

CHINA SOUTHERN AIRLINES CO LTD
Form 6-K
August 21, 2007

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**

August 21, 2007

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-_____.)

China Southern Airlines Company Limited (the “Company”) published an announcement on August 21, 2007 on the Hong Kong Stock Exchange’s website at http://main.ednews.hk/listedco/listconews/search/search_active_main.asp with respect to the unaudited consolidated interim results of the Company and its subsidiaries for the six months ended June 31, 2007, together with the comparative figures for the corresponding period of 2006. A copy of the English announcement is included in this Form 6-K of the Company.

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

By: /s/ Su Liang _____

Name: Su Liang

Title: Company Secretary

Date: August 21, 2007

2007 INTERIM RESULTS

The board of directors (the “Board”) of China Southern Airlines Company Limited (the “Company”) hereby announces the unaudited consolidated interim results of the Company and its subsidiaries (collectively, the “Group”) for the six months ended 30 June 2007, together with the comparative figures for the corresponding period of 2006 as follows:

FINANCIAL RESULTS**A. Prepared in accordance with International Financial Reporting Standards (“IFRSs”)****CONSOLIDATED INCOME STATEMENT**

for the six months ended 30 June 2007 - unaudited

(Expressed in Renminbi)

		Six months ended 30 June	
		2007	2006
	<i>Note</i>	<i>RMB million</i>	<i>RMB million</i>
Operating revenue			
Traffic revenue		24,086	20,223
Other operating revenue		470	381
Total operating revenue	3	24,556	20,604
Operating expenses			
Flight operations		13,226	11,053
Maintenance		2,361	1,702
Aircraft and traffic servicing		3,974	3,426
Promotion and sales		1,565	1,460
General and administrative		839	697
Depreciation and amortisation		2,546	2,453
Others		63	56
Total operating expenses		24,574	20,847
Operating loss		(18)	(243)

	<i>Note</i>	Six months ended 30 June	
		2007	2006
		RMB million	RMB million
Non-operating income/(expenses)			
Interest income		16	18
Interest expense	<i>6</i>	(1,132)	(1,004)
Share of associates' results		32	4
Share of jointly controlled entities' results		51	78
Gain on derivative financial instruments, net		69	-
Gain on sale of property, plant and equipment, net		80	-
Exchange gain, net		1,266	279
Others, net		84	95
Total net non-operating income/(expense)		466	(530)
Profit/(loss) before taxation			
Income tax expense	<i>5</i>	(222)	(11)
Profit/(loss) for the period	<i>6</i>	226	(784)
Attributable to:			
Equity shareholders of the Company		168	(825)
Minority interests		58	41
Profit/(loss) for the period		226	(784)
Earnings/(loss) per share			
Basic	<i>8</i>	RMB0.04	RMB(0.19)
Diluted		RMB0.04	RMB(0.19)

CONSOLIDATED BALANCE SHEET

at 30 June 2007 - unaudited

(Expressed in Renminbi)

	<i>Note</i>	At 30 June 2007 RMB million	At 31 December 2006 RMB million
Non-current assets			
Property, plant and equipment, net	9	58,073	56,335
Construction in progress		1,230	911
Lease prepayments		506	493
Interest in associates		177	149
Interest in jointly controlled entities		921	870
Other investments in equity securities		330	330
Lease and equipment deposits		9,254	9,458
Deferred tax assets		195	95
Other assets		240	260
		70,926	68,901
Current assets			
Inventories		1,347	1,315
Financial assets		21	-
Trade receivables	10	1,776	1,512
Other receivables		939	879
Prepaid expenses and other current assets		623	585
Amounts due from related companies		150	128
Cash and cash equivalents		3,551	2,264
		8,407	6,683
Current liabilities			
Financial liabilities		13	26
Bank and other loans	11	24,369	23,822
Obligations under finance leases		2,974	3,091
Trade and bills payables	12	1,426	1,909
Sales in advance of carriage		1,542	1,436
Taxes payable		256	126
Amounts due to related companies		138	254
Accrued expenses		6,830	5,463
Other liabilities		2,776	2,736
		40,324	38,863
Net current liabilities		(31,917)	(32,180)
Total assets less current liabilities		39,009	36,721

