



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)

THIRD QUARTERLY REPORT OF 2007

Summary

The unaudited third quarterly financial report of the Company was prepared in accordance with the PRC Accounting Standards.

This announcement is made pursuant to Rules 13.09(1) and (2) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

1 Important Notice

- 1.1 The board of directors (the "Board"), the supervisory committee of the Company and its directors (the "Directors"), supervisors and senior management collectively and individually warrant that the information set out in this report does not contain any misrepresentation, misleading statement or material omission and jointly and severally accept full responsibility as to the truthfulness, accuracy and completeness of the content herein.
- 1.2 All the Directors attended the Board meeting.
- 1.3 The third quarterly financial report of the Company was unaudited.
- 1.4 Mr. Liu Shao Yong (Chairman), Mr. Si Xian Min (President), Mr. Xu Jie Bo (Chief Financial Officer and the Vice President) and Mr. Xiao Lixin (General Manager of the Financial Department) of the Company declare that they jointly warrant the truthfulness and completeness of the financial report contained in this quarterly report.

2 Basic particulars of the Company

2.1 Major accounting data and financial indicators (unaudited)

Currency: RMB

	At at 30 September 2007	As at 31 December 2006	Increase/ decrease over the end of the corresponding period of the previous year (%)
Total assets (<i>RMB million</i>)	84,456.00	75,367.00	12.06
Shareholder's equity (excluding minority interests) (<i>RMB million</i>)	12,186.00	10,003.00	21.82
Net assets per share (<i>RMB</i>)	2.79	2.29	21.83
	From beginning to end of the reporting period (January – September)		Increase/ decrease over the corresponding period of the previous year (%)
Net cash flow from operating activities (<i>RMB million</i>)		7,610.00	87
Net cash flow from operating activities per share (<i>RMB</i>)		1.74	87
	For the period from 1 July 2007 to 30 September 2007	For the period from 1 January 2007 to 30 September 2007	Increase/ decrease over the corresponding period of the previous year (%)
Net profit (<i>RMB million</i>)	1,875.00	2,183.00	49
Earnings per share – Basic (<i>RMB</i>)	0.43	0.50	49
Earnings per share – Basic, after deducting non-operating profit/loss (<i>RMB</i>)	–	0.47	–
Earnings per share – Diluted (<i>RMB</i>)	0.43	0.50	49
Return on net assets (%)	15.39	17.91	Increase 3.27 percentage point
Return on net assets after deducting non-operating profit/loss (%)	15.19	17.02	Increase 3.36% percentage point

Non-operating profit/loss items	For the period from 1 January 2007 to 30 September 2007 (RMB million)
Gain/(Loss) arising from disposal of non-current assets	84
Government subsidies	86
Other non-operating income and expenses excluding the above items	56
Adjustment of deferred tax due to changes in income tax rate	-126
Effect of the above items on minority interests	50
Effect of the above items on income tax	-41
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Total	<u>109</u>

2.2 Number of Shareholders and the Top Ten Shareholders holding the Company's tradable Shares not subject to selling restrictions as at 30 September 2007

Number of shareholders as at 30 September 2007 116,702

Top ten shareholders holding the Company's tradable shares not subject to selling restrictions

Name of Shareholders	No. of tradable shares held as at 30 September 2007	Nature
HKSCC Nominees Limited	1,161,335,698	H Shares
Rongtong New Blue Chip Securities Investment Fund (融通新藍籌證券投資基金)	91,143,712	A Shares
State Social Security Fund 108 Combination (全國社保基金一零八組合)	36,000,000	A Shares
China Construction Bank – Huabo Xinyeh Sector Selective Stock Securities Investment Fund (華寶興業行業精選股票型證券投資基金)	35,739,869	A Shares
The Industrial and Commercial Bank of China – Rongtong Motivation Pioneer Stock Securities Investment Fund (融通動力先鋒股票型證券投資基金)	33,042,382	A Shares
China Everbright Bank Company Limited – Everbright Baodexin Lianghuaixin Securities Investment Fund (光大保德信量化核心證券投資基金)	31,954,265	A Shares
China Construction Bank – Huaxia Youshi Growth Stock Securities Investment Fund (華夏優勢增長股票型證券投資基金)	28,859,079	A Shares
The Industrial and Commercial Bank of China – Rongtong Blue Chip Growth Securities Investment Fund (融通藍籌成長證券投資基金)	26,287,698	A Shares

