

CHINA SOUTHERN AIRLINES CO LTD
Form 20-F
April 30, 2015

**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, 2014

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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(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>
---	--------------------------------

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:

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

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

TABLE OF CONTENTS

<u>FORWARD-LOOKING STATEMENTS</u>	1
<u>INTRODUCTORY NOTE</u>	2
<u>GLOSSARY OF AIRLINE INDUSTRY TERMS</u>	3
<u>PART I</u>	4
ITEM 1. <u>IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS.</u>	4
ITEM 2. <u>OFFER STATISTICS AND EXPECTED TIMETABLE.</u>	4
ITEM 3. <u>KEY INFORMATION.</u>	5
A. <u>Selected Financial Data.</u>	5
B. <u>Capitalization and Indebtedness.</u>	7
C. <u>Reasons for the Offer and Use of Proceeds.</u>	7
D. <u>Risk Factors.</u>	7
ITEM 4. <u>INFORMATION ON THE COMPANY.</u>	18
A. <u>History and Development of the Company</u>	18
B. <u>Business Overview</u>	21
C. <u>Organizational Structure</u>	43
D. <u>Property, Plant and Equipment</u>	45
ITEM 4A. <u>UNRESOLVED STAFF COMMENTS</u>	46
ITEM 5. <u>OPERATING AND FINANCIAL REVIEW AND PROSPECTS</u>	46
<u>Critical Accounting Policies</u>	46
<u>Recently Pronounced International Financial Reporting Standards</u>	48
<u>Overview</u>	48
<u>Certain Financial Information and Operating Data by Geographic Region</u>	52
A. <u>Operating Results</u>	54
B. <u>Liquidity and Capital Resources</u>	61
ITEM 6. <u>DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES</u>	64
A. <u>Directors, Senior Management and Employees</u>	64
B. <u>Compensation</u>	71
C. <u>Board Practices</u>	72
D. <u>Employees</u>	74
E. <u>Share Ownership</u>	75
ITEM 7. <u>MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS</u>	76
A. <u>Major Shareholders</u>	76
B. <u>Related Party Transactions</u>	77
C. <u>Interests of Experts and Counsel</u>	85
ITEM 8. <u>FINANCIAL INFORMATION</u>	85
A. <u>Consolidated Statements and Other Financial Information</u>	85
B. <u>Significant Changes</u>	86
ITEM 9. <u>THE OFFER AND LISTING</u>	86
A. <u>Offer and Listing Details</u>	86
B. <u>Plan of Distribution</u>	87
C. <u>Markets</u>	87
D. <u>Selling Shareholders</u>	88
E. <u>Dilution</u>	88

F.	<u>Expenses of the Issue</u>	88
ITEM 10.	<u>ADDITIONAL INFORMATION</u>	88
A.	<u>Share Capital</u>	88
B.	<u>Memorandum and Articles of Association</u>	88
C.	<u>Material Contracts</u>	93
D.	<u>Exchange Controls</u>	93
E.	<u>Taxation</u>	94
F.	<u>Dividends and Paying Agents</u>	99

G.	<u>Statement by Experts</u>	99
H.	<u>Documents on Display</u>	99
I.	<u>Subsidiary Information</u>	99
ITEM 11.	<u>QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK</u>	99
ITEM 12.	<u>DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES</u>	101
A.	<u>Debt Securities</u>	101
B.	<u>Warrants and Rights</u>	101
C.	<u>Other Securities</u>	101
D.	<u>American Depositary Shares</u>	101
	PART II	102
ITEM 13.	<u>DEFAULTS, DIVIDEND ARREARAGES AND DELINQUENCIES</u>	102
ITEM 14.	<u>MATERIAL MODIFICATIONS TO THE RIGHTS OF SECURITY HOLDERS AND USE OF PROCEEDS</u>	102
A.	<u>Material Modifications to the Instruments Defining the Rights of Security Holders</u>	102
B.	<u>Material Modifications to the Rights of Registered Securities by Issuing or Modifying any other Class of Securities</u>	102
C.	<u>Withdrawal or Substitution of a Material Amount of the Assets Securing any Registered Securities</u>	102
D.	<u>Change of Trustees or Paying Agents for any Registered Securities</u>	102
E.	<u>Use of Proceeds</u>	102
ITEM 15.	<u>CONTROLS AND PROCEDURES</u>	102
ITEM 16A.	<u>AUDIT COMMITTEE FINANCIAL EXPERT</u>	103
ITEM 16B.	<u>CODE OF ETHICS</u>	103
ITEM 16C.	<u>PRINCIPAL ACCOUNTING FEES AND SERVICES</u>	104
ITEM 16D.	<u>EXEMPTIONS FROM THE LISTING STANDARDS FOR AUDIT COMMITTEE</u>	104
ITEM 16E.	<u>PURCHASES OF EQUITY SECURITIES BY THE ISSUER AND AFFILIATED PURCHASERS</u>	104
ITEM 16F.	<u>CHANGES IN REGISTRANT’S CERTIFYING ACCOUNTANT</u>	104
ITEM 16G.	<u>CORPORATE GOVERNANCE</u>	104
ITEM 16.	<u>MINE SAFETY DISCLOSURE</u>	108
ITEM 17.	<u>FINANCIAL STATEMENTS</u>	108
ITEM 18.	<u>FINANCIAL STATEMENTS</u>	108
ITEM 19.	<u>EXHIBITS</u>	108
	<u>Index to Exhibits</u>	108

