

Looking Ahead for the Second Half of 2002

In the first half of 2002, despite the adverse effects on China's air travel and tourism industries caused by the two successive catastrophic accidents in China's civil aviation industry, given the sustained economic growth in China and favourable factors such as China's proactive fiscal policy and China's accession to the World Trade Organization, the development of China's air travel and tourism industries was thereby enhanced. Looking ahead for the second half of 2002, China's air travel and tourism industries will experience significant changes, caused by the phase-by-phase completion of the strategic reorganization of China's civil aviation industry, which includes the establishment of new air transportation groups and service groups and the fact that Civil Aviation Administration of China ("CAAC") will not exercise its supervisory function over the State-owned assets of such groups. The Board believes the Company will grasp the opportunities arising from the rapid growth of China's air travel and tourism industries and the strategic reorganization of China's civil aviation industry. The Company will adhere to the following development strategies to achieve satisfactory operating results for shareholders:

- To continue the implementation of the five-year capital expenditure programmes, integrate Internet and open-platform technologies, draw on advanced international technological standards for reference, develop information technology solutions for China's air travel and tourism industries, provide participants in each segment of the value chain for sales process in the air travel and tourism with product and service support, in an effort to address the need for advanced information technology solutions and services arising from the rapid development of China's air travel and tourism industries.
- To complete the implementation of the APP system in the 100 top ranking domestic airports in terms of passenger volume. As announced by CAAC, the project of building the APP system is a key task comprised in the plans for the general adoption of information technology by the civil aviation industry in 2002 and CAAC will provide special funds to support the project. With such support from CAAC, airlines and airports, the Group plans to complete the project by the end of 2002, so as to enhance the ground service quality and processing efficiency of airlines and airports, to improve the standards of service management of airlines and airports and to offer more convenience to air travellers.

- To vigorously expand the market share of its core businesses and to maintain and increase such market share while expanding non-air travel businesses such as hotel reservation. The Company also aims to promote an information technology infrastructure and to capture new growth opportunities by increasing its investment in research and development of information technology solutions for participants in China's air travel and tourism industries and related industries.
- To devote efforts in further reducing operating costs through the continuous use of advanced technical measures and by further increasing the efficiency of capital utilization through a variety of measures.
- To seek strategic acquisition and other investment opportunities in other fields relating to the core businesses of the Company through the use of the Group's capital resources, both during the strategic reorganization of China's civil aviation industry and throughout the development of the information technology industry in China.