

CHINA SOUTHERN AIRLINES CO LTD  
Form 6-K  
November 01, 2006

**SECURITIES AND EXCHANGE COMMISSION**  
Washington, D.C. 20549

**FORM 6-K**

**Report of Foreign Private Issuer**

**Pursuant to Rule 13a-16 or 15d-16 of  
the Securities Exchange Act of 1934**

For the month of October, 2006

**CHINA SOUTHERN AIRLINES COMPANY LIMITED**  
(Translation of registrant's name into English)

Jichang Road  
Guangzhou, Guangdong 510405  
People's Republic of China  
(Address of principal executive offices)

(Indicate by check mark whether the registrant files or will file annual reports under cover Form 20-F or Form 40-F.)

Form 20-F.  Form 40-F.

(Indicate by check mark whether the registrant by furnishing the information contained in this Form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.)  
Yes.  No.

(If "Yes" is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b):  
82-\_\_\_\_\_.)

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China Southern Airlines Company Limited (the "Company") on October 27, 2006 published in two local newspapers in Hong Kong an announcement in Chinese and English, respectively, in relation to the Third Quarterly Report of the Company. A copy of the English announcement is included in this Form 6-K of the Company.

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**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

CHINA SOUTHERN AIRLINES COMPANY LIMITED

Date: November 1, 2006

By: /s/ Su Liang

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Name: Su Liang

Title: Company Secretary

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*(a joint stock limited company incorporated in the People's Republic of China with limited liability)*  
**(Stock Code: 1055)**

## **THIRD QUARTERLY REPORT OF 2006**

### **SUMMARY**

The unaudited financial statements of the Company for the Third Quarterly Report were prepared in accordance with the PRC GAAP.

This announcement is made by the Company pursuant to Rule 13.09 of the Listing Rules.

### **1 IMPORTANT NOTICE**

- 1.1 The directors of the Company (the "Directors") 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 Mr. Si Xian Min, who did not attend the board meeting because of business travel, appointed Mr. Xu Jie Bo to attend the board meeting on his behalf.
- 1.3 The financial statements of the Company for the Third Quarterly Report were unaudited.
- 1.4 Mr. Liu Shao Yong (Chairman), Mr. Si Xian Min (Chief of Accounting Work, President), Mr. Xu Jie Bo (Chief Financial Officer) and Mr. Xiao Li Xin (Chief of Accounting Department and General Manager of the Financial Department) of the Company, warrant that the Third Quarterly Report is true and complete.

## **2 BASIC PARTICULARS OF THE COMPANY**

### **2.1 Basic Information of the Company**

Stock abbreviation: China South Air  
Stock code: 600029 (A share), 1055 (H share), ZNH (ADS)

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|                         | <b>Company Secretary</b>         | <b>Securities Representative</b> |
|-------------------------|----------------------------------|----------------------------------|
| Name:                   | Su Liang                         | Lei Bin                          |
| Correspondence Address: | No. 278 Ji Chang Road, Guangzhou | No. 278 Ji Chang Road, Guangzhou |
| Telephone:              | 020-86124737, 86124462           | 020-86124737, 86124462           |
| Facsimile:              | 020-86659040                     | 020-86659040                     |
| E-mail address:         | webmaster@cs-air.com             | webmaster@cs-air.com             |

## 2.2 Financial Information

### 2.2.1 Major Accounting Data and Financial Indices (Unaudited)

|   | <b>As at<br/>30 September<br/>2006</b> | <b>As at<br/>31 December<br/>2005</b> | <b>30 September<br/>2006<br/>compared to<br/>31 December<br/>2005<br/>Change<br/>(%)</b> |
|---|--|---------------------------------------|--|
| Total assets ( <i>RMB' million</i> )  | 78,648                                 | 72,304                                | 8.77   |
| Shareholders' equity<br>(excluding minority interests)<br>( <i>RMB' million</i> ) | 10,406                                 | 9,951                                 | 4.57   |
| Net assets per share ( <i>RMB</i> )   | 2.38                                   | 2.28                                  | 4.39   |
| Adjusted net assets per<br>share ( <i>RMB</i> )                                   | 2.29                                   | 2.19                                  | 4.57   |

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|   | <b>For the<br/>period from<br/>1 July 2006 to<br/>30 September<br/>2006</b> | <b>For the<br/>period from<br/>1 January<br/>2006 to<br/>30<br/>September<br/>2006</b> | <b>Period from<br/>1 July 2006 to<br/>30 September<br/>2006<br/>compared to<br/>same period<br/>of 2005<br/>Change<br/>(%)</b> |
|---|---|--|--|
| Net cash inflow from operating activities<br>(RMB' million)   | 2,453   | 3,963  | 371.73   |
| Earnings per share (RMB)                                      | 0.29  | 0.10   | 52.63  |
| Return on net assets (%)                                      | 13.19   | 4.45   | Increase of<br>5.89<br>percentage<br>points  |
| Return on net assets after extraordinary gains and losses (%) | 13.07   | 3.03   | Increase of<br>5.81<br>percentage<br>points  |
| <b>Extraordinary gains/losses</b>                             |   |  | <b>Amount</b><br>(RMB' million)  |
| Subsidy income  |   |  | 103  |
| Expired sales in advance of carriage                          |   |  | 33   |
| Others  |   |  | 35   |
| Effect of the above on taxation                               |   |  | (26)   |
| <b>Total</b>  |   |  | <b>145</b>   |