Name of Shareholders	No. of tradable shares held as at 30 September 2007	Nature
Bank of China – Jia Shi Service Value Added Industries Securities Investment Fund (嘉實服務增值行業證券投資基金)	22,051,480	A Shares
The Industrial and Commercial Bank of China – Lion Value Growth Securities Investment Fund (諾安價值增長股票證券投資基金)	21,396,098	A Shares

3 Major Events

3.1 Significant changes in major accounting items and financial indicators of the Company's financial statements for the reporting period and reasons for the changes

Applicable Not applicable

3.2 Explanation and analysis on major events and their impact and solutions

Applicable Not applicable

1. On 16 July 2007, the Company and Airbus SNC entered into a contract for the purchase of 20 Airbus A320 series aircraft. Pursuant to the contract, Airbus SNC shall deliver all the 20 Airbus A320 series aircraft to the Company between March 2009 and August 2010. The open market price of one Airbus A320 series aircraft ("catalogue price") is in the range of US\$66.50 million – US\$85.90 million. The consideration of this aircraft acquisition contract was determined after arm's length negotiation between the parties, and the actual consideration is lower than the said catalogue price.

On 16 July 2007, Xiamen Airlines and Boeing Company entered into a contract for the purchase of 25 Boeing B737-800 aircraft. Pursuant to the contract, Boeing Company shall deliver all the 25 Boeing B737-800 aircraft to Xiamen Airlines between July 2011 and November 2013. According to the catalogue price provided by Boeing Company, the catalogue price of one B737-800 aircraft is in the range of US\$70.50 million – US\$79.00 million. The consideration of this aircraft acquisition contract was determined after arm's length negotiation between the parties, and the actual consideration is lower than the said catalogue price.

Pursuant to the listing rules of the places of listing of the Company, the entering into the aircraft acquisition contract between Xiamen Airlines and Boeing Company for the purchase of 25 B737-800 aircraft is subject to approval of the shareholders at the forthcoming general meeting.

2. In accordance with the provisions of Article 177 of the Articles of Association of the Company, the Board has reviewed and approved the following matters by means of telecommunication and written resolutions on 14 August 2007: (1) reviewing and approving the acquisition from China Southern Air Holdings Company ("CSAHC") of the entire equity interest in China Southern Airlines Group Air Catering Company Limited ("Catering Company"), assets of Guangzhou BiHuaYuan Training Centre ("Training Centre"), certain assets-in-kind of Nan Lung Travel &

Express (Hong Kong) Limited (“Nan Lung Travel”) and its 51% equity interest in Nan Lung International Freight Limited; (2) reviewing and approving the disposal of the 90% equity interest in Guangzhou Aviation Hotel (“Aviation Hotel”) to CSAHC. All the 12 attending directors participated in the meeting. As CSAHC is the controlling shareholder of the Company, directors of CSAHC, i.e. Mr. Liu Shao Yong, Mr. Li Wen Xin, Mr. Wang Quan Hua and Mr. Zhao Liu An, had to abstain from voting in respect of the above resolutions. After careful deliberations, the Board approved the above resolutions. The format and procedure for reviewing and passing the resolutions were in compliance with the provisions of the Company Law and the Articles of Association of the Company.

3. On 20 August 2007, the Company and Boeing Company entered into an agreement for the purchase of 55 Boeing B737-700/800 aircraft. The aircraft is expected to be delivered between May 2011 and October 2013. According to the open market price provided by Boeing Company, the catalogue price of one B737-700/800 aircraft is in the range of US\$57 million– US\$67.5 million and US\$70.5 million – US\$79 million respectively. The consideration of this aircraft acquisition contract was determined after arm’s length negotiation between the parties, and the actual consideration is lower than the said catalogue price. The above aircraft acquisition will be submitted for approval at the forthcoming general meeting of the Company pursuant to the listing rules of the places of listing of the Company.
4. On 23 October 2007, the Company and Airbus SNC entered into a contract for the purchase of 10 Airbus A330-200 aircraft. The aircraft is expected to be delivered between March 2010 and August 2012. According to the open market price provided by Airbus SNC, the catalogue price of one Airbus A330-200 aircraft is in the range of US\$167.7 million -176.7 million. The consideration of this aircraft acquisition contract was determined after arm’s length negotiation between the parties, and the actual consideration is lower than the said catalogue price. The above aircraft acquisition will be submitted for approval at the forthcoming general meeting of the Company pursuant to the listing rules of the places of listing of the Company.

