

Pre-emptive Rights

Neither the Articles of Association of the Company nor the laws of the PRC provide for any pre-emptive rights requiring the Company to offer new shares to existing shareholders in proportion to their existing shareholdings.

Compliance with the Code of Best Practice

The Directors of the Company confirm that in the year ended 31 December, 2000, the Group was in compliance with the Code of Best Practice set out in Appendix 14 of the Listing Rules issued by the Hong Kong Stock Exchange.

Directors, Supervisors and Senior Management

Directors, Supervisors and Senior Management of the Company in 2000 were as follows:

Name	Age	Position
Yu Yan En	63	Chairman of the Board of Directors
Yan Zhi Qing	58	Vice Chairman of the Board of Directors
Han Ma Zhang	61	Director
Li Feng Hua	51	Director; Vice President
Wang Shao Xi	59	Director
Hu Yun Qi	61	Director
Zhang Rui Ai	59	Director
Liu Wen Bo	56	Director; Chief Financial Officer
Huo Di An	62	Director
Wu Rong Nan	59	Director
Tong Kai Sheng	60	Director
Simon To	49	Independent Non-Executive Director
Gao Shang Quan	71	Independent Non-Executive Director
Liang Hua Fu	59	Chairman of the Supervisory Committee
Gan Yu Hua	72	Supervisor
Li Qi Hong	53	Supervisor
Wang Chang Shun	43	President
Jiang Ping	50	Vice President
Li Kun	40	Vice President
Su Liang	38	Company Secretary

The resignation of Mr. Li Yong Zhen and the appointment of Mr. Su Liang as the company secretary of the Company were approved at the meeting of the Board of Directors on 26 June, 2000.



The resignation of Mr. Yan Zhi Qing as the president and Mr. Hu Yun Qi, Mr. Zhang Rui Ai and Mr. Wang Shao Xi as vice presidents of the Company and the appointment of Mr. Wang Chang Shun as the president and Mr. Jiang Ping and Mr. Li Kun as vice presidents were approved at the meeting of the Board of Directors on 17 November, 2000.

In an extraordinary general meeting held on 16 April, 2001, it was resolved that the resignation of Mr. Yu Yan En, Mr. Han Ma Zhang, Mr. Hu Yun Qi, Mr. Huo Di An, Mr. Liu Wen Bo and Mr. Tong Kai Sheng as directors of the Company was approved. It was also resolved that Mr. Gao Shang Quan ceased as a director of the Company upon expiry of his term of directorship. Mr. Wang Chang Shun, Mr. Zhou Yong Jin, Mr. Xu Jie Bo, Mr. Peter Lok and Mr. Wei Ming Hai were elected as directors of the Company during the same meeting. Meanwhile, Mr. Yan Zhi Qing, Mr. Li Feng Hua, Mr. Wang Shao Xi, Mr. Zhang Rui Ai, Mr. Wu Rong Nan and Mr. Simon To were re-appointed as directors of the Company upon expiry of their terms of directorship.

Mr. Yan Zhi Qing and Mr. Wang Chang Shun were elected as the chairman and vice chairman of the Board of Directors of the Company respectively at the meeting of the Board of Directors on 17 April, 2001. Mr. Xu Jie Bo was appointed as the chief financial officer of the Company following the resignation of Mr. Liu Wen Bo during the same meeting.

Biographical details of the Board of Directors and members of the Supervisory Committee are set out in pages 87 to 88 of this Annual Report.

Equity Interests in the Company Held by the Directors and Supervisors

As at 31 December, 2000, none of the Directors or Supervisors of the Company held any interest in the Company or any associated corporation of the Company, which is required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Section 28 of the SDI Ordinance, or which is required, pursuant to Section 29 of the SDI Ordinance, to be entered in the register of the Company.

At no time during 2000 has any Director, Supervisor or member of the Senior Management or any of their spouses or minor children, been granted or exercised or subscribed for shares or debentures or options of the Company.

Service Contracts of the Directors and Supervisors

All Directors and Supervisors of the Company have entered into service contracts with the Company for a term of three years commencing 16 April, 2001. Except for such service contracts, none of the Directors or Supervisors of the Company has entered or has proposed to enter into any other service contract with the Company or its subsidiaries. None of the Directors or Supervisors and the Company have entered into any service contract which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

Interests of the Directors and Supervisors in Contracts

In 2000, none of the Directors and Supervisors of the Company had a material interest in any contract of significance to which the Company or any of its subsidiaries was a party.



Connected Transactions

The Company enters from time to time into certain connected transactions with the SA Group and other connected persons. Such transactions fall within the definition of connected transactions as set out in Chapter 14 of the Listing Rules issued by the Hong Kong Stock Exchange. The Hong Kong Stock Exchange has granted a waiver to the Company in respect of compliance with certain provisions of Chapter 14 of such Listing Rules. Details of such transactions conducted during the year and/or the related agreements entered into between the Company and such parties for which waivers have been obtained are disclosed as follows:

(A) Demerger Agreement

The Demerger Agreement dated 25 March, 1995 (such Agreement was amended by Amendment No.1 dated 22 May, 1997) was entered into between the SA Group and the Company for the purpose of defining and allocating the assets and liabilities between the SA Group and the Company. Under the Demerger Agreement, the SA Group and the Company have agreed to indemnify the other party against, among other things, claims, liabilities and expenses incurred by such other party but relating to the businesses, assets and liabilities held or assumed by the SA Group or the Company (as the case may be) pursuant to the Demerger Agreement.

Neither the Company nor the SA Group has been required to make any payments in respect of such indemnification obligations since the date of the Demerger Agreement.

(B) Connected Business Transactions

The Company and the SA Group and their respective subsidiaries were a single group prior to the restructuring of the SA Group in 1995 in anticipation of the Company's global offering (the "Restructuring"). As a result, certain arrangements between them have continued after the Restructuring and the listing of the Company's shares on the stock exchanges of Hong Kong and New York. At present, the Company and the SA Group (or their respective subsidiaries) have entered into the following agreements:

- (i) Southern Airlines (Group) Import and Export Trading Company ("SAIETC"), a wholly-owned subsidiary of the SA Group

The Company and SAIETC have entered into an agreement dated 22 May, 1997, for the import and export of aircraft, flight equipment, special vehicles for airline use, communication and navigation facilities, and training facilities for a term extending from 22 May, 1997 to 22 May, 2000 (renewable by the parties). The agreement has been extended to 22 May, 2001.

For the year ended 31 December, 2000, the amount incurred by the Group for the import and export of the above equipment was RMB418,993,000, inclusive of agency commission of 1.5% above the contract prices paid to SAIETC.

- (ii) Southern Airlines Advertising Company, a wholly-owned subsidiary of the SA Group

The Company and Southern Airlines Advertising Company have entered into an agreement dated 22 May, 1997, for the provision of advertising services for a term extending from 22 May, 1997 to 22 May, 2000. The agreement has been extended to 22 May, 2003.

For the year ended 31 December, 2000, the amount incurred by the Group to Southern Airlines Advertising Company for advertising services was RMB10,712,000.

- (iii) Southern Airlines Group Finance Company Limited ("SA Finance") which is 42% owned by the SA Group, 30% owned by the Company, 24% owned in aggregate by four subsidiaries of the Company, 4% owned in the aggregate by two subsidiaries of the SA Group.