

CHINA SOUTHERN AIRLINES CO LTD
Form 20-F
April 26, 2013

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 20-F

**..REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF THE SECURITIES
EXCHANGE ACT OF 1934**

OR

**ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF
p 1934**

For the fiscal year ended December 31, 2012

OR

**..TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT
OF 1934**

For the transition period from _____ to

OR

**..SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934**

Date of event requiring this shell company report _____

Commission file number 1-14660

(Exact name of Registrant as specified in its charter)

CHINA SOUTHERN AIRLINES COMPANY LIMITED

(Translation of Registrant's name into English)

THE PEOPLE'S REPUBLIC OF CHINA

(Jurisdiction of incorporation or organization)

278 JI CHANG ROAD

GUANGZHOU, 510405

PEOPLE'S REPUBLIC OF CHINA

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PEOPLE'S REPUBLIC OF CHINA

(Name, Telephone, E-mail and/or Facsimile number and Address of Company Contact Person)

Securities registered or to be registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
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<i>Ordinary H Shares of par value RMB1.00 per share represented by American Depositary Receipts</i>	<i>New York Stock Exchange</i>
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Securities registered or to be registered pursuant to Section 12(g) of the Act:

None

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act.

None

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report: 7,022,650,000 A Shares of par value RMB1.00 per share and 2,794,917,000 H Shares of par value RMB1.00 per share.

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes No

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.

Yes No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer Non-accelerated filer

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

U.S. GAAP International Financial Reporting Standards Other
as issued by the International Accounting Standards Board

If "Other" has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow.

Item 17 Item 18

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

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FORWARD-LOOKING STATEMENTS

This Annual Report contains forward-looking statements. These statements appear in a number of different places in this Annual Report. A forward-looking statement is usually identified by the use in this Annual Report of certain terminology such as “estimate”, “project”, “expect”, “intend”, “believe”, “plan”, “anticipate”, “may”, or their negatives or other comparable words. Also look for discussions of strategy that involve risks and uncertainties. Forward-looking statements include statements regarding the outlook for our future operations, forecasts of future costs and expenditures, evaluation of market conditions, the outcome of legal proceedings (if any), the adequacy of reserves, or other business plans. You are cautioned that such forward-looking statements are not guarantees and involve risks, assumptions and uncertainties. Our actual results may differ materially from those in the forward-looking statements due to risks facing the Company or due to actual facts differing from the assumptions underlying those forward-looking statements.

Some of these risks and assumptions, in addition to those identified under Item 3, “Key Information - Risk Factors,” include:

- general economic and business conditions in markets where the Company operates, including changes in interest rates;

- the effects of competition on the demand for and price of our services;

- natural phenomena;

- the impact of unusual events on our business and operations;

- actions by government authorities, including changes in government regulations, and changes in the CAAC’s regulatory policies;

- our relationship with China Southern Air Holding Company (the “CSAHC”);

- uncertainties associated with legal proceedings;

- technological development;

- our ability to attract key personnel and attract new talent;
- future decisions by management in response to changing conditions;
- the Company's ability to execute prospective business plans;
- the availability of qualified flight personnel and airport facilities; and
- misjudgments in the course of preparing forward-looking statements.

The Company advises you that these cautionary remarks expressly qualify in their entirety all forward-looking statements attributable to the Company, the Group and persons acting on their behalf.

INTRODUCTORY NOTE

In this Annual Report, unless the context indicates otherwise, the "Company", "we", "us" and "our" means China Southern Airlines Company Limited, a joint stock company incorporated in China on March 25, 1995, the "Group" means the Company and its consolidated subsidiaries, and "CSAHC" means China Southern Air Holding Company, the Company's parent company which holds a 53.12% interest in the Company as of April 19, 2013.

References to "China" or the "PRC" are to the People's Republic of China, excluding Hong Kong, Macau and Taiwan. References to "Renminbi" or "RMB" are to the currency of China, references to "U.S. dollars", "\$" or "US\$" are to the currency of the United States of America (the "U.S." or "United States"), and reference to "HK\$" is to the currency of Hong Kong. Reference to the "Chinese government" is to the national government of China. References to "Hong Kong" or "Hong Kong SAR" are to the Hong Kong Special Administrative Region of the PRC. References to "Macau" or "Macau SAR" are to the Macau Special Administrative Region of the PRC.

