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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)

FIRST QUARTERLY REPORT OF 2009

SUMMARY

The unaudited first quarterly financial report of China Southern Airlines Company Limited (the “Company”) was prepared in accordance with the PRC Accounting Standards for Business Enterprise.

This announcement is published pursuant to Rule 13.09(1) and 13.09(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 2009 first quarterly financial report of the Company was unaudited.
- 1.4 Mr. Si Xian Min (Chairman), Mr. Tan Wan Geng (Chief of Accounting Work, President), Mr. Xu Jie Bo (Chief Financial Officer) and Mr. Lu Hong Ye (General Manager of the Finance 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 financial data and financial indicators

	Currency: RMB		
	At the end of the reporting period	At the end of previous year	Increase/decrease over the end of the corresponding period of the previous year (%)
Total assets (RMB million)	84,580	83,003	1.90
Owner’s equity (or shareholders’ equity) (RMB million)	7,256	7,001	3.64
Net assets per share attributable to shareholders of the Company (RMB)	1.11	1.07	3.74
		From beginning of the year to end of the reporting period	Increase/decrease over the corresponding period of the previous year (%)
Net cash flow from operating activities (RMB million)		2,951	160.23
Net cash flow per share from operating activities (RMB)		0.45	164.71

Reporting period	From beginning of the year to end of the reporting period	Increase/decrease over the corresponding period of the previous year (%)	
Net profit attributable to shareholders of the Company (RMB million)	222	222	-71.32
Earnings per share – Basic (RMB)	0.03	0.03	-71.32
Earnings per share – Basic, after deducting non-operating profit/loss (RMB)	(0.12)	(0.12)	(192.31)
Return on net assets – Fully diluted (%)	3.06	3.06	Decrease 3.10 percentage points
Return on net assets – Fully diluted, after deducting non-operating profit/loss (%)	(10.50)	(10.50)	Decrease 17.26 percentage points

Deduction of non-operating profit/loss items and amount:

Non-operating profit/loss items	From beginning of the year to end of the reporting period (RMB million)
Gain/loss from disposal of non-current assets	6
Government grants (except for the grants which are closely related to the normal business of the Company and continuously entitled with the standard amount and quantities in accordance with the national policy and standard) attributable to gains and losses for the reporting period	1,016
Fair value gains/(losses) from held-for-trading financial assets/liabilities, and gain on disposal of held-for-trading financial assets/liabilities and available-for-sales financial assets, except for the effective hedging activities related to the normal business of the Company	67
Other non-operating income/expenses save for the above	17
Effect on minority interests	-75
Effect on income tax	-47
Total	984

2.2 Number of shareholders and the top ten shareholders holding the Company's tradable shares not subject to selling restrictions at the end of the reporting period.

Unit: Share

Total number of shareholders at the end of the reporting period	274017 (of which 1022 are H shareholders)
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**Top ten shareholders holding the Company's tradable shares
not subject to trading restrictions**

Name of shareholders (in full)	Number of tradable shares not subject to selling restrictions held at the end of the reporting period	Type of shares
HKSCC NOMINEES LIMITED	1,739,418,397	H Shares
China Construction Bank – YinHua Core Value Equity Fund (中國建設銀行－銀華核心價值優選股票型證券投資基金)	46,006,487	A Shares
The Industrial and Commercial Bank of China – Universal Balanced Growth Stock Investment Fund (中國工商銀行－匯添富均衡增長股票型證券投資基金)	44,999,836	A Shares
The Industrial and Commercial Bank of China – Lion Value Growth Securities Investment Fund (中國工商銀行－諾安價值增長股票證券投資基金)	29,097,736	A Shares
China Construction Bank – YinHua Thematic Wealth Equity Fund (中國建設銀行－銀華富裕主題股票型證券投資基金)	21,806,576	A Shares
The Industrial and Commercial Bank of China – South Selective Stock Investment Fund (中國工商銀行－南方成份精選股票型證券投資基金)	21,000,000	A Shares
Bank of Communications – Ke Rui Securities Investment Fund (交通銀行－科瑞證券投資基金)	19,866,620	A Shares
The Industrial and Commercial Bank of China – South Excellent Performance Growth Stock Investment Fund (中國工商銀行－南方績優成長股票型證券投資基金)	19,327,464	A Shares
China Minsheng Banking Corp., Ltd. – Changxin Return Dynamic Strategy Equity Investment Fund (中國民生銀行－長信增利動態策略股票型證券投資基金)	19,299,950	A Shares
The Industrial and Commercial Bank of China – Shanghai Stock Exchange 50 Trading Open-end Index Securities Investment Fund (中國工商銀行－上證50交易型開放式指數證券投資基金)	16,945,635	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

1. Major changes of accounts in balance sheet:

Items	Balance at the end of the reporting period	Balance at the end of previous year	Increase/ decrease	Major reasons
Available-for-sale equity securities	161	114	41%	Changes in market price of available-for-sale equity securities during the reporting period
Short-term borrowings	10,661	18,232	-42%	Repayment of short-term borrowings during the reporting period
Financial liabilities	42	116	-64%	Changes in fair value of financial liabilities during the reporting period
Bills payable	528	148	257%	Increase in bank acceptance bills issued during the reporting period
Long-term borrowings	26,741	17,429	53%	Additional long-term borrowings during the reporting period

