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CHINA SOUTHERN AIRLINES CO LTD  
Form 6-K  
April 29, 2005

SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 6-K

REPORT OF FOREIGN PRIVATE ISSUER  
PURSUANT TO RULE 13a-16 OR 15d-16 OF  
THE SECURITIES EXCHANGE ACT OF 1934

For the month of April, 2005

CHINA SOUTHERN AIRLINES COMPANY LIMITED  
(Translation of registrant's name into English)

Baiyun International Airport  
Guangzhou, People's Republic of China  
(Address of principal executive offices)

(Indicate by check mark whether the registrant files or will file annual reports under cover Form 20-F or Form 40-F.)

Form 20-F.

Form 40-F.

(Indicate by check mark whether the registrant by furnishing the information contained in this Form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.)

Yes .

No.

(If "Yes" is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b): 82-\_\_\_\_\_.)

China Southern Airlines Company Limited (the "Company") on April 26, 2005 published in two local newspapers in Hong Kong an announcement in Chinese and English, respectively, concerning the annual results 2004 of the Company. A copy of the English announcement is included in this Form 6-K of the Company.

[LOGO] [CHINESE CHARACTERS]

CHINA SOUTHERN AIRLINES COMPANY LIMITED  
(A joint stock limited company incorporated in the People's  
Republic of China with limited liability)  
(STOCK CODE: 1055)

2004 ANNUAL RESULTS

The board (the "Board") of directors (the "Directors") of China Southern Airlines Company Limited (the "Company") hereby announces the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 December, 2004 together with the comparative figures for the corresponding year of 2003 as follows:

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FINANCIAL RESULTS

A. PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS  
("IFRS")

CONSOLIDATED INCOME STATEMENT

	Note	FOR THE YEAR ENDED 31 DECEMBER,			200
		2004 RMB MILLION	2003 RMB Million	2004 HK\$ MILLION	
Traffic revenue:					
Passenger		21,100	15,010	19,889	2,
Cargo and mail		2,244	1,955	2,115	
		-----	-----	-----	-----
		23,344	16,965	22,004	2,
Other operating revenue		630	505	594	
		-----	-----	-----	-----
Total operating revenue	3	23,974	17,470	22,598	2,
		-----	-----	-----	-----
Operating expenses:					
Flight operations		10,418	7,070	9,820	1,
Maintenance		3,459	2,589	3,261	
Aircraft and traffic servicing		3,503	2,767	3,302	
Promotion and sales		1,940	1,480	1,829	
General and administrative		1,323	1,053	1,247	
Depreciation and amortisation		2,413	2,038	2,274	
Other		9	17	8	
		-----	-----	-----	-----
Total operating expenses	4	23,065	17,014	21,741	2,
		-----	-----	-----	-----
Operating profit		909	456	857	
		-----	-----	-----	-----
	1				
Non-operating					
income/(expenses):					
Interest income		22	13	21	
Interest expense	4	(691)	(824)	(651)	
Share of associates' results		12	48	11	
Share of jointly controlled					
entities' results		(5)	(39)	(5)	
Loss on disposal of property,					
plant and equipment	5	(1)	(22)	(1)	
Exchange loss, net		(59)	(164)	(56)	
Other, net		46	21	44	
		-----	-----	-----	-----
Total net non-operating		(676)	(967)	(637)	
expenses		-----	-----	-----	-----

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Profit/(loss) before taxation and minority interests	4	233	(511)	220	
Income tax (expense)/credit	6	(78)	324	(74)	
		-----	-----	-----	-----
Profit/(loss) before minority interests		155	(187)	146	
Minority interests		(203)	(171)	(191)	
		-----	-----	-----	-----
Loss attributable to shareholders		(48)	(358)	(45)	
		=====	=====	=====	=====
Basic loss per share	7	RMB(0.01)	RMB(0.09)	HK\$ (0.01)	US\$ (0.01)
		=====	=====	=====	=====

Notes:

1 COMPANY BACKGROUND

The Company was established in the People's Republic of China (the "PRC", "China" or the "State") on 25 March, 1995 as a joint stock limited company as part of the reorganisation of the Company's holding company, China Southern Air Holding Company ("CSAHC"). CSAHC is a state-owned enterprise under the supervision of the PRC central government.

