



## REPORT OF THE AUDITORS



KPMG – AH (2004) AR No. 0022

**TO THE SHAREHOLDERS OF CHINA SOUTHERN AIRLINES COMPANY LIMITED:**

We have audited the accompanying Company's consolidated balance sheet and balance sheet at 31 December, 2003, and the consolidated income and profit appropriation statement, income and profit appropriation statement, consolidated cash flow statement and cash flow statement for the year then ended. The preparation of these financial statements is the responsibility of the Company's management. Our responsibility is to express an audit opinion on these financial statements based on our audit.

We conducted our audit in accordance with China's Independent Auditing Standards of the Certified Public Accountants. Those standards require that we plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement. An audit includes examination, on a test basis, of evidence supporting the amounts and disclosures in the financial statements, an assessment of the accounting policies used and significant estimates made by the Company's management in the preparation of the financial statements, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the above-mentioned financial statements comply with the requirements of the Accounting Standards for Business Enterprises and the Accounting Regulations for Business Enterprises issued by the Ministry of Finance of the People's Republic of China and present fairly, in all material respects, the Company's consolidated financial position and financial position at 31 December, 2003, and the consolidated results of operations, results of operations, and consolidated cash flows and cash flows for the year then ended.

**KPMG Huazhen**

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Certified Public Accountants  
Registered in the People's Republic of China

**Jin Nai Wen**  
**Chen Yu Hong**

23 April, 2004