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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)

THIRD QUARTERLY REPORT OF 2009

Summary

The 2009 unaudited third quarterly financial report of China Southern Airlines Company Limited (the "Company") was prepared in accordance with the PRC Accounting Standards.

This announcement is published pursuant to Rules 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”) and the supervisory committee of the Company and its directors (the “Directors”), supervisors and senior management warrant that this report does not contain any inaccurate or misleading statements 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 is unaudited.
- 1.4 Mr. Si Xian Min (Chairman), Mr. Tan Wan Geng (Chief of Accounting Work and General Manager of the Company), Mr. Xu Jie Bo (Chief Financial Officer of the Company) and Mr. Lu Hong Ye (Chief of the Accounting Department and General Manager of the Finance Department of the Company) declare that they 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

Currency: RMB

	At the end of the reporting period	At the end of the previous year	Increase/decrease recorded at the end of the reporting period as compared to the end of the previous year (%)
Total assets (million)	92,540	83,003	11.49
Owner’s equity (or shareholders’ equity) (million)	10,325	7,001	47.48
Net assets per share attributable to the shareholders of the Company	1.29	1.07	20.56
	From the beginning of the year to the end of the reporting period (from January to September)		Increase/decrease compared to the corresponding period of the previous year (%)
Net cash flow from operating activities (million)	9,035		161.51
Net cash flow per share from operating activities	1.13		114.36
	Reporting period (from July	From the beginning of the year to the end	Increase/decrease recorded in the reporting period as compared to

	to September)	of the reporting period (from January to September)	the corresponding period of the previous year(%)
Net profit attributable to the shareholders of the Company (million)	284	322	134.22
Earnings per share – Basic	0.04	0.05	131.88
Earnings per share – Basic, after deducting non-operating profit/loss	-	(0.15)	-
Earnings per share – Diluted	0.04	0.05	131.88
Return on net assets – Fully diluted (%)	2.75	3.12	Increased by 9.77 percentage points
Return on net assets – Fully diluted, after deducting non-operating profit/loss (%)	2.20	(9.50)	Increased by 12.10 percentage points
Non-operating profit/loss items	From the beginning of the year to the end of the reporting period (from January to September) (million) Method of exclusion: consolidated exclusion		
Gain/loss from disposal of non-current assets	26		
Government grants	1,566		
Other non-operating income/expenses, net	78		
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-sale financial assets, except for the effective hedging activities related to the normal business of the Company	94		
Effect of the above items on minority interests	(116)		
Effect of the above items on taxation	(345)		
Total	1,303		

Earnings per share of the Company for the period from January to September of 2009 was calculated based on the weighted average number of ordinary shares outstanding during such period, which was 6,721,000,000 shares; earnings per share for the corresponding period of the previous year was calculated based on the weighted average number of ordinary shares then outstanding, which was 6,561,000,000 shares. Earnings per share for the period from July to September of 2009 was calculated based on the weighted average number of ordinary shares outstanding during such period, which was 7,042,000,000 shares; earnings per share for the corresponding period of the previous year was calculated based on the weighted average number of ordinary shares then outstanding, which was 6,561,000,000 shares.

2.2 Number of shareholders and particulars of 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		312137 (of which 993 are H shareholders)
Particulars of the top ten shareholders holding the Company's tradable shares not subject to trading restrictions		
Name of shareholder (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	1,740,400,398	H Shares
China Everbright Bank Company Limited – Everbright Baodexin Lianghuaixin Securities Investment Fund (中國光大銀行股份有限公司－光大保德信量化核心證券投資基金)	78,033,155	A 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)	53,006,484	A Shares
The Industrial and Commercial Bank of China – JianXin Optimal Allocation Mixed Investment Fund (中國工商銀行－建信優化配置混合型證券投資基金)	27,984,179	A Shares
Bank of Communication Kong Tong Industry Prosperous Securities Invest Fund (交通銀行－融通行業景氣證券投資基金)	22,799,854	A Shares
Agricultural Bank of China — Zhongyou Core Growth Equity Securities Investment Fund (中國農業銀行－中郵核心成長股票型證券投資基金)	21,840,300	A Shares
China Merchants Bank-Everbright Pramerica Superiority Allocation Securities Investment Fund (招商銀行股份有限公司－光大保德信優勢配置股票型證券投資基金)	17,893,448	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)	17,592,255	A Shares
The Industrial and Commercial Bank of China – Lion Balance Fund (中國工商銀行－諾安平衡證券投資基金)	16,948,579	A Shares
Bank of China – Jiashi Shanghai Shenzhen 300 Index Securities Investment Fund (中國銀行－嘉實滬深300指數證券投資基金)	11,424,463	A Shares