The Company's H shares ("H Shares") and American Depositary Shares ("ADS") (each ADS representing 50 H Shares) have been listed on The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") and the New York Stock Exchange, respectively since July 1997. In July 2003, the Company issued 1,000,000,000 A shares ("A Shares") which are listed on the Shanghai Stock Exchange.

Pursuant to a sale and purchase agreement dated 12 November, 2004 between the Company, CSAHC, China Northern Airlines Company ("CNA") and Xinjiang Airlines Company ("XJA") which was approved by the Company's shareholders in an extraordinary general meeting held on 31 December, 2004, the Company acquired the airline operations and certain related assets of CNA and XJA with effect from 31 December, 2004 (the "CNA/XJA Acquisitions"). The consideration payable for the CNA/XJA Acquisitions amounting to RMB15,398 million was determined based on the fair value of the acquired assets. Such consideration was partly satisfied by assumption of debts and liabilities of CNA and XJA totalling RMB13,439 million outstanding as at 31 December, 2004 and the remaining balance of RMB1,959 million will be satisfied in cash.

As the above acquisitions were completed on 31 December, 2004, they have no impact on the Group's consolidated income statement for the year ended 31 December, 2004.

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2 BASIS OF PREPARATION

The audited consolidated income statement of the Group for the years presented include the results of the companies comprising the Group. All significant intercompany transactions and balances have been eliminated on consolidation.

The principal accounting policies adopted in the preparation of the

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Group's consolidated results for the 2004 financial year are consistent with those adopted in preparing the Group's consolidated results for the 2003 financial year.

The audited consolidated income statement has been prepared in accordance with IFRS. IFRS differs in certain material aspects from the PRC Accounting Rules and Regulations ("PRC GAAP"). Differences which have a significant effect on the consolidated loss attributable to shareholders for the year ended 31 December, 2004 are set out in Section C below.

### 3 TURNOVER

The Group is principally engaged in the provision of domestic, Hong Kong regional and international passenger, cargo and mail airline services with flights operating primarily from the new Guangzhou Baiyun International Airport, which is both the main hub of the Group's route network and the location of its corporate headquarters.

Turnover comprises revenues from airline and airline-related business and is stated net of sales tax. In addition, turnover for the four-month period ended 30 April, 2003 was stated net of contributions to the CAAC Infrastructure Development Fund. Prior to 1 May, 2003, contributions to CAAC Infrastructure Development Fund were payable at 5% and 2% respectively of the domestic and international/Hong Kong regional traffic revenue. For the period from 1 May, 2003 to 31 March, 2004, the Group was exempted from paying any contributions. Effective 1 April, 2004, contributions to the CAAC Infrastructure Development Fund are payable based on the traffic capacity deployed by the Group on its routes. The contributions now form part of the flight operations expenses and amounted to RMB466 million for the year ended 31 December, 2004. The contributions for the year ended 31 December, 2003 amounted to RMB251 million and were netted off against traffic revenue.

The sales tax is payable at 3% (2003: 3%) of the Group's traffic revenue in respect of domestic flights and outbound international/Hong Kong regional flights, except for the period from 1 May, 2003 to 31 December, 2003 when passenger revenue was exempted from sales tax.