	<i>Note</i>	At 30 June 2007 RMB million	At 31 December 2006 RMB million
Non-current liabilities and deferred items			
Bank and other loans	<i>11</i>	10,590	10,018
Obligations under finance leases		13,709	12,307
Provision for major overhauls		832	805
Provision for early retirement benefits		279	306
Deferred credits		750	792
Deferred tax liabilities		502	372
		26,662	24,600
Net assets		12,347	12,121
Capital and reserves			
Share capital		4,374	4,374
Reserves	<i>13</i>	5,982	5,814
Total equity attributable to equity shareholders of the Company		10,356	10,188
Minority interests		1,991	1,933
Total equity		12,347	12,121

Notes:

1 Basis of preparation

This interim financial report of China Southern Airlines Company Limited (the “Company”) and its subsidiaries (the “Group”) has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with International Accounting Standard 34 “Interim financial reporting” (“IAS 34”) adopted by the International Accounting Standards Board (“IASB”). It was authorised for issuance on 20 August 2007.

At 30 June 2007, the Group’s current liabilities exceeded its current assets by RMB31,917 million, which include current instalments of bank and other loans and obligations under finance leases of RMB27,343 million. The liquidity of the Group is primarily dependent on its ability to maintain adequate cash inflow from operations to meet its debt obligations as they fall due, and on its ability to obtain adequate external finance to meet its committed future capital expenditures. In preparing the interim financial report, the directors of the Company have considered the Group’s sources of liquidity and believe that adequate funding is available to fulfil the Group’s short term obligations and capital expenditure requirements. Accordingly, the interim financial report has been prepared on a basis that the Group will be able to continue as a going concern.

The interim financial report has been prepared in accordance with substantially the same accounting policies adopted in the 2006 annual financial statements. Please refer to Note 2 for the discussion of new and revised International Financial Reporting Standards (“IFRSs”) adopted by the Group in 2007.

The preparation of an interim financial report in conformity with IAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

In preparing this interim financial report, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the 2006 annual financial statements.

The interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2006 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with IFRSs. IFRSs include International Accounting Standards ("IAS") and related interpretations.

The interim financial report is unaudited, but has been reviewed by KPMG in accordance with Hong Kong Standards on Review Engagements 2410, "Review of interim financial information performed by the independent auditor of the entity" issued by the Hong Kong Institute of Certified Public Accountants.

The financial information relating to the financial year ended 31 December 2006 that is included in the interim financial report as being previously reported information does not constitute the Group's annual financial statements prepared under IFRSs for that financial year but is derived from those financial statements. The Group's annual financial statements for the year ended 31 December 2006 are available at the Company's registered office. The independent auditor has expressed an unqualified opinion on those financial statements in the audit report dated 16 April 2007.

2 New and revised IFRSs

The IASB has issued a number of new and revised IFRSs that are effective or available for early adoption for the current accounting period of the Group. The Board of Directors has determined the accounting policies to be adopted in the preparation of the Group's annual financial statements prepared under IFRSs for the year ending 31 December 2007, on the basis of IFRSs currently in issue.

The IFRSs that will be effective or are available for voluntary early adoption in the annual financial statements prepared under IFRSs for the year ending 31 December 2007 may be affected by the issue of additional interpretation(s) or other changes announced by the IASB subsequent to the date of issuance of this interim financial report. Therefore the policies that will be applied in the Group's financial statements for that period cannot be determined with certainty at the date of issuance of this interim financial report.

The adoption of these new and revised IFRSs did not result in significant changes to the Group's accounting policies applied in this interim financial report for the periods presented.

3 Revenue and segment reporting

The Group operates principally as a single business segment for the provision of air transportation services.

Turnover comprises revenues from airline and airline-related business and is stated net of sales tax.

