



Prospects for the second half year

In view of the continuous growth of the PRC economy, particularly the imminent conclusion on the PRC entering into the World Trade Organisation and the award to Beijing by the Olympic Games Committee to host the 2008 Olympic Games, it is expected that there will be an increase in demand for aviation services in the PRC and the Group will benefit from such increase. However, with the slow-down of the global economy, the persistently high level of jet fuel prices and the intense competition resulting from the equilibrium of the domestic aviation market, the Group still anticipates a challenging operating environment in the second half year.

In the second half of 2001, the Group intends to adopt the following measures to increase its market share and enhance its operating efficiency while maintaining its overall aviation safety standards:

1. To continue actively seeking for opportunities in the consolidation and restructuring of the PRC aviation industry, so as to enhance the Group's economies of scale and raise its market share and overall efficiency;
2. To further optimise the route structure, consolidate the domestic market, upgrade the linkage between international routes and domestic routes, and strengthen the complementary effects of the domestic main routes and sub-routes;
3. To continue minimizing the selling expenses and enhancing the product competitiveness through upgrading and promotions of the customer services, such as online seat reservation, frequent-flyer cultivation and e-commerce;
4. To continue enhancing the overall management level of the Group and strictly controlling and minimizing the operating costs.