Geographic information about the Group's turnover and operating profit/(loss) is as follows:

	DOMESTIC RMB Million	HONG KONG REGIONAL RMB Million	INTERNATIONAL* RMB Million	TOTAL RMB Million
	-----	-----	-----	-----
2004				
Traffic revenue	17,742	1,180	4,422	23,344
Other operating revenue	630	-	-	630
	-----	-----	-----	-----
Turnover	18,372	1,180	4,422	23,974
	=====	=====	=====	=====
Operating profit	650	67	192	909
	=====	=====	=====	=====

2003

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Traffic revenue	13,087	808	3,070	16,965
Other operating revenue	436	-	69	505
	-----	-----	-----	-----
Turnover	13,523	808	3,139	17,470
	=====	=====	=====	=====
Operating profit/(loss)	440	(29)	45	456
	=====	=====	=====	=====

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\* Mainly routes between the PRC and Asian countries, the United States of America, the Netherlands, Belgium, Australia and France.

4 PROFIT/(LOSS) BEFORE TAXATION AND MINORITY INTERESTS

	2004	2003
	RMB MILLION	RMB Million
	-----	-----
Profit /(loss) before taxation and minority interests is arrived at after charging:		
Operating expenses		
Jet fuel	6,050	3,867
Aircraft maintenance	3,132	2,377
Routes	5,626	4,363
Depreciation		
- owned assets	1,891	1,502
- assets held under finance leases	472	496
Amortisation of deferred expenditure	50	40
Operating lease charges		
- aircraft and flight equipment	1,665	1,536
- land and buildings	109	136
Staff costs		
- salaries, wages and welfare	2,260	1,496
- contributions to retirement schemes	168	150
Office and administration	718	471
Auditors' remuneration	11	8
Other	913	572
	-----	-----
	23,065	17,014
Interest expense		
Interest on bank and other loans wholly repayable within five years	221	288
Interest on other loans	156	176
Finance charges on obligations under finance leases	348	443
Less: borrowing costs capitalised	(34)	(83)
	-----	-----
Net interest expense	691	824
and after crediting:		

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Net realised and unrealised gain	15	-
on equity securities held for trading	14	17
Dividend income from unlisted investments	=====	=====

### 5 LOSS ON DISPOSAL OF PROPERTY, PLANT AND EQUIPMENT

Loss on disposal of property, plant and equipment represents:

	2004 RMB MILLION	2003 RMB million
	-----	-----
Aircraft	-	20
Flight equipment and other	1	2
	--	--
	1	22
	==	==

During 2003, the Group incurred a loss of RMB20 million on early retirement of two old Boeing 737-200 aircraft.

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### 6 INCOME TAX EXPENSE/(CREDIT)

Income tax expense/(credit) in the consolidated income statement represents:

	2004 RMB MILLION	2003 RMB million
	-----	-----
PRC income tax	176	47
Share of associates' taxation	2	3
Share of jointly controlled entities' taxation	11	7
	189	57
	----	----
Deferred tax		
- current year	(111)	11
- adjustment for change in enacted tax rate	-	(392)
	----	----
Income tax expense/(credit)	78	(324)
	=====	=====

On 17 October, 2003 the Company's registered address was moved to Guangzhou Economic & Technology Development Zone. In accordance with the Rules and Regulations for Implementation of Income Tax for Foreign Investment Enterprises and Foreign Enterprises of the PRC and a taxation approval document "Guangzhou Municipal State Tax Bureau Suo De Shui Zi Que 020043", the Company is entitled to enjoy the preferential tax policy implemented in the Guangzhou Economic & Technology Development Zone effective 1 October, 2003. As a result, the Company's income tax rate has

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been changed from 33% to 15% beginning from that date.

As a result of the reduction in income tax rate, the Company's net deferred taxation liability balance brought forward from 1 January, 2003 of RMB507 million was reduced by RMB392 million. Accordingly, a net deferred tax credit of RMB392 million was recognised in the income statement for the year ended 31 December, 2003.

In respect of the Group's overseas airline activities, the Group has either obtained exemptions from overseas taxation pursuant to the bilateral aviation agreements between the overseas governments and the PRC government or has sustained tax losses in these overseas jurisdictions. Accordingly, no provision for overseas tax has been made for both the current and prior years.