Geographic information about the Group's turnover and operating profit/(loss) are analysed as follows:

	For the six months ended 30 June			
	Domestic <i>RMB million</i>	Hong Kong and Macau <i>RMB million</i>	International <i>RMB million</i>	Total <i>RMB million</i>
2007				
Traffic revenue	19,165	571	4,350	24,086
Other operating revenue	470	-	-	470
Turnover	19,635	571	4,350	24,556
Operating profit/(loss)	512	(19)	(511)	(18)
2006				
Traffic revenue	16,017	674	3,532	20,223
Other operating revenue	381	-	-	381
Turnover	16,398	674	3,532	20,604
Operating profit/(loss)	266	(63)	(446)	(243)

4 Seasonality of operations

Owing to the summer holiday period in July and August, the Group on average experiences higher traffic demands in the second half of the year. As a result, the first half year typically reports lower revenues and results than the second half.

5 Income tax expense

	Six months ended 30 June	
	2007 <i>RMB million</i>	2006 <i>RMB million</i>
PRC income tax	192	5
Deferred tax	30	6
Income tax expense	222	11

The statutory income tax rate in the PRC is 33%. The Company is taxed at a preferential rate of 18% and certain branches are taxed at rates ranging from 15% to 33%. The subsidiaries of the Group are taxed at rates ranging from 15% to 33%.

On 16 March 2007, the Fifth Plenary Session of the Tenth National People's Congress passed the Corporate Income Tax Law of the PRC ("new tax law") which will take effect on 1 January 2008. As a result of the new tax law, the statutory income tax rate currently adopted by the Company and its subsidiaries will change from 33% to 25% with effect from 1 January 2008 over a five-year transitional period. The existing preferential tax rates currently enjoyed by the Company and its subsidiaries will also be gradually migrated to the new standard rate of 25% over a five-year transitional period. As the detailed instruction for the transition to the new tax rate is yet to be issued, the Group

estimated that the applicable income tax rate under the preferential tax policy will be expired at the shorter of the existing preferential tax period and the five-year transitional period. The change in the carrying amount of the deferred tax assets and liabilities, as a result of the change in tax rate, is reflected in the interim financial report of the Group for the six months ended 30 June 2007.

In respect of the Group's overseas airline operations, the Group has either obtained exemptions from overseas taxation pursuant to the bilateral aviation agreements between the overseas governments and the PRC government, or has sustained tax losses in these overseas jurisdictions. Accordingly, no provision for overseas tax has been made for both the current and prior periods.

6 Profit/(loss) for the period

	Six months ended 30 June	
	2007	2006
	RMB million	RMB million
Profit/(loss) for the period is arrived at after charging/(crediting):		
Interest on bank and other loans	1,049	836
Finance charges on obligations under finance leases	363	272
Less: borrowing costs capitalised	(280)	(104)
	1,132	1,004
Jet fuel costs	8,598	7,080
Depreciation		
- Owned assets	1,779	1,651
- Assets acquired under finance leases	756	811
Amortisation of deferred credits	(42)	(26)
Other amortisation	11	16
Operating lease charges		
- Aircraft and flight equipment	1,801	1,418
- Land and buildings	159	148
Staff costs	2,576	2,124
Share of associates' taxation	5	5
Share of jointly controlled entities' taxation	11	9
Dividend income from unlisted securities	-	(1)

7 Dividends

The Board of Directors does not recommend the payment of an interim dividend for the six months ended 30 June 2007. No interim dividend was paid in respect of the six months ended 30 June 2006.

8 Earnings/(loss) per share

The calculation of basic earnings/(loss) per share for the six months ended 30 June 2007 is based on the profit attributable to equity shareholders of the Company of RMB168 million (six months ended 30 June 2006: loss of RMB825 million) and the weighted average number of shares in issue during the period of 4,374 million (six months ended 30 June 2006: 4,374 million).

The amount of diluted earnings/(loss) per share is the same as basic earnings/(loss) per share as there were no dilutive potential ordinary shares in existence during both the current and prior periods.

9 Property, plant and equipment, net

During the six months ended 30 June 2007, the Group acquired aircraft with an aggregate cost of RMB3,910 million (six months ended 30 June 2006: RMB395 million).