The Company presents its consolidated financial statements in Renminbi. The consolidated financial statements of the Company for the year ended December 31, 2012 (the "Financial Statements") have been prepared in accordance with all applicable International Financial Reporting Standards ("IFRSs"), which collective term includes all applicable individual IFRSs, International Accounting Standards ("IASs") and Interpretations issued by the International Accounting Standards Board (the "IASB").

Solely for the convenience of the readers, this Annual Report contains translations of certain Renminbi amounts into U.S. dollars at the rate of US\$1.00 = RMB6.2855, which is the average of the buying and selling rates as quoted by the People's Bank of China at the close of business on December 31, 2012. No representation is made that the Renminbi amounts or U.S. dollar amounts included in this Annual Report could have been or could be converted into U.S. dollars or Renminbi, as the case may be, at any particular rate or at all. Any discrepancies in the tables included herein between the amounts listed and the totals are due to rounding.

GLOSSARY OF AIRLINE INDUSTRY TERMS

In this Annual Report, unless the context indicates otherwise, the following terms have the respective meanings set forth below.

Capacity Measurements

“available seat kilometers” or the number of seats made available for sale multiplied by the kilometers flown
“ASKs”

“available ton kilometers” or the tons of capacity available for the transportation of revenue load (passengers and cargo) multiplied by the kilometers flown
“ATKs”

Traffic Measurements

“cargo ton kilometers” the load in tons multiplied by the kilometers flown

“revenue passenger kilometers” or the number of passengers carried multiplied by the kilometers flown
“RPKs”

“revenue ton kilometers” or the load (passenger and cargo) in tons multiplied by the kilometers flown
“RTKs”

Yield Measurements

“average yield” revenue from airline operations (passenger and cargo) divided by RTKs

“cargo yield” revenue from cargo operations divided by cargo ton kilometers

“passenger yield” revenue from passenger operations divided by RPKs

“ton” a metric ton, equivalent to 2,204.6 pounds

Load Factors

“breakeven load factor” the load factor required to equate scheduled traffic revenue with operating costs assuming that total operating surplus is attributable to scheduled traffic operations

“overall load factor” RTKs expressed as a percentage of ATKs

“passenger load factor” RPKs expressed as a percentage of ASKs

Utilization

“utilization rates” the actual number of flight and taxi hours per aircraft per operating day

Equipment

“expendables” aircraft parts that are ordinarily used up and replaced with new parts

“rotables” aircraft parts that are ordinarily repaired and reused

Others

“ADR” American Depositary Receipt

“A Shares” Shares issued by the Company to investors in the PRC for subscription in RMB, with par value of RMB1.00 each

“CAAC” Civil Aviation Administration of China

“CAOSC” China Aviation Oil Supplies Company

“CSRC” China Securities Regulatory Commission

“H Shares” Shares issued by the Company, listed on The Stock Exchange of Hong Kong Limited and subscribed for and traded in Hong Kong dollars, with par value of RMB1.00 each

“Nan Lung” Nan Lung Holding Limited (a wholly-owned subsidiary of CSAHC)

“NDRC” National Development and Reform Commission of China

“SA Finance” Southern Airlines Group Finance Company Limited

“SAFE” State Administration of Foreign Exchange of China

“SEC” United States Securities and Exchange Commission

PART I

ITEM 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS.

Not applicable.

ITEM 2. OFFER STATISTICS AND EXPECTED TIMETABLE.

Not applicable.

ITEM 3. KEY INFORMATION.

A. Selected Financial Data.

The following tables present selected financial data for the five-year period ended December 31, 2012. The selected consolidated income statement data for the three-year period ended December 31, 2010, 2011 and 2012 and selected consolidated statement of financial position data as of December 31, 2011 and 2012 excluding basic and diluted

earnings per ADR, are derived from the audited consolidated financial statements of the Company, including the related notes, included elsewhere in this Annual Report. The selected consolidated income statement data for the years ended December 31, 2008 and 2009 and selected consolidated statement of financial position data as of December 31, 2008, 2009 and 2010 are derived from the Company's audited consolidated financial statements that are not included in this Annual Report.

Moreover, the selected financial data should be read in conjunction with our consolidated financial statements together with accompanying notes and "Item 5. Operating and Financial Review and Prospects" which are included elsewhere in this Annual Report. Our consolidated financial statements are prepared and presented in accordance with International Financial Reporting Standards, or IFRSs.