Deferred tax is provided using the balance sheet liability method on all temporary differences between the carrying amounts for financial reporting purposes and the amounts used for taxation purposes, except differences relating to the initial recognition of assets or liabilities which affect neither accounting nor taxable profit/loss. The tax value of losses expected to be available for utilisation against future taxable income is recognised as a deferred tax asset and offset against the deferred tax liability attributable to the same legal tax unit and jurisdiction. Net deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

### 7 BASIC LOSS PER SHARE

The calculation of basic loss per share is based on the consolidated loss attributable to shareholders of RMB48 million (2003: RMB358 million) and the weighted average number of shares in issue during the year of 4,374 million (2003: 3,832 million).

The amount of diluted loss per share is not presented as there were no dilutive potential ordinary shares in existence for both years.

### 8 DIVIDENDS

The Board of Directors of the Company does not recommend the payment of a final dividend in respect of the year ended 31 December, 2004 (2003: Nil).

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### 9 RESERVES

	STATUTORY SURPLUS RESERVE (a) RMB million	STATUTORY PUBLIC WELFARE FUND (b) RMB million	DISCRETIONARY SURPLUS RESERVE (c) RMB million
Balance at 1 January, 2004	361	173	77
Transferred from consolidated income statement	41	20	-
	---	---	--
Balance at 31 December, 2004	402	193	77
	===	===	==

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### Notes:

- (a) According to the PRC Company Law and the Articles of Association of the Company and certain of its subsidiaries, the Company and the relevant subsidiaries are required to transfer 10% of their annual net profits after taxation, as determined under relevant PRC accounting regulations, to a statutory surplus reserve until the reserve balance reaches 50% of the registered capital. The transfer to this reserve must be made before distribution of a dividend to shareholders.

Statutory surplus reserve can be used to offset prior years' losses, if any, and may be converted into share capital by the issue of new shares to shareholders in proportion to their existing shareholding or by increasing the par value of the shares currently held by them, provided that the balance after such issue is not less than 25% of the registered capital.

- (b) According to the PRC Company Law and the Articles of Association of the Company and certain of its subsidiaries, the Company and the relevant subsidiaries are required to transfer between 5% to 10% of their annual net profits after taxation, as determined under PRC accounting regulations, to the statutory public welfare fund. This fund can only be utilised on capital items for the collective benefits of the Company's and the relevant subsidiaries' employees such as the construction of dormitories, canteen and other staff welfare facilities. This fund is non-distributable other than in liquidation. The transfer to this fund must be made before distribution of a dividend to shareholders.

- (c) The usage of this reserve is similar to that of statutory surplus reserve.

### 10 CONVENIENT TRANSLATION

The audited consolidated income statement has been prepared in Renminbi (RMB), the national currency of the PRC. Translations of amounts from RMB into Hong Kong dollars (HK\$) and United States dollars (US\$) solely for the convenience of readers have been made at the rates of HK\$1.00 to RMB1.0609 and US\$1.00 to RMB8.2765 respectively, being the average of the buying and selling rates as quoted by the People's Bank of China at the close of business on 31 December, 2004. No representation is made that the RMB amounts could have been or could be converted into HK\$ or US\$ at these rates or at any other certain rates on 31 December, 2004 or on any other date.

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- B. PREPARED IN ACCORDANCE WITH THE PRC ACCOUNTING RULES AND REGULATIONS ("PRC GAAP")

### CONSOLIDATED INCOME STATEMENT

	2004 RMB MILLION	2003 RMB million
REVENUE FROM PRINCIPAL OPERATIONS	24,194	17,351
Less: Transfer to CAAC Infrastructure Development Fund	-	251