7

10 Trade receivables

Credit terms granted by the Group to sales agents and other customers generally range from one to three months. An ageing analysis of trade receivables, net of impairment losses for bad and doubtful debts, is set out below:

	At 30 June 2007 <i>RMB million</i>	At 31 December 2006 <i>RMB million</i>
Within 1 month	1,419	1,355
More than 1 month but less than 3 months	321	131
More than 3 months but less than 12 months	33	24
More than 12 months	3	2
	1,776	1,512

11 Bank and other loans

Bank and other loans are analysed as follows:

	At 30 June 2007 <i>RMB million</i>	At 31 December 2006 <i>RMB million</i>
Non-interest bearing and unsecured	22	22
Interest bearing and secured	9,113	8,726
Interest bearing and unsecured	25,824	25,092
Total bank and other loans	34,959	33,840
Less: loans due within one year classified as current liabilities	(24,369)	(23,822)
	10,590	10,018

12 Trade and bills payables

The ageing analysis of trade and bills payables is as follows:

	At 30 June 2007 <i>RMB million</i>	At 31 December 2006 <i>RMB million</i>
Within 1 month	803	1,125
More than 1 month but less than 3 months	257	448
More than 3 months but less than 6 months	366	336
	1,426	1,909

13 Reserves

No transfer to statutory reserves has been made during the six months ended 30 June 2007 (six months ended 30 June 2006: Nil).

8

14 Commitments*(a) Capital commitments*

At 30 June 2007, the Group had capital commitments as follows:

	At 30 June 2007 RMB million	At 31 December 2006 RMB million
Commitments in respect of aircraft and flight equipment		
- authorised and contracted for	56,480	66,881
Other commitments		
- authorised and contracted for	485	420
- authorised but not contracted for	1,808	1,404
	2,293	1,824
	58,773	68,705

(b) Investing commitments

At 30 June 2007, the Group was committed to make capital contributions of RMB83 million and RMB720 million to a jointly controlled entity and a subsidiary respectively (31 December 2006: RMB83 million to a jointly controlled entity).

15 Material related party transactions*(a) Key management personnel remuneration*

Key management personnel receive compensation in the form of fees, salaries, allowances, benefits in kind, discretionary bonuses and retirement scheme contributions. Key management personnel received total compensation of RMB2,188,000 for the six months ended 30 June 2007 (six months ended 30 June 2006: RMB2,112,000). Such remuneration is included in "staff costs" as disclosed in Note 6.

(b) Contributions to post-employment benefit plans

The Group participates in various defined contribution retirement plans organised by municipal and provincial governments for its staff.

(c) *Transactions with China Southern Air Holding Company (“CSAHC”) and its affiliates (the “CSAHC Group”), and associates and jointly controlled entities of the Group*

	Six months ended 30 June	
	2007	2006
	<i>RMB million</i>	<i>RMB million</i>
<i>Expenses paid to the CSAHC Group</i>		
Handling charges	9	14
Air catering supplies	93	90
Commission expense	7	21
Sundry aviation supplies	23	29
Lease charges for land and buildings	50	45
Property management fee	13	9
<i>Expenses paid to an associate and jointly controlled entities</i>		
Repairing charges	671	617
Flight simulation service charges	54	73
Ground service charges	19	24
Interest expense	7	6
<i>Income from an associate and jointly controlled entities</i>		
Rental income	16	16
Interest income	3	3

(d) *Balances with the CSAHC Group, and associates and jointly controlled entities of the Group*

	At	At
	30 June	31 December
	2007	2006
	<i>RMB million</i>	<i>RMB million</i>
<i>Receivables</i>		
The CSAHC Group	5	4
An associate	5	2
Jointly controlled entities	140	122
<i>Payables</i>		
The CSAHC Group	107	178
Jointly controlled entities	31	87

Amounts due from/to the CSAHC Group, and associates and jointly controlled entities of the Group are unsecured, interest free and have no fixed terms of repayment.

(e) Loans from and deposits placed with China Southern Airlines Group Finance Company Limited (“SA Finance”) (a PRC authorised financial institution controlled by CSAHC and an associate of the Group)

At 30 June 2007, loans from SA Finance amounted to RMB270 million (31 December 2006: RMB300 million). The loans are unsecured, interest bearing at floating interest rates as published by the People’s Bank of China (“PBOC”) and are repayable within one year. The loans are guaranteed by CSAHC (included in the amount as disclosed in Note (f) below).