3 Major Events

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

√Applicable □Not applicable

1. Items which have experienced major changes in the balance sheet:

Unit: million Currency: RMB

Item	Balance at the end of the reporting period	Balance at the end of the previous year	Increase/decrease	Main reason(s) for the change
Deferred tax assets	291	148	97%	Changes in the fair value of tradable financial liabilities and held-for-sale financial assets
Other non-current assets	300	150	100%	Payment for the exclusive use right in terminals
Short-term borrowings	9,200	18,232	-50%	Repayment of short term borrowings
Interest payable	217	339	-36%	Decline in actual average borrowing rate
Long-term borrowings	28,556	17,429	64%	Increase in long term borrowings
Capital reserve	5,407	3,848	41%	Share premium from non-public issue of A Shares during the reporting period
Total equity attributable to the shareholders of the Parent Company	10,325	7,001	47%	Non-public offerings of A Shares and H Shares, share premium of A Shares, and profit increase during the reporting period

2. Items which have experienced major changes in the income statement:

Unit: million Currency: RMB

Item	Amount during the reporting period (from July to September of 2009)	Amount during the corresponding period of the previous year (from July to September of 2008)	Increase/decrease	Main reason(s) for the change
Gain on investments	89	197	-55%	Gain on disposal of equity interests in a jointly-controlled company during the corresponding period of the previous year, which did not occur in the reporting period

Non-operating income	130	345	-62%	Reduction in government grants during the reporting period
Total profits	355	-1,076	133%	Increase in operating income and decrease in operating costs during the reporting period
Income tax expense	19	-170	111%	Increase in profit during the reporting period
Net profit attributable to equity holders of the Parent Company	284	-830	134%	Increase in operating income and decrease in operating costs during the reporting period
Gains and losses attributable to minority interests	52	-76	168%	Resilience in aviation industry during the reporting period, which also contributed to profits of many subsidiaries

Item	Amount from the beginning of the year to the end of the reporting period (from January to September of 2009)	Amount from the beginning of the previous year to the end of the reporting period of the previous year (from January to September of 2008)	Increase/decrease	Main reason(s) for the change
Finance expenses	1,139	-1,258	191%	Reduction in exchange gain
Non-operating income	1,794	961	87%	Refunds of the Civil Aviation Administration of China Infrastructure Development Fund, which did not occur in the corresponding period of the previous year
Total profits	595	-194	407%	Decrease in operating costs, and the refunds of the Civil Aviation Administration of China Infrastructure Development Fund
Income tax expense	111	-183	161%	Increase in profits
Net profit attributable to equity holders of the Parent Company	322	-21	1,633%	Decrease in operating costs, and the refunds of the Civil Aviation Administration of China Infrastructure Development Fund
Gains/losses attributable to	162	10	1,520%	Resilience in aviation industry, which also contributed to

minority interests				profits of many subsidiaries
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3. Items which have experienced major changes in the cash flow statement:

Unit: million Currency: RMB

Item	Amount from the beginning of the year to the end of the reporting period (from January to September of 2009)	Amount from the beginning of the previous year to the end of the reporting period of the previous year (from January to September of 2008)	Increase/decrease	Main reason(s) for the change
Other cash received relating to operating activities	1,572	728	116%	Increase in government grants
Net increase in cash flow from operating activities	9,035	3,455	162%	Decrease in aviation fuel price, which resulted in reduction in expenses
Cash received from investments	-	166	-100%	No disposal of long term investments in equity securities from January to September of 2009
Cash paid for acquisition of fixed assets and other long-term assets	13,799	7,383	87%	Aircrafts were introduced primarily by way of purchase, which resulted in the increase in payment for the purchase of aircrafts
Cash received from investors	3,224	-	N/A	Proceeds from non-public issue of A Shares and H Shares
Cash paid for repayment of borrowings	28,626	20,854	37%	Increase in repayment of borrowings