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	-----	-----
NET REVENUE FROM PRINCIPAL OPERATIONS	24,194	17,100
Less: Costs of principal operations	19,296	14,222
Business taxes and surcharges	692	191
	-----	-----
PROFIT FROM PRINCIPAL OPERATIONS	4,206	2,687
Add: Profit from other operations	135	326
Less: Selling expenses	2,058	1,519
Administrative expenses	1,226	893
Financial expenses	727	996
	-----	-----
OPERATING PROFIT/(LOSS)	330	(395)
Add: Investment income	63	62
Non-operating income	126	43
Less: Non-operating expenses	127	71
	-----	-----
PROFIT/(LOSS) BEFORE INCOME TAX	392	(361)
Less: Income tax	87	(605)
Minority interests	202	229
	-----	-----
NET PROFIT FOR THE YEAR	103	15
	=====	=====

Note: The significant accounting policies adopted by the Group in the preparation of this audited consolidated income statement conform to the Accounting Standards for Business Enterprises and the Accounting Regulations for Business Enterprises, Accounting Method for Civil Aviation Enterprises, and other relevant regulations issued by the Ministry of Finance of the PRC.

C. DIFFERENCE BETWEEN FINANCIAL RESULTS PREPARED UNDER IFRS AND PRC GAAP

	2004	2003
	RMB MILLION	RMB million
Net profit under PRC GAAP	103	15
Adjustments:		
Gains on aircraft sale and leaseback transactions	(31)	(31)
Losses on staff housing allocation	(111)	(111)
Adjustment for revaluation of land use rights	4	4
Adjustment for interest in associates	(26)	-
Capitalised interest	11	-
Effects of the above adjustments on taxation	2	4
Effects of change in income tax rate on deferred taxation	-	(122)
Adjustment for unrealised deferred tax assets	-	(117)
	----	----
Net loss under IFRS	(48)	(358)
	=====	=====

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### OPERATING DATA SUMMARY

The following table sets forth geographic information of certain financial information and operating data for the years ended 31 December, 2003 and 2004:

	FOR THE YEAR ENDED 31 DECEMBER, 2004	2003	2004 VS 2003 % INCREASE/ (DECREASE)
<b>TRAFFIC</b>			
Revenue passenger kilometres (RPK) (million)			
- Domestic	29,121	21,294	36.8
- Hong Kong regional	1,203	778	54.6
- International	6,872	4,315	59.3
	-----	-----	
Total	37,196	26,387	41.0
	=====	=====	
Revenue tonne kilometres (RTK) (million)			
- Domestic	3,206	2,424	32.3
- Hong Kong regional	120	78	53.8
- International	1,337	1,059	26.3
	-----	-----	
Total	4,663	3,561	30.9
	=====	=====	
Passengers carried (thousand)			
- Domestic	25,002	18,259	36.9
- Hong Kong regional	1,394	1,019	36.8
- International	1,811	1,192	51.9
	-----	-----	
Total	28,207	20,470	37.8
	=====	=====	
Cargo and mail carried (thousand tonnes)			
- Domestic	442	379	16.6
- Hong Kong regional	15	12	25.0
- International	88	73	20.5
	-----	-----	
Total	545	464	17.5
	=====	=====	

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CAPACITY

Available seat kilometres (ASK) (million)

- Domestic	41,330	32,590	26.8
- Hong Kong regional	1,896	1,347	40.8
	-----	-----	
- International	10,543	6,930	52.1
Total	53,769	40,867	31.6
	=====	=====	

Available tonne kilometres (ATK) (million)

- Domestic	4,773	3,772	26.5
- Hong Kong regional	211	150	40.7
- International	2,462	1,999	23.2
	-----	-----	
Total	7,446	5,921	25.8
	=====	=====	

LOAD FACTORS

Passenger load factor (RPK/ASK) (%)

- Domestic	70.5	65.3	8.0
- Hong Kong regional	63.4	57.8	9.7
- International	65.2	62.3	4.7
Overall	69.2	64.6	7.1
	=====	=====	

Overall load factor (RTK/ATK) (%)

- Domestic	67.2	64.2	4.7
- Hong Kong regional	56.9	52.2	9.0
- International	54.3	53.0	2.5
Overall	62.6	60.1	4.2
	=====	=====	