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 53.72% interest in the Company as of April 17, 2015.

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, 2014 (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 = RMB6.1190, 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, 2014. 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

"available seat kilometers" or "ASK" the number of seats made available for sale multiplied by the kilometers flown

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

Traffic

"cargo ton kilometers" the load in tons multiplied by the kilometers flown

"revenue passenger kilometers" or "RPK" the number of passengers carried multiplied by the kilometers flown

"revenue ton kilometers" or "RTK" the load (passenger and cargo) in tons multiplied by the kilometers flown

"revenue ton kilometers-cargo" revenue freight ton kilometers (RFTK), the load (cargo) in tons multiplied by the kilometers flown

"revenue ton kilometers-passenger" the load (passenger) in tons multiplied by the kilometers flown

"ton" a metric ton, equivalent to 2,204.6 pounds

Yield

"yield per RPK" revenue from passenger operations divided by RPK

"yield per RFTK" revenue from cargo operations divided by RFTK

"yield per RTK" revenue from airline operations (passenger and cargo) divided by RTK

Cost

"operating cost per ATK" operating expenses divided by ATK

Load Factors

"overall load factor" RTK expressed as a percentage of ATK

"passenger load factor" RPK expressed as a percentage of ASK

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, 2014. The selected consolidated income statement data for the three-year period ended December 31, 2012, 2013 and 2014 and selected consolidated statement of financial position data as of December 31, 2013 and 2014 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, 2010 and 2011 and selected consolidated statement of financial position data as of December 31, 2010, 2011 and 2012 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,					
2014	2014	2013	2012	2011	2010
US\$	RMB	RMB	RMB	RMB	RMB

(in million, except per share and per ADR data)

Consolidated Income Statement Data:

Operating revenue	17,745	108,584	98,547	99,514	90,395	76,495
Operating expenses	(17,327)	(106,026)	(98,280)	(95,877)	(87,063)	(70,689)
Operating profit	776	4,748	1,510	5,099	4,353	6,282
Profit before income tax	501	3,066	3,484	4,738	6,930	8,089
Profit for the year	392	2,398	2,750	3,784	6,090	6,412
Profit attributable to:						
Equity shareholders of the Company	291	1,777	1,986	2,619	5,110	5,792
Non-controlling interests	101	621	764	1,165	980	620
Basic and diluted earnings per share	0.03	0.18	0.20	0.27	0.52	0.70
Basic and diluted earnings per ADR ⁽¹⁾	1.48	9.05	10.11	13.34	26.02	34.83

(1) Basic and diluted earnings per share have been computed by dividing profit attributable to equity shareholders of the Company by the weighted average number of shares in issue. Basic and diluted earnings 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,					
2014	2014	2013	2012	2011	2010
US\$	RMB	RMB	RMB	RMB	RMB
(in million)					

Consolidated Statement of Financial Position Data:

Cash and cash equivalents	2,519	15,414	11,748	10,082	9,863	10,404
Other current assets	1,982	12,127	8,825	6,705	9,622	5,455
Property, plant and equipment, net	21,973	134,453	119,777	100,040	87,711	80,214
Total assets	31,000	189,688	165,207	142,454	129,412	111,335
Bank and other loans, including long-term bank and other loans due within one year	3,429	20,979	20,242	21,899	18,789	9,324
Obligations under capital leases due within one year	979	5,992	3,636	2,494	1,784	1,654
Bank and other loans, excluding balance due within one year	6,875	42,066	37,246	30,196	29,037	31,876
Obligations under capital leases, excluding balance due within one year	7,177	43,919	31,373	19,371	14,053	12,776
Total equity	7,271	44,493	42,451	39,734	37,777	30,316
Number of shares (in million)	9,818	9,818	9,818	9,818	9,818	9,818

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					
2014	2013	2012	2011	2010	

Capacity

ASK (million)	209,807	186,800	169,569	151,064	140,498
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