3.3 Performance of the undertakings by the Company, its shareholders and beneficial owner

Applicable Not applicable

1. The undertakings made by the Company or holders with shareholdings of more than 5% during or subsisting in the reporting period:
 - (1) The Company and CSAHC entered into the “Property Compensation Agreement” on 22 May 1997, pursuant to which CSAHC agreed to compensate the Company for any losses or damages resulting from any impeachment or interference of the Company’s rights in the use of the land and buildings leased from CSAHC.

- (2) In 1995, CSAHC and the Company entered into a Separation Agreement with regard to the definition and allocation of the assets and liabilities between CSAHC and the Company on 25 March 1995 (the Agreement was amended on 22 May 1997). According to the Separation Agreement, CSAHC and the Company agreed to compensate the other party for the claims, liabilities and costs borne by such party as a result of the business, assets and liabilities held or inherited by CSAHC and the Company pursuant to the Separation Agreement.
2. In respect of the connected transaction between the Company and CSAHC on 14 August 2007 in relation to the sale and purchase of various assets entered into, eight properties of Catering Company with a total gross floor area of 8,013.99 square metres and the 11 properties of Training Centre with a total gross floor area of 13,948.25 square metres have not applied for building title certificates due to various reasons. As such, CSAHC has issued an undertaking letter to the Company and undertakes that: (1) the above title certificates shall be obtained by CSAHC by the end of 2008; (2) all the cost and expenses arising from the application of the relevant title certificates shall be borne by CSAHC; and (3) CSAHC shall be liable for all the losses of the Company as a result of the above two undertakings, including but not limited to: (A) any production losses arising from the outstanding title certificates, (B) any other losses as a result of the potential risk arising from the outstanding title certificates.
3. Special Undertakings of the holder of non-tradable Shares for the share reform and its performance

For the purposes of further safeguarding the interests of the holders of tradable shares and actively promoting the implementation of the Share Reform Plan, CSAHC, the sole holder of non-tradable shares of the Company thereby makes the following undertakings in addition to the statutory undertakings:

- (1) CSAHC will not list, deal or transfer any shares of the Company it holds for 36 months from the date the Share Reform Plan of the Company becomes effective;
- (2) At the annual general meetings of the Company for the years from 2007 to 2009, CSAHC will propose that the Company shall distribute dividends in cash and will vote in favor of such proposal so that the average annual percentage of the cash dividend the Company will distribute from 2007 to 2009 will not be less than 50%, i.e. the ratio of the aggregate cash dividend to be distributed in the three years from 2007 to 2009 to the cumulative total of profits that can be distributed to the shareholders in these three years will not be less than 50%;
- (3) Upon completion of the share reform, subject to the applicable laws and regulations of the PRC, CSAHC will support the Company in the formulation and implementation of a management equity incentive system.

3.4 Disclosure as to, and reason for, the warning in respect of forecast of a probable loss in respect of the accumulated net profit from the beginning of the financial year to the end of the next reporting period or any significant changes in profit as compared with that of the corresponding period of the previous year

Applicable Not applicable

3.5 Other significant events requiring disclosure

3.5.1 The Company's shareholding in other listed companies

Applicable Not applicable

Serial No.	Stock Code	Abbreviation	No. of shares held (share)	Shareholding percentage in the relevant company (%)	Initial investment (RMB million)	Item category in accounting
1	000099	CITIC Offshore Helicopter	23,044,066	4.49	69	Long term equity investment
2		TravelSky Technology	43,849,000	2.5	33	Long term equity investment
3		Bank of Communication	7,480,000	0.016	11	Long term equity investment
Total			-	-	113	-

3.5.2 *The Company's shareholding in unlisted financial institutions or companies proposed to be listed*

Applicable Not applicable

Name of Company held	Initial investment (RMB million)	No. of shares held (share)	Shareholding in the relevant company (%)	Carrying amount at end of the reporting period (RMB million)
Southern Airlines Group				
Finance Company Limited	246		33.98	41
Sub-total	246		–	41

By Order of the Board of
China Southern Airlines Company Limited
Liu Shao Yong
Chairman

Guangzhou, the People's Republic of China
24 October 2007

As at the date of this announcement, the Directors of the Company include Liu Shao Yong, Li Wen Xin, Wang Quan Hua, Zhao Liu An, Si Xian Min, Tan Wan Geng, Xu Jie Bo and Chen Zhen You as executive Directors; and Wang Zhi, Sui Guang Jun, Gong Hua Zhang and Lin Guang Yu as independent non-executive Directors of the Company.