YIELD

Yield per RPK (RMB)

- Domestic	0.58	0.57	1.8
- Hong Kong regional	0.92	0.96	(4.2)

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- International	0.46	0.47	(2.1)
Overall	0.57	0.57	-
	=====	=====	

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Yield per RTK (RMB)

- Domestic	5.53	5.40	2.4
- Hong Kong regional	9.83	10.35	(5.0)
- International	3.31	2.90	14.1
Overall	5.01	4.76	5.3
	=====	=====	

FLEET

Total number of aircraft in service at year end  
(Note)

- Boeing	137	108	26.9
- Airbus	46	24	91.7
- McDonnell Douglas	35	-	N/A
- Others	13	-	N/A
	-----	-----	
Total	231	132	75.0
	=====	=====	

Overall utilisation rate (hours per day)

- Boeing	10.0	8.6	16.3
- Airbus	9.2	7.9	16.5
- Others	8.4	-	N/A
Overall	9.9	8.5	16.5
	=====	=====	

Cost

- Operating cost per ASK (RMB)	0.43	0.42	2.4
	=====	=====	
- Operating cost per ATK (RMB)	3.10	2.87	8.0
	=====	=====	

Note: As approved by the Company's shareholders in an extraordinary general meeting on 31 December, 2004, the Company acquired the airline operations

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and certain related assets of CNA and XJA. Accordingly, a total of 78 aircraft were added at 31 December, 2004.

### BUSINESS OVERVIEW

In 2004, the demand in the PRC civil aviation market sustained the growth trend from the second half of 2003. As a result, the Group recorded a year-on-year growth of more than 37% in total operating revenue, marking a breakthrough achievement in the Group's history. However, due to the persistent high price of aviation fuel and relatively more major overhauls of aircraft having been performed, which increased maintenance costs, the Group still recorded a net loss of RMB48 million for 2004.

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Instabilities in the world economy and in global politics continued to drive up the prices of aviation fuel in the international market. As a result, fuel costs rose substantially, accounting for more than 30% of the operating costs of the Group. The Group, without compromising flight safety, adopted various technical measures, including the preparation of precise flight plans and minimisation of turnaround time, so as to reduce fuel consumption. However, as an airline in the PRC, the options available to the Group were limited in this respect. As such, the high aviation fuel price exerted immense pressure on the operating expenses of the Group.

The Group has revamped its marketing management by designating an accountability system to each of its sales managers. These measures have encouraged the operating and marketing team of the Group to be more pro-active and vigilant of the difficulties faced by the Group, thereby maximising the total revenue of the Group to the greatest possible extent. In addition, the commencement of operation of the new Guangzhou Baiyun International Airport, the main hub of the Group, provides a wider platform of development for the operations of the Company. Moreover, the Group has successfully secured the exclusive right to use Terminal No. 1 of the Beijing Capital International Airport, marking a substantial step in carrying out the strategy of the Group to improve its flight routes network.

The Group recorded a net loss of RMB48 million for 2004, as compared to a net loss of RMB358 million for 2003. The Group's operating revenue increased by RMB6,504 million or 37.2% from RMB17,470 million in 2003 to RMB23,974 million in 2004. Passenger load factor increased by 4.6 percentage point from 64.6% in 2003 to 69.2% in 2004. Passenger yield (in passenger revenue per RPK) remain steady and at RMB 0.57 in both years. Average yield (in traffic revenue per RTK) increased by 5.3% from RMB4.76 in 2003 to RMB5.01 in 2004. Operating expenses increased by RMB6,051 million or 35.6% from RMB17,014 million in 2003 to RMB23,065 million in 2004. As operating revenue increased more than operating expenses, operating profit increased by 99.3% from RMB456 million in 2003 to RMB909 million in 2004. The Group's net non-operating expenses decreased by 30.1%, from RMB967 million in 2003 to RMB676 million in 2004, mainly attributable to a decrease in unfavourable movement in foreign exchange differences of RMB105 million and a decrease in interest expense of RMB133 million. Overall, the Group recorded a net loss of RMB48 million in 2004, as compared to a net loss of RMB358 million in 2003.

