

CHINA SOUTHERN AIRLINES CO LTD

Form 20-F

June 30, 2003

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As filed with the Securities and Exchange Commission on [June 30, 2003]

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 1934

For the fiscal year ended December 31, 2002

OR

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

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)

**BAIYUN INTERNATIONAL AIRPORT
GUANGZHOU
PEOPLE'S REPUBLIC OF CHINA**

(Address of principal executive offices)

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:

*Ordinary H Shares of par value RMB1.00 per share
represented by American Depositary Shares*

New York Stock Exchange, Inc.

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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: 2,200,000,000 ordinary Domestic Shares of par value RMB1.00 per share and 1,174,178,000 ordinary H Shares of par value RMB1.00 per share were issued and outstanding as of December 31, 2002.

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 which financial statement item the Registrant has elected to follow.

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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 estimates, projects, expects, intends, believes, plans, anticipates, 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 the Company's 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. The Company's 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, including changes in interest rates;
- prices and other economic conditions;
- natural phenomena;
- actions by government authorities, including changes in government regulation;
- the Company's relationship with CSAHC (formerly the SA Group);
- uncertainties associated with legal proceedings;
- technological development;
- future decisions by management in response to changing conditions;
- the Company's ability to execute prospective business plans; 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 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 65.2% controlling interest in the Company (Southern Airlines (Group) changed its official name to China Southern Air Holding Company on October 11, 2002.).

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 People's Republic of China. References to Macau or Macau SAR are to the Macau Special Administrative Region of the People's Republic of China.

The Company presents its financial statements in Renminbi. The consolidated financial statements of the Company as of December 31, 2001 and 2002, and the consolidated financial statements for the years ended December 31, 2000, 2001 and 2002, together with the notes thereto (collectively, the Financial Statements), have been prepared in accordance with International Financial Reporting Standards (IFRS) promulgated by the International Accounting Standards Board. IFRS includes International Accounting Standards (IAS) and related interpretations. IFRS differs in certain material respects from accounting principles generally accepted in the United States of America (U.S. GAAP). See Note 31 to the Financial Statements for a description of the material differences between IFRS and U.S. GAAP as of December 31 of 2001 and 2002 and for each of the years in the three-year period ended December 31, 2002 as they relate to the Company.

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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 = RMB8.2773, 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, 2002. 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.

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GLOSSARY OF AIRLINE INDUSTRY TERMS

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

Capacity Measurements

available seat kilometers or ASKs	the number of seats made available for sale multiplied by the kilometers flown
available ton kilometers or ATKs	the number of tons of capacity available for the transportation of revenue load (passengers and cargo) multiplied by the kilometers flown

Traffic Measurements

revenue passenger kilometers or RPKs	the number of revenue passengers carried multiplied by the kilometers flown
cargo ton kilometers	the cargo load in tons multiplied by the kilometers flown
revenue ton kilometers or RTKs	the load (passenger and cargo) in tons multiplied by the kilometers flown

Yield Measurements

passenger yield	revenue from passenger operations divided by RPKs
cargo yield	revenue from cargo operations divided by cargo ton kilometers
average yield	revenue from airline operations (passenger and cargo) divided by RTKs
ton	a metric ton, equivalent to 2,204.6 pounds

Load Factors

passenger load factor	RPKs expressed as a percentage of ASKs
overall load factor	RTKs expressed as a percentage of ATKs
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

Utilization

utilization rate	the actual number of flight hours per aircraft per operating day
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Equipment

rotables	aircraft parts that are ordinarily repaired and reused
expendables	aircraft parts that are ordinarily used up and replaced with new parts

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Not applicable.

ITEM 2. OFFER STATISTICS AND EXPECTED TIMETABLE.

Not applicable.

ITEM 3. KEY INFORMATION.**Selected Financial Data**

The following selected consolidated income statement data for each of the years in the five-year period ended December 31, 2002 and consolidated balance sheet data for each of the years in the five-year period ended December 31, 2002 have been derived from the consolidated financial statements of the Company. Such consolidated financial statements have been audited by KPMG, independent certified public accountants, and prepared in accordance with IFRS on the basis that the Company with all its present divisions and subsidiaries had been so constituted during the relevant periods. IFRS differs in certain material respects from U.S. GAAP. See Note 31 to the Financial Statements for a description of the material differences related to the Group between IFRS and U.S. GAAP as of December 31, 2001 and 2002 and for each of the years in the three-year period ended December 31, 2002. The following information should be read in conjunction with, and is qualified in its entirety by, the Financial Statements of the Group.