At 30 June 2007, the Group’s deposits with SA Finance amounted to RMB875 million (31 December 2006: RMB629 million). The applicable interest rates were determined in accordance with the rates published by the PBOC.

(f) Guarantees from CSAHC and SA Finance

Certain bank loans were guaranteed by the following parties:

	At 30 June 2007 RMB million	At 31 December 2006 RMB million
CSAHC	1,297	1,484
SA Finance	4	5

(g) Transactions with other state-controlled entities

The Company is a state-controlled entity and operates in an economic regime currently dominated by entities directly or indirectly controlled by the PRC government (“state-controlled entities”) through its government authorities, agencies, affiliations and other organisations.

Other than those disclosed in this interim financial report, the Group conducts transactions with other state-controlled entities which include but are not limited to the following:

- Transportation services;
- Leasing arrangements;
- Purchase of equipment;
- Purchase of ancillary materials and spare parts;
- Ancillary and social services; and
- Financial services arrangement.

These transactions are conducted in the ordinary course of the Group’s business on terms comparable to those with other entities that are not state-controlled. The Group has established its buying, pricing strategy and approval process for purchases and sales of products and services. Such buying, pricing strategy and approval processes do not depend on whether the counterparties are state-controlled entities or not.

Having considered the potential for transactions to be impacted by related party relationships, the Group’s pricing strategy, buying and approval processes, and what information would be necessary for an understanding of the potential effect of the relationship on the financial statements, the directors of the Company are of the opinion that the following transactions with other state-controlled entities require disclosure:

(i) The Group's transactions with other state-controlled entities, including state-controlled banks in the PRC

	Six months ended 30 June	
	2007	2006
	<i>RMB million</i>	<i>RMB million</i>
Jet fuel cost	6,934	5,619
Interest income	10	13
Interest expense	921	597

(ii) The Group's balances with other state-controlled entities, including state-controlled banks in the PRC

	At	At
	30 June	31 December
	2007	2006
	<i>RMB million</i>	<i>RMB million</i>
Cash and deposits at bank	2,266	1,434
Short-term bank loans and current portion of long-term bank loans	22,962	21,209
Long-term bank loans, less current portion	8,879	8,223

(iii) Guarantees from other state-controlled entities, including state-controlled banks in the PRC

	At	At
	30 June	31 December
	2007	2006
	<i>RMB million</i>	<i>RMB million</i>
Guarantees on certain bank loans of the Group	62	201
Guarantees on certain documentary letters of credit issued by the Group	177	-

(h) *Loan from a minority shareholder*

At 30 June 2007, loan from a minority shareholder amounted to RMB19 million (31 December 2006: RMB19 million). The loan is unsecured, interest free and repayable within five years.

16 Contingent liabilities

A writ of summons was issued on 30 May 2007 by two sales agents in Taiwan (the "plaintiffs") against the Company for the alleged breach of certain terms and conditions of a cooperative agreement (the "cooperative agreement"). The plaintiffs have made a claim against the Company for a total sum of approximately RMB107 million mainly in respect of the alleged non-payment of sales commission on air tickets sold in Taiwan during the period from 1 September 2004 to 31 August 2006. The plaintiffs have also claimed against the Company for an unspecified compensation for early termination of the cooperative agreement.

The directors of the Company consider that, given the nature of the claims and the preliminary status of the proceedings, it is not possible to estimate the eventual outcome of the claims with reasonable certainty at this stage. However, the directors of the Company are of the opinion that the claims are without merit and have instructed its

legal advisor to defend the claims vigorously. The directors of the Company consider that the outstanding claim should have no material adverse effect on the financial position of the Group.

17 Post balance sheet events

On 16 July 2007, the Company entered into a purchase agreement with Airbus SNC for the purchase of twenty Airbus A320 series aircraft scheduled for deliveries from 2009 to 2010. According to the information provided by Airbus SNC, the catalogue price for one Airbus A320 series aircraft is in the range from US\$66.5-85.9 million.

On 16 July 2007, Xiamen Airlines Company Limited, a subsidiary of the Company, entered into a purchase agreement with Boeing Company for the purchase of twenty-five Boeing B737-800 series aircraft scheduled for deliveries from 2011 to 2013. According to the information provided by Boeing Company, the catalogue price for one Boeing B737-800 series aircraft is in the range of US\$70.5-79 million.