### OPERATING REVENUE

Substantially all of the Group's operating revenue is attributable to airline and airline related operations. Traffic revenue in 2004 and 2003 accounted for 97.4% and 97.1% respectively of total operating revenue. Passenger revenue and, cargo and mail revenue accounted for 90.4% and 9.6% respectively of total traffic revenue in 2004. The balance of the Group's operating revenue is derived

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from commission income, income from general aviation operations, fees charged for ground services rendered to other Chinese airlines and air catering services.

Operating revenue increased by 37.2% from RMB17,470 million in 2003 to RMB23,974 million in 2004. This increase was primarily due to a 40.6% rise in passenger revenue from RMB15,010 million in 2003 to RMB21,100 million in 2004 resulting from increased traffic volume. The total number of passengers carried increased by 37.8% to 28.2 million passengers in 2004. RPKs increased by 41.0% from 26,387 million in 2003 to RMB37,196 million in 2004, primarily as a result of an increase in passengers carried. Passenger yield remained constant at RMB0.57.

Domestic passenger revenue, which accounted for 79.9% of the total passenger revenue in 2004, increased by 37.8% from RMB12,242 million in 2003 to RMB16,869 million in 2004. Domestic passenger traffic in RPKs increased by 36.8%, mainly due to an increase in passengers carried. Passenger yield remained steady in 2004 and at RMB0.58.

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Hong Kong passenger revenue, which accounted for 5.3% of total passenger revenue, increased by 47.2% from RMB750 million in 2003 to RMB1,104 million in 2004. For Hong Kong regional flights, passenger traffic in RPKs increased by 54.6%, while passenger capacity in ASKs increased by 40.8%, resulting in a 5.6 percentage point increase in passenger load factor from 2003. Passenger yield decreased from RMB0.96 in 2003 to RMB0.92 in 2004 mainly due to intensified competition among airlines.

International passenger revenue, which accounted for 14.8% of total passenger revenue, increased by 55.0% from RMB2,018 million in 2003 to RMB3,127 million in 2004. For international flights, passenger traffic in RPKs increased by 59.3%, while passenger capacity in ASKs increased by 52.1%, resulting in a 2.9 percentage point rise in passenger load factor from 2003. Passenger yield decreased by 2.1% from RMB0.47 in 2003 to RMB0.46 in 2004 mainly resulted from the increases in traffic derived from long haul routes which generally had a lower yield than short haul routes.

Cargo and mail revenue, which accounted for 9.6% of the Group's total traffic revenue and 9.4% of total operating revenue, increased by 14.8% from RMB1,955 million in 2003 to RMB2,244 million in 2004. The increase was attributable to the increasing traffic demand.

Other operating revenue increased by 24.8% from RMB505 million in 2003 to RMB630 million in 2004. The increase was primarily due to the general growth in income from various auxiliary operations.

### OPERATING EXPENSES

Total operating expenses in 2004 amounted to RMB23,065 million, representing an increase of 35.6% or RMB6,051 million over 2003, primarily due to the combined effect of increases in jet fuel costs, maintenance expenses and aircraft and traffic servicing expenses. Total operating expenses as a percentage of total operating revenue decreased from 97.4% in 2003 to 96.2% in 2004.

Flight operations expenses, which accounted for 45.2% of total operating expenses, increased by 47.4% from RMB7,070 million in 2003 to RMB10,418 million in 2004, primarily as a result of increases in jet fuel costs, operating lease payments, catering expenses, labour costs for flight personnel and inclusion of CAAC Infrastructure Development Fund of RMB466 million in operating expenses which is an usage charge since 2004 but was a turnover-based levy and deducted against the traffic revenue in 2003. Jet fuel costs, which accounted for 58.1%

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of flight operations expenses, increased by 56.5% