



Use of proceeds

As stated in the 2000 annual report of the Group, as at 31 December, 2000, the Group had RMB529 million remaining from the proceeds of the Company's initial public offer. For the six months ended 30 June, 2001, RMB193 million of the remaining proceeds were used for following purposes:

1. Approximately RMB182 million for the exercise of purchase option on a Boeing 757-200 aircraft; and
2. Approximately RMB11 million for the development of the computerised financial management system.

Consistent with the disclosure in the Prospectus of the Company dated July 1997, the Company intends to use the remaining proceeds of RMB336 million (held as at 30 June, 2001 as short-term deposits with domestic branches of the Bank of China, the Industrial and Commercial Bank of China and Southern Airlines Group Finance Company Limited, a PRC authorised financial institution and an associated company of the Group) for the following purposes:

1. Approximately RMB304 million for the exercise of purchase options on two Boeing 757-200 aircraft; and
2. Approximately RMB32 million for various projects including the continued development of the computerised financial management system.