## 2.2.2

## Unaudited Profit and Loss Account

| Items                                      | Consolidated   |  | The Company   |   |
|--|--|--|---|---|
|  | For the period<br>from<br>1 July 2006 to<br>30 September<br>2006<br>(RMB' million) | For the period<br>from<br>1 July 2005 to<br>30 September<br>2005<br>(RMB' million) | For the period<br>from<br>1 July 2006 to<br>30 September 2006<br>(RMB' million) | For the period<br>from<br>1 July 2005 to<br>30 September 2005<br>(RMB' million) |
| <b>Revenue from principal operations</b>   | 13,891   | 11,401   | 11,414  | 9,141   |
| <i>Less:</i> Costs of principal operations | 10,979   | 9,273  | 9,034   | 7,540   |
| Business taxes and surcharges              | 364  | 328  | 285   | 252   |
| <b>Profit from principal operations</b>    | 2,548  | 1,800  | 2,095   | 1,349   |
| <i>Add:</i> Profit from other operations   | 46   | 45   | 47  | 26  |
| <i>Less:</i> Selling expenses              | 735  | 814  | 607   | 647   |
| General and administrative expenses        | 476  | 460  | 397   | 317   |
| Financial expenses/(income)                | 30   | (437)  | (5)   | (443)   |
| <b>Operating profit</b>                    | 1,353  | 1,008  | 1,143   | 854   |
| <i>Add:</i> Investment income              | 10   | 102  | 120   | 98  |
| Subsidy income                             | 32   | —  | 25  | —   |
| Non-operating income                       | 8  | 8  | 7   | 6   |
| <i>Less:</i> Non-operating expenses        | 25   | 5  | 7   | 5   |
| <b>Profit before income tax</b>            | 1,378  | 1,113  | 1,288   | 953   |
| <i>Less:</i> Income tax                    | 28   | 119  | —   | 101   |
| Minority interests                         | 62   | 142  | —   | —   |

|                   |       |     |       |     |
|-------------------|-------|-----|-------|-----|
| <b>Net Profit</b> | 1,288 | 852 | 1,288 | 852 |
|-------------------|-------|-----|-------|-----|

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| Items                                      | Consolidated   |  | The Company  |  |
|--|--|--|--|--|
|  | For the period<br>from<br>1 January 2006 to<br>30 September 2006 | For the period<br>from<br>1 January 2005<br>to<br>30 September<br>2005 | For the period<br>from<br>1 January 2006 to<br>30 September 2006 | For the period<br>from<br>1 January 2005 to<br>30 September 2005 |
|  | (RMB' million)   | (RMB' million)   | (RMB' million)   | (RMB' million)   |
| <b>Revenue from principal operations</b>   | 34,915   | 29,454   | 27,822   | 23,247   |
| <i>Less:</i> Costs of principal operations | 29,234   | 25,197   | 23,655   | 20,179   |
| Business taxes and surcharges              | 916  | 846  | 699  | 640  |
| <b>Profit from principal operations</b>    | 4,765  | 3,411  | 3,468  | 2,428  |
| <i>Add:</i> Profit from other operations   | 158  | 285  | 146  | 179  |
| <i>Less:</i> Selling expenses              | 2,230  | 2,104  | 1,774  | 1,655  |
| General and administrative expenses        | 1,457  | 1,322  | 1,105  | 907  |
| Financial expenses                         | 780  | 146  | 644  | 56   |
| <b>Operating profit/(loss)</b>             | 456  | 124  | 91   | (11)   |
| <i>Add:</i> Investment income              | 5  | 92   | 201  | 93   |
| Subsidy income                             | 103  | —  | 81   | —  |
| Non-operating income                       | 101  | 31   | 87   | 22   |
| <i>Less:</i> Non-operating expenses        | 33   | 62   | 13   | 50   |
| <b>Profit before income tax</b>            | 632  | 185  | 447  | 54   |
| <i>Less:</i> Income tax expense/(benefit)  | 55   | 62   | (6)  | 45   |

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|                    |     |     |     |   |
|--------------------|-----|-----|-----|---|
| Minority interests | 124 | 114 | –   | – |
| <hr/>              |     |     |     |   |
| Net Profit         | 453 | 9   | 453 | 9 |
| <hr/>              |     |     |     |   |

