreement, the Agreement, the Cap and the transactions contemplated thereunder |
| “Independent Shareholders” | Shareholders other than CSAHC and its associates and any other person and its associates which has a material interest in the transactions contemplated under the Transfer Agreement and the Agreement |
| “Independent Third Parties” | parties who are independent from the Company and the connected persons of the Company |
| "Jet Engine" | civil aircraft engines of the following types: V2500 A5; CFM 56 -3/-5/-7; GE90; RB211-535 operated by the Group |
| "JV Company" | MTU Maintenance Zhuhai Co. Ltd., a joint venture established between MTU and the Company on 6 April 2001 |
| “JV Contract” | an equity joint venture contract entered into between the Company and MTU for the establishment of the JV Company on 12 March 2001 |
| “JV M&A” | the articles of association of the JV Company |
| “Listing Rules” | The Rules Governing the Listing of Securities on the Stock Exchange |
| “Long Stop Date” | 31 December 2009 |
| "MTU" | MTU Aero Engines GmbH, a company duly incorporated and existing under the laws of the Federal Republic of Germany, being one of the joint venture partners of the JV Company |
| "MTU-H" | MTU Maintenance Hannover GmbH and its affiliates, such as MTU Maintenance Canada Ltd., within MTU's large commercial engine maintenance group |
| “Net Most Favoured Contract Terms” | the most favourable terms offered by any affiliate of the JV Company within MTU's large commercial aircraft engine maintenance group, active in the business of civil aircraft engine maintenance, overhaul, repair and ancillary services, such as MTU Maintenance Hannover GmbH and MTU Maintenance Canada Ltd., to its customers other than the Company on an internationally competitive basis for the applicable service for the aircraft engine on a total cost basis taking into consideration price, specific contractual turn time, operational conditions of the engines, performance specifications, spares guarantees, contract duration, volume of work, delivery, transportation, quality and warranty (length and remedies) criteria and other factors related directly to costs and quality |

| | |
|-------------------------------|--|
| "PRC" or "Mainland China" | the People's Republic of China, for the purpose of this announcement, exclusively refer to Mainland China |
| "Proposed Transfer" | the proposed transfer of the 50% equity interests in the JV Company from the Company to CSAHC pursuant to the Transfer Agreement |
| "Relevant Agreement" | CFM 56 Maintenance Agreement, V2500 Maintenance Agreement and any further separate exclusive maintenance agreements entered into between the Company and the JV Company in respect of repair, overhaul and maintenance of aircraft engines operated by the Group from time to time |
| "Right of First Refusal" | MTU shall in any case be invited to submit an offer and on such offer MTU shall be granted the priority right with regard to any third party offer which is close in terms and conditions to the offer of MTU, taking into consideration MTU's outstanding quality reputation |
| "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 |
| "substantial shareholder(s)" | has the meaning ascribed to it under the Listing Rules |
| "Transfer Agreement" | the conditional equity transfer agreement entered into on 28 September 2009 between CSAHC and the Company in relation to the Proposed Transfer |
| "V2500 Maintenance Agreement" | the maintenance agreement entered into between the Company and the JV Company dated 12 March 2001 relating to the time and material services concerning the V2500-A5 type engines operated by the Company |

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

28 September 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.