3.2 Analysis and explanation of the development of major events and their impact and proposal to the solutions

Applicable Not applicable

The resolutions relating to the non-public issue of A Shares and H Shares by the Company were considered and passed at the 2009 First Extraordinary General Meeting, 2009 First Class Meeting

for Holders of A Shares and 2009 First Class Meeting for Holders of H Shares on 26 February 2009. On 13 August 2009, the Company received from the China Securities Regulatory Commission the approval document (Zheng Jian Xu Ke [2009] No. 541), which approved the non-public issue of no more than 721,150,000 A Shares; and earlier on 3 June 2009, the Company received from the China Securities Regulatory Commission another approval document (Zheng Jian Xu Ke [2009] No. 449), which approved the non-public issue of no more than 721,150,000 H Shares. The Company completed the registration for the non-public issue of 721,150,000 A Shares to China Southern Air Holding Company (“CSAHC”) on 20 August 2009, and completed the registration for the non-public issue of 721,150,000 H Shares to Nan Lung Holding Limited on 21 August 2009. Upon completion of the said issues, the Company's total number of shares increased to 8,003,567,000 from 6,561,267,000.

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

Applicable Not applicable

Undertakings in respect of the share reform:

- (1) CSAHC will not deal in 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 percentage of average annual cash dividend the Company distributes 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 distributable to the shareholders in those years will not be less than 50%;
- (3) Upon completion of the Share Reform Plan, and subject to compliance with the relevant laws and regulations of the PRC, CSAHC will support the Company in respect of the formulation and implementation of a management equity incentive system.

The undertakings above are in the course of being implemented.

Other undertakings toward the medium-sized 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 challenge to or interference with 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, the application for building title certificates for eight properties of Air Catering (with a total gross floor area of

8,013.99 square metres) and 11 properties of the Training Centre (with a total gross floor area of 13,948.25 square metres) have not been made for various reasons. In this regard, CSAHC has issued an undertaking letter, undertaking that: (1) the above title certificates should be obtained by CSAHC by the end of 2008; (2) all the cost and expenses arising from the application of the relevant title certificates would be borne by CSAHC; and (3) CSAHC would be liable for all the losses suffered by the Company as a result of the above two undertakings, including but not limited to: A. any production losses arising from the lack of title certificates, B. any other losses occasioned by the potential risk arising from the outstanding title certificates. The application for the title certificates mentioned above remained outstanding in 2008 for various reasons. Therefore, CSAHC issued an undertaking letter in December 2008, undertaking that it would attend to and complete the above-mentioned obligation before 31 December 2009 and would compensate the Company for any losses arising from the undertakings.

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 under the “Administrative Measures for Enterprise Group Finance Companies” and the other relevant rules and regulations, whose principal business is to provide finance management services, such as deposit and financing for the members of the Group; and the relevant capital flows are kept within the Group;
- b. The operations of SA Finance are in compliance with the requirements of the relevant laws and regulations and it is running 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 laws and regulations;
- c. In respect of the Company's deposits with and borrowings from SA Finance, the Company will continue to implement its internal procedures in accordance with the relevant laws and regulations and the Articles of Association, and CSAHC will not intervene in the relevant decision-making process of the Company;
- d. As the Company is independent from CSAHC in respect of its assets, businesses, personnel, finance and organizational structures, CSAHC will continue to fully respect the rights of the Company to manage its own operations, and will not intervene in the daily business operations of the Company.

The undertakings above are in the course of being implemented.

3.4 Warning in respect of, and the reason for, the 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 as compared to the corresponding period of the previous year

Applicable Not applicable

3.5 The implementation of cash dividends policy during the reporting period

No cash dividends were paid during the reporting period 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

27 October 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.