**2.3 As at the end of the reporting period, the total number of shareholders and the shareholdings of ten largest listed shareholders of listed shares of the Company were as follows:**

| <b>Shareholdings of the ten largest listed shareholders</b>  |  |
|--|--|
| <b>Name of Shareholders<br/>(full name)</b>  | <b>Shareholdings as at Nature of<br/>30 September 2006 shares held</b> |
| HKSCC  | 1,149,157,998H Shares  |
| The Industrial and Commence<br>Bank of China – Yi Fang Da Selected<br>Stock-Type Securities Investment Fund      | 26,215,567A Shares   |
| Boshi Value Increase Securities<br>Investment Fund   | 22,000,000A Shares   |
| National Social Security Fund 108<br>Portfolio   | 20,030,386A Shares   |
| National Social Security Fund 102<br>Portfolio   | 19,427,704A Shares   |
| Hai Tong – Bank of Communications<br>– Nikko Asset Management Co., Ltd<br>– Nikko AM China A Share Umbrella Fund | 11,999,959A Shares   |
| China Construction Bank – Boshi Value<br>Increase Securities Investment Fund II                                  | 11,681,782A Shares   |
| Yu Yang Securities Investment Fund   | 10,126,500A Shares   |
| The Industrial and Commence Bank of<br>China<br>– Shangzheng 50 Exchange Traded<br>(Securities Investment) Fund  | 9,374,446A Shares  |
| Bank of Agriculture – Great Wall An Xi<br>Return Hybrid Securities Investment Fund                               | 9,252,272A Shares  |

### **3 MANAGEMENT DISCUSSION AND ANALYSIS**

#### **3.1 Brief analysis of the Company's overall operational activities during the reporting period**

As a result of the continuous and stable economic growth in China, all operational indices of the Company were remarkably increased. Moreover, the Company was benefited from the Renminbi appreciation against foreign currencies including US dollars. Despite the substantial increase of the operation cost caused by the continuous hiking jet fuel price and its likely upward trend, the Company achieved a great performance in its operation. During the period, the Company's traffic volume was 2,292,420,000 tonne-kilometers, representing a growth of 11.4% over the same period of last year; passengers carried were 14,260,000, representing an increase of 12.4% from the same period last year; cargo and mail traffic amounted to 223,000 tonne, representing an increase of 4.1% from the same period last year. Revenue from principal operations for the third quarter was RMB13,891,000,000 yuan, an increase of 21.8% from the same period last year, profit from the principal operations was RMB2,548,000,000 yuan, an increase of 41.6% from the same period last year, and the net profit was increased to RMB1,288,000,000 yuan compared with RMB852,000,000 yuan of the same period last year, representing an increase of 51%. From the first quarter to the third quarter of this year, the Company's total traffic volume was 6,000,160,000 tonne-kilometers, representing an increase of 11.0% from the same period last year; passengers carried were 36,949,000, an increase of 12.0% from the same period last year; cargo and mail traffic amounted to 599,000 tonne, an increase of 6.5% from the same period last year; and the passenger load factor was 72.3%, an increase of 2.9% from the same period last year. The accumulated revenue from principal operations was RMB34,915,000,000 yuan, an increase of 18.5% from the same period last year, profit from principal operations was RMB4,765,000,000 yuan, an increase of 39.7% from the same

period last year, and net profit was RMB453,000,000 yuan, while the accumulated net profit in the same period of last year was RMB9,000,000 yuan.

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3.1.1 Principal operations or products representing more than 10% of the income or profit from the Company's principal operations

Unit: RMB' million

|            | Revenues from principal operations | Costs of principal operations | Gross profit margin |
|------------|------------------------------------|-------------------------------|---------------------|
|            |                                    |                               | (%)                 |
| Passengers | 32,017                             | 29,234                        | 13.65               |
| Cargo      | 2,672                              |                               |                     |
| Others     | 226                                |                               |                     |

3.1.2 Related party transactions in respect of daily operations of the Company: significant related party transactions (based on the relevant rules and regulations of the Shanghai Stock Exchange) in respect of purchase of merchandise and service

| Name   | Nature of transaction                      | Amount<br>(RMB' million) | % of same type of transaction |
|--|--|--------------------------|-------------------------------|
| Guangzhou Aircraft Maintenance Engineering Company Limited | Aircraft and engine repair and maintenance | 241                      | 7.3                           |
| MTU Maintenance Zhuhai Co., Ltd.                           | Aircraft and engine repair and maintenance | 193                      | 5.8                           |
| Southern Airlines (Group) Air Catering Co., Ltd.           | Air catering                               | 90                       | 10.5                          |

Guangzhou Aircraft Maintenance Engineering Company Limited, a jointly controlled entity of the Company, provides aircraft and engine repair and maintenance service to the Company.

MTU Maintenance Zhuhai Co., Ltd., a jointly controlled entity of the Company, provides aircraft and engine repair and maintenance service to the Company.

Southern Airlines (Group) Air Catering Co., Ltd., a subsidiary of the controlling shareholder, provides air catering service to the Company.

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

Guangzhou, the People's Republic of China  
26 October 2006

*As at the date of this notice, the Directors of the Company include Liu Shao Yong, Tan Wan Geng, Chen Zhen You, Wang Quan Hua, Zhao Liu An, Xu Jie Bo and Si Xian Min as executive Directors; and Peter Lok, Wei Ming Hai, Wang Zhi and Sui Guang Jun as independent non-executive Directors.*