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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.

As China Southern Airlines Company Limited (the "Company") has published an "Announcement of the Board of China Southern Airlines Company Limited" on Shanghai Stock Exchange, the full texts of the announcement is set out below for information purpose.

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

29 December 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.*

## **Announcement of the Board 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.

### **A. Provision of guarantee to pilot by Xiamen Airlines Company Limited, a non wholly-owned subsidiary of the Company**

The board of Xiamen Airlines Company Limited (“Xiamen Airlines”), a 60%-owned subsidiary of China Southern Airlines Company Limited (the “Company”) has reviewed and passed the following resolutions respectively by means of written resolution on 29 December 2009:

- (1) approving Xiamen Airlines to provide a guarantee with joint liability for the loans of the partial self-sponsored pilot training program. The maximum amount of loan to be covered by the guarantee should be RMB 500,000 per each self-sponsored pilot, with an aggregate accumulative amount of not more than RMB100 million for the period up to 31 December 2011. The purpose of the guaranteed loan is for the payment of pilot training fee. The scope of guarantee includes the principal loan and interests, liquidated damages, damages, damages and cost incurred for recovering the principal loan. The period of guarantee shall begin on the date when the loan is extended to the pilot and ending on the date of repayment of the principal and interests of the loan; and
- (2) authorising the legal representative (or its authorised representative) of Xiamen Airlines to sign, execute and complete the guarantee contract and all other relevant and necessary documents.

All of the 9 directors of Xiamen Airlines attended the session. The above resolutions have been reviewed and approved by the directors of Xiamen Airlines unanimously. The above resolutions are not required to be presented to the shareholders of the Company for approval under the relevant rules of the places of listing of the Company and the Articles of Association of the Company.

### **1. Overview of the guarantee**

Nowadays, there has been a domestic and an international trend in the financing of pilot training worldwide from employer-sponsored to self-sponsored schemes. Such a change will not only cut down the Company’s training expenses significantly, but also ensures the long-term dedicated service of the pilots. However, if the trainee pilot is required to assume the entire training fee, it will create a substantial financial burden to the trainee pilot, given the amount of training fee is substantial. In order to attract trainee pilots of a better quality, Xiamen Airlines began to recruit pilots under the partial self-sponsored training arrangement starting from 2008 and intends to continue to recruit pilots under such partial self-sponsored

training arrangement. The training fee for these partial self-sponsored trainee pilots will be jointly shared by Xiamen Airlines and the trainee pilots, of which the trainee pilots shall bear part of the training fee of approximately RMB 400,000 as well as other costs and expenses incurred because of his personal reasons, i.e. taking supplemental exam or further additional training. All other costs will be borne by Xiamen Airlines.

To ensure the smooth implementation of the recruitment and training under the self-sponsored training arrangement, these trainee pilots shall apply to banks for personal loans to cover their training cost, and the loans will be released to the trainee pilots according to the amount and timing of the training fees incurred. The trainee pilots can choose to have an early repayment of the personal loans or liaise with the banks directly on the actual ways of repayment. After the completion of the training, these trainee pilots shall enter into service agreement with Xiamen Airlines to provide pilot services to Xiamen Airlines. The maximum amount of personal loans available to be applied by the trainee pilots shall be RMB 500,000. Xiamen Airlines intends to provide an aggregate amount of guarantee of not more than RMB 100 million for the period ending 31 December 2011.

Xiamen Airlines, as the guarantor for the personal loans, shall assume joint liability with the trainee pilots as to the principal loan and interests, liquidated damages, damages, damages and cost incurred for recovering the principal loan. The period of guarantee shall begin on the date when the loan is extended to the pilot and ending on the date of repayment of the principal and interests of the loans.

## **2. Particulars of the guarantee - trainee pilots**

Pilots recruited by Xiamen Airlines under the partial self-sponsored training arrangement and who have applied personal loans to cover the part of the training fee of approximately RMB 400,000 as well as other costs and expenses incurred because of his personal reasons, i.e. taking supplemental exam or further additional training, which shall be borne by himself/herself.