2. Major changes of accounts in income statement:

Items	Amount during the reporting period	Amount during the corresponding period of previous year	Increase/decrease	Major reasons
Financial expenses	408	-1,006	-141%	Stable exchange rate of Renminbi against US dollar, resulted in decrease in exchange gains during the reporting period
Gain/(Loss) on fair value adjustment	74	-198	-137%	Changes in fair value of financial liabilities during the reporting period
Operating profit/(loss)	-692	843	-182%	Decrease in operating revenue and exchange gains, gain on fair value adjustment of financial liabilities, and decrease in operating costs (mainly jet fuel cost) during the reporting period
Non-operating income	1,072	159	574%	Refund of CAAC Infrastructure Development Fund during the reporting period
Income tax expense	60	171	-65%	Decrease in profit during the reporting period
Total profits	378	993	-62%	Decrease in operating profit and increase in non-operating income during the reporting period
Gains and losses attributable to minority interests	96	48	100%	Increase in net profit from subsidiaries during the reporting period

3. Major changes of accounts in cash flow statement:

Items	Amount during the reporting period	Amount during the corresponding period of previous year	Increase/decrease	Major reasons
Other cash received relating to operating activities	702	84	736%	Refund of CAAC Infrastructure Development Fund during the reporting period
Cash paid for acquisition of fixed assets, intangible assets and other long-term assets	3,628	1,956	85%	Payment for acquisition of owned aircrafts and advancement for purchase of aircraft during the reporting period
Other cash received relating to financing activities	–	567	-100%	No owned aircraft were sold and finance leased back during the current reporting period.

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

Applicable Not applicable

The resolutions relating to the non-public issue of 721,150,000 A Shares to CSAHC, the Company's controlling shareholder and the non-public issue of 721,150,000 H Shares to Nan Lung Holding Limited, a wholly-owned subsidiary of CSAHC which is located in Hong Kong were passed at the 2009 First Extraordinary General Meeting and the Class Meetings of the Company held on 26 February 2009. For further information, please refer to the Company's announcement on the relevant resolutions passed at general meetings, which was published on the website of Shanghai Stock Exchange and on China Securities Journal and Shanghai Securities News on 27 February 2009. Currently, the non-public issue is pending for CSRC's review and approval.

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

Applicable Not applicable

Undertakings for the share reform: (1) CSAHC will not list, deal or transfer any shares of the Company it holds within 36 months from the effective date of the Share Reform Plan; (2) At the annual general meetings of the Company for the years from 2007 to 2009, CSAHC will propose the Company to 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 those years will not be less than 50%; (3) Upon completion of the Share Reform Plan, and subject to the relevant laws and regulations of the PRC, CSAHC will give a support to the Company for formulation and implementation of a management equity incentive system.

The undertaking above is currently in the course of implementation.

Other undertakings toward the medium and minority shareholders of the Company:

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.
3. In respect of the connected transaction entered into between the Company and CSAHC on 14 August 2007 in relation to the sale and purchase of various assets, eight properties of the 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 undertaken 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. The title certificates mentioned above remained outstanding in 2008 for various reasons. Therefore, CSAHC issued an undertaking letter in December 2008, undertaking that it will attend to and complete the abovemention obligation before 31 December 2009 and will compensate any loss of the Company arising from the undertaking matters.
4. The relevant undertakings under the Financial Services Framework Agreement between the Company and SA Finance:
 - a. SA Finance is a duly incorporated enterprise group finance company pursuant to the “Administrative Measures for Enterprise Groups Finance Companies” and the other relevant rules and regulations, whose principal business is to provide finance management services for the members of the Group, and the relevant capital flows within the Group;
 - b. The operations of SA Finance are in compliance with the requirements of the relevant rules and regulations and it is running very well, therefore the deposits placed with and loans from SA Finance of the Company are definitely secure. In future, SA Finance will continue to operate in strict compliance with the requirements of the relevant rules and regulations;
 - c. The issue of loan facility between the Company and SA Finance can be independently dealt with by CSA in accordance with the relevant rules and regulations and the Articles of Association, and CSAHC will not intervene the relevant policy of CSA;

- d. As the Company is independent from CSAHC in respect of its assets, businesses, personnel, finance and organizations, CSAHC will continue to fully respect the rights of the Company to determine its own operations, and will not intervene the daily business operations of the Company.

The undertakings above are all currently in the course of implementation.

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 The implementation of cash dividends policy during the reporting period

A proposal of formulating a cash dividends policy and amending the Articles of Association of the Company was considered and passed at the Eighth Meeting of the 5th Session of the Board of Directors held on 14 April 2009, the proposal is pending the approval by shareholders at general meeting of the Company. No cash dividends were paid during the reporting period as the Company still had uncompensated losses as at 31 December 2008.

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

27 April 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.