	Year ended December 31,					
	2012 US\$	2012 RMB	2011 RMB	2010 RMB	2009 RMB	2008 RMB
(in million, except per share and per ADR data)						
Consolidated Income Statement Data:						
Operating revenue	15,832	99,514	90,395	76,495	54,802	55,288
Operating expenses	(15,254)	(95,877)	(87,063)	(70,689)	(55,355)	(61,771)
Operating profit/(loss)	811	5,099	4,353	6,282	1,436	(5,650)
Profit/(loss) before taxation	754	4,738	6,930	8,089	428	(4,728)
Profit/(loss) for the year	602	3,784	6,090	6,412	524	(4,789)
Profit/(loss) attributable to:						
Equity shareholders of the Company	417	2,619	5,110	5,792	327	(4,826)
Non-controlling interests	185	1,165	980	620	197	37
Basic and diluted earnings/(loss) per share	0.04	0.27	0.52	0.70	0.05	(0.74)
Basic and diluted earnings/(loss) per ADR ⁽¹⁾	2.12	13.34	26.02	34.83	2.31	(36.78)

(1) Basic and diluted earnings/(loss) per share have been computed by dividing profit/(loss) attributable to equity shareholders of the Company by the weighted average number of shares in issue. Basic and diluted earnings/(loss) per ADR have been computed as if all of our issued or potential ordinary shares, including domestic shares and H shares, are represented by ADRs during each of the years presented. Each ADR represents 50 shares.

	Year ended December 31,					
	2012	2012	2011	2010	2009	2008
	US\$	RMB	RMB	RMB	RMB	RMB
(in million)						
Consolidated Statement of Financial Position Data:						
Cash and cash equivalents	1,604	10,082	9,863	10,404	4,343	4,649
Other current assets	1,067	6,705	9,622	5,455	4,785	4,599
Asset classified as held for sale	-	-	-	-	529	-
Property, plant and equipment, net	15,916	100,040	87,711	80,214	63,673	53,237
Total assets	22,664	142,454	129,412	111,335	94,856	83,151
Bank and other loans, including long-term bank and other loans due within one year	3,484	21,899	18,789	9,324	17,452	22,178
Short-term financing bills	-	-	-	-	-	2,000
Obligations under capital leases due within one year	397	2,494	1,784	1,654	1,431	1,781
Bank and other loans, excluding balance due within one year	4,804	30,196	29,037	31,876	27,875	17,429
Obligations under capital leases, excluding balance due within one year	3,082	19,371	14,053	12,776	11,887	11,157
Total equity	6,322	39,734	37,777	30,316	13,368	9,588
Number of shares (in million)	9,818	9,818	9,818	9,818	8,003	6,561

Selected Operating Data

The operating data and the profit analysis and comparison for other years below is calculated and disclosed in accordance with the statistical standards, which have been implemented by the Group since January 1, 2001. See “Glossary of Airline Industry Terms” at the front of this Annual Report for definitions of certain terms used herein.

	Year ended December 31,				
	2012	2011	2010	2009	2008
Capacity					
ASK (million)	169,569	151,064	140,498	123,441	112,767
ATK (million)	23,065	20,795	19,140	15,446	14,276
Kilometers flown (thousand)	1,052,495	939,233	872,899	746,133	686,236
Hours flown (thousand)	1,681	1,507	1,392	1,195	1,106
Number of landing and take-offs	757,022	702,264	686,223	616,296	556,914
Traffic					
RPK (million)	135,535	122,344	111,328	93,002	83,184
RTK (million)	16,160	14,461	13,104	10,067	9,200
Passengers carried (thousand)	86,485	80,677	76,456	66,281	58,237
Cargo and mail carried (tons)	1,232,000	1,135,000	1,117,000	862,000	835,000
Load Factors					
Passenger load factor (RPK/ASK) (%)	79.9	81.0	79.2	75.3	73.8

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Overall load factor (RTK/ATK) (%)	70.1	69.5	68.5	65.2	64.4
Breakeven load factor (%)	69.9	69.4	65.3	68.1	73.8
Yield					
Yield per RPK (RMB)	0.66	0.67	0.62	0.54	0.61
Yield per cargo and mail ton kilometers (RMB)	1.59	1.61	1.70	1.63	1.96
Yield per RTK (RMB)	5.95	6.03			