On 14 August 2007, the Company entered into agreements with CSAHC, pursuant to which the Company agreed to acquire and CSAHC agreed to sell (1) the entire equity interest in China Southern Airlines Group Air Catering Company Limited; (2) certain assets of Guangzhou BiHuaYuan Training Centre including certain properties and office facilities; and (3) certain assets of Nan Lung Travel & Express (Hong Kong) Limited, including certain properties and office facilities and the 51% equity interest in Nan Lung International Freight Limited, for a total consideration of RMB270 million.

On 14 August 2007, the Company entered into an agreement with CSAHC, pursuant to which the Company agreed to sell and CSAHC agreed to acquire the 90% equity interest in Guangzhou Aviation Hotel for a consideration of RMB75 million.

On 20 August 2007, the Company entered into a purchase agreement with Boeing Company for the purchase of fifty-five Boeing 737-700 and Boeing 737-800 aircraft scheduled for deliveries from 2011 to 2013. According to the information provided by Boeing Company, the catalogue prices for one Boeing B737-700 and one B737-800 aircraft are in the range of US\$57-67.5 million and US\$70.5-79 million respectively.

B. Prepared in accordance with PRC Accounting Standards for Business Enterprises (2006) (“PRC GAAP”)**CONSOLIDATED INCOME STATEMENT**

For the six months ended 30 June 2007 - unaudited

(Expressed in Renminbi)

	Six months ended 30 June	
	2007	2006
	<i>RMB million</i>	<i>RMB million</i>
Operating revenue	25,210	21,144
Less: Cost of operations	21,971	18,686
Business taxes and surcharges	699	548
Selling expenses	1,605	1,488
General and administrative expenses	818	690
Financial expenses/(income)	(104)	752
Add: Gain in change of fair value of derivative financial instruments	34	-
Investment income	118	80
Including: share of associates' and jointly controlled entities' results	83	82
Operating income/(loss)	373	(940)
Add: Non-operating income	263	153
Less: Non-operating expenses	13	8
Including: loss on disposal of non-current assets	3	1
Profit/(loss) before taxation	623	(795)
Less: Income tax	251	9
Net profit/(loss) for the period	372	(804)
Net profit/(loss) attributable to		
Equity shareholders of the Company	308	(854)
Minority interests	64	50
Earnings/(loss) per share		
Basic	RMB0.07	RMB(0.20)
Diluted	RMB0.07	RMB(0.20)

CONSOLIDATED BALANCE SHEET

At 30 June 2007 - unaudited

(Expressed in Renminbi)

	At 30 June 2007 <i>RMB million</i>	At 31 December 2006 <i>RMB million</i>
Assets		
Current assets		
Cash at bank and on hand	3,551	2,264
Trading financial assets	21	-
Trade receivables	1,781	1,512
Payments in advance	641	603
Dividends receivable	33	33
Other receivables	1,029	956
Inventories	1,347	1,315
Total current assets	8,403	6,683
Non-current assets		
Long-term receivables	29	29
Long-term equity investments	1,455	1,375
Investment properties	201	206
Fixed assets	57,741	55,834
Construction in progress	9,766	9,591
Intangible assets	712	713
Equipment lease deposits	723	783
Long-term deferred expenses	62	38
Deferred tax assets	188	115
Total non-current assets	70,877	68,684
Total assets	79,280	75,367

	At 30 June 2007 <i>RMB million</i>	At 31 December 2006 <i>RMB million</i>
Liabilities and shareholders' equity		
Current liabilities		
Short-term loans	22,134	19,907
Trading financial liabilities	13	26
Trade payables	6,808	6,028
Sales in advance of carriage	1,542	1,436
Wages and other welfare payables	1,020	952
Taxes payable	692	526
Interest payable	445	449
Other payables	2,451	2,528
Long-term liabilities due within one year	5,188	6,964
Total current liabilities	40,293	38,816
Non-current liabilities		
Long-term loans	10,590	10,018
Obligations under finance leases	13,709	12,307
Provision for major overhauls	832	805
Deferred credits	750	792
Other provisions	287	314
Deferred tax liabilities	506	374
Total non-current liabilities	26,674	24,610
Total liabilities	66,967	63,426
Shareholders' equity		
Share capital	4,374	4,374
Capital reserve	5,898	5,898
Surplus reserve	732	732
Retained profit/(accumulated losses)	(693)	(1,001)
Total equity attributable to equity shareholders of the Company	10,311	10,003
Minority interests	2,002	1,938
Total equity	12,313	11,941
Total liabilities and equity	79,280	75,367