	Year ended December 31,					
	1998	1999	2000		2001	2002
	RMB	RMB	RMB	RMB	RMB	US\$
	(in million, except per share data)					
Income Statement Data:						
IFRS:						
Operating revenue	11,849.4	13,299.6	15,178.3	16,879.7	18,018.6	2,176.9
Operating expenses	11,259.4	11,449.7	13,996.2	15,479.0	15,992.5	1,932.1
Operating income	590.0	1,849.9	1,182.1	1,400.7	2,026.1	244.8
Equity (loss) income of affiliated companies	(1.8)	36.1	45.9	53.0	37.0	4.5
Equity loss of jointly controlled entities				(4.0)	(3.4)	(0.4)
Gain (loss) on sale of fixed assets	182.9	(18.7)	372.6	(55.9)	170.7	20.6
Interest expense	(1,197.4)	(1,192.2)	(1,074.2)	(933.7)	(959.2)	(115.9)
Exchange (loss) gain, net	(366.3)	(426.5)	318.5	296.8	(175.4)	(21.2)
Other, net	205.2	119.9	86.3	38.4	43.3	5.2
(Loss) income before taxation and minority interests	(587.4)	368.5	931.2	795.3	1,139.1	137.6
Taxation	178.6	(128.0)	(338.9)	(320.5)	(398.2)	(48.1)
Minority interests	(105.8)	(158.1)	(90.5)	(134.6)	(165.1)	(19.9)
Net (loss) income	(514.6)	82.4	501.8	340.2	575.8	69.6
Basic (loss) earnings per share	(0.15)	0.02	0.15	0.10	0.17	0.021
Basic (loss) earnings per ADS	(7.63)	1.22	7.44	5.04	8.53	1.03
U.S. GAAP:						
Net (loss) income	(582.2)	370.3	354.4	430.7	474.0	57.3

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Basic (loss) earnings per share	(0.17)	0.11	0.11	0.13	0.14	0.017
Basic (loss) earnings per ADS	(8.63)	5.49	5.25	6.38	7.02	0.85

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	December 31,					
	1998	1999	2000	2001	2002	2002
	RMB	RMB	RMB	RMB	RMB	US\$
(in million)						
Balance Sheet Data:						
IFRS:						
Cash and cash equivalents	4,103.7	4,588.4	4,197.5	2,817.9	3,771.0	455.6
Other current assets	2,080.7	1,715.2	1,691.9	1,560.5	1,834.8	221.7
Fixed assets, net	22,904.3	24,211.2	23,282.1	22,352.2	26,920.8	3,252.4
Total assets	32,083.3	32,557.7	30,924.0	30,653.1	37,188.0	4,492.8
Notes payable, including current portion of long term notes payable	666.8	613.3	783.1	2,177.5	5,240.7	633.1
Current installments of obligations under capital leases	1,120.0	1,999.7	1,776.2	1,451.9	1,566.7	189.3
Notes payable, excluding current portion	5,032.6	4,424.2	3,788.7	3,627.6	5,835.4	705.0
Obligations under capital leases, excluding current installments	11,845.3	11,490.9	9,416.3	7,691.6	6,631.8	801.2
Shareholders' equity	8,297.3	8,379.7	8,881.4	9,221.7	9,613.2	1,161.4
U.S. GAAP:						
Shareholders' equity	7,857.1	8,227.4	8,527.3	8,958.0	9,287.3	1,122.0

Selected Operating Data

The following selected operating data of the Group for the five years ended December 31, 2002 have been derived from financial statements prepared in accordance with IFRS and other data provided by the Group and have not been audited. In accordance with Order No. 88 of the General Administration of Civil Aviation of China (also known as the Civil Aviation Administration of China) (the CAAC), titled Measures for the Administration of China's Civil Aviation Statistics, new statistical standards have been implemented with effect from January 1, 2001. The Group has not adjusted the operating data for the corresponding period in 1998 and 1999 according to the new standards. The main differences between the two sets of standards are set forth below:

1. The standard passenger weight has been changed from 75 kg per person to 90 kg per person (luggage weight included). Luggage weight will not be separately calculated;
2. Number of scheduled flights has been changed to number of takeoffs;
3. Any passenger carried on flights which fly international routes will be counted as one domestic passenger and one international passenger; however, any passenger carried on an irregular flight will only be counted once; any cargo carried on flights which fly international routes will be counted as one domestic and one international cargo; however, cargo carried on an irregular flight will only be counted once.

Apart from the data set out in the table below, the operating data and the profit analysis and comparison for the years 2001 and 2002 below is calculated and disclosed in accordance with the new statistical standards. See Glossary of Airline Industry Terms at the front of this Annual Report for definitions of certain terms used herein.

	Year ended December 31,				
	1998	1999	2000	2001	2002
Capacity					
ASK (million)					
Domestic	23,417	24,900	28,345	31,393	33,753
Hong Kong regional	1,673	1,791	1,744	1,690	1,746
International	&				