## **3. Particulars of the guarantee**

Guarantor:	Xiamen Airlines Company Limited
Guarantee:	pilots recruited by Xiamen Airlines under a partial self-sponsored training arrangement and who have applied for personal loans therefor
Amount of Guarantee:	not more than RMB100 million
Term of Guarantee:	beginning on the date when the first loan is extended to the Guarantee and ending on the date when the principal and interest of the loans are repaid
Type of Guarantee:	warranty

## **4. External guarantee of the Company as at the date of announcement**

As at the date of this announcement, save for the provision of a guarantee with joint liability for the loans of the self-sponsored pilots who applied for personal loans in 2007, 2008 and 2009 as announced by the Company on 6 December 2007, 28 August 2008 and 27 August 2009 on China Securities Journal, Shanghai Securities News and the website of Shanghai Stock Exchange ([www.sse.com.cn](http://www.sse.com.cn)), the Company does not provide any other external

guarantee. As at the date of this announcement, save for the provision of a guarantee with joint liability for the loans of the partial self-sponsored pilots, Xiamen Airlines does not provide any other external guarantee.

According to the approval from the shareholders and board resolutions of the Company, the Company has provided guarantee with joint liability for the loans to the self-sponsored pilots who applied for personal loans in 2007, 2008 and 2009. The guarantee period started on the date when the loan was extended to a pilot and will end two years after the expiry date of the loan, and the guaranteed amount is RMB90,858,000, of not more than RMB 213.6 million and of not more than RMB 184.75 million in 2007, 2008 and 2009 respectively. As at 30 November 2009, the banks had extended loans to some of the pilots, and the amount of loans that were guaranteed by the Company amounted to RMB57,109,500.

## **5. Document available for inspection**

1. the 14th Board Resolution of the Fourth Session of the Board of Xiamen Airlines Company Limited

### **B. Follow-up announcement in relation to the Transfer of Shareholding in MTU Maintenance Zhuhai Co., Ltd. ("Zhuhai MTU")**

The Board has passed the resolutions in relation to the transfer of the 50% equity interest in Zhuhai MTU by way of a transfer agreement (the "Transfer Agreement") from the Company to China Southern Air Holding Limited ("CSAHC") and the entering into an agreement ("Agreement") relating to the continuing connected transactions of the Company between the Company, CSAHC, MTU Aero Engines GmbH (a company holding 50% of the equity interest of MTU Zhuhai, hereinafter referred to as "MTU GmbH") and MTU Zhuhai on 28 September 2009. For further details, please refer to the announcement published on China Securities Journal, Shanghai Securities News and the website of the Shanghai Stock Exchange ([www.sse.com.cn](http://www.sse.com.cn)) on 29 September 2009.

According to the progress of the transfer of the equity interests in Zhuhai MTU, the Company has convened an extraordinary board meeting to approve the entering into the supplemental agreement to the Transfer Agreement between the Company and CSAHC and the entering into the supplemental agreement to the Agreement relating to the continuing connected transactions between the Company, CSAHC, MTU GmbH and Zhuhai MTU.

As CSAHC is the controlling shareholder of the Company, Mr. Si Xian Min, Mr. Li Wen Xin, Mr. Wang Quan Hua, Mr. Liu Bao Heng being connected directors had abstained from voting on the resolutions. The number of Directors supposed to be present was 8, of which 8 attended in person. The above resolutions have been reviewed and approved by the Directors unanimously. The method and procedures for the consideration and approval of the resolutions are in compliance with the relevant provisions of the Company Law and the Articles of Association of the Company.

The key contents of the supplemental agreement to the Transfer Agreement are: if the conditions precedent to the Transfer Agreement are not fulfilled on or before 28 February 2010 or such later date as the parties may mutually agree in writing, the parties may negotiate and mutually agree to terminate the Transfer Agreement and the parties thereto shall not be

subject to any default liability for such mutual termination. Each party thereto shall bear its own costs and expenses in relation to the Proposed Transfer. All rights and 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). Each of the parties thereto agree and confirm that the remaining provisions of the Transfer Agreement shall remain unchanged and in full force and effect.

The key contents of the supplemental agreement to the Agreement entered into between the Company, CSAHC, MTU GmbH and Zhuhai MTU are: if the Agreement does not become effective on or before 28 February 2010, it will lapse and be of no further force and effect, and the Parties shall have no claims whatsoever against each other. Each of the parties thereto agree and confirm that the remaining provisions of the Transfer Agreement shall remain unchanged and in full force and effect.

Board of Directors of China Southern Airlines Company

29 December 2009