C. Effects of significant differences between financial statements prepared in accordance with PRC GAAP and IFRSs

(A) Effects of significant differences between PRC GAAP and IFRSs on net results are analysed as follows:

	Six months ended 30 June	
	2007	2006
	<i>RMB Million</i>	<i>RMB Million</i>
Net profit/(loss) attributable to equity shareholders of the Company in the financial statements prepared under PRC GAAP	308	(854)
Adjustments:		
Losses on staff housing benefits	(12)	(13)
Revaluation of land use rights	1	2
Capitalisation of overhaul costs	(162)	49
Effect of minority interests of the above adjustments	4	-
Effect of the above adjustments on taxation	29	(9)
Net profit/(loss) attributable to equity shareholders of the Company in financial Statements prepared under IFRSs	168	(825)

(B) Effects of significant differences between PRC GAAP and IFRSs on shareholders' equity are analysed as follows:

	At	At
	30 June	31 December
	2007	2006
	<i>RMB Million</i>	<i>RMB Million</i>
Total equity attributable to equity shareholders of the Company in the financial statements prepared under PRC GAAP	10,311	10,003
Adjustments:		
Losses on staff housing allocations	132	144
Revaluation of land use rights	(153)	(154)
Capitalisation of overhaul costs	86	248
Government grants	(43)	(43)
Effect of minority interests of the above adjustments	12	8
Effect of the above adjustments on taxation	11	(18)
Total equity attributable to equity shareholders of the Company in the financial statements prepared under IFRSs	10,356	10,188

OPERATING DATA SUMMARY

	Six months ended 30 June 2007	2006	2007 vs 2006 Increase/ (decrease)	(%)
Capacity				
Available seat kilometres (ASKs) (million)				
- Domestic	42,724	36,924	5,800	15.7
- Hong Kong and Macau	954	1,328	(374)	(28.2)
- International	8,886	7,138	1,748	24.5
Total	52,564	45,390	7,174	15.8
Available tonne kilometres (ATKs) (million)				
- Domestic	4,972	4,314	658	15.3
- Hong Kong and Macau	107	161	(54)	(33.5)
- International	1,684	1,418	266	18.8
Total	6,763	5,893	870	14.8
Kilometres flown (thousand)	324,499	278,044	46,455	16.7
Hours flown (thousand)	518	438	80	18.3
Number of landing and takeoff (thousand)	262	225	37	16.4
Traffic				
Revenue passenger kilometres (RPKs) (million)				
- Domestic	31,570	26,605	4,965	18.7
- Hong Kong and Macau	595	805	(210)	(26.1)
- International	5,622	4,680	942	20.1
Total	37,787	32,090	5,697	17.8
Revenue tonne kilometres (RTKs) (million)				
- Domestic	3,334	2,849	485	17.0
- Hong Kong and Macau	59	83	(24)	(28.9)
- International	857	776	81	10.4
Total	4,250	3,708	542	14.6

	Six months ended 30 June 2007	2006	2007 vs 2006 Increase/ (decrease)	(%)
Passenger tonne kilometres (million)				
- Domestic	2,814	2,375	439	18.5
- Hong Kong and Macau	53	72	(19)	(26.4)
- International	500	416	84	20.2
Total	3,367	2,863	504	17.6
Cargo and mail tonne kilometres (million)				
- Domestic	520	474	46	9.7
- Hong Kong and Macau	6	11	(5)	(45.5)
- International	357	360	(3)	(0.8)
Total	883	845	38	4.5
Passengers carried (thousand)				
- Domestic	23,789	20,294	3,495	17.2
- Hong Kong and Macau	673	792	(119)	(15.0)
- International	1,979	1,600	379	23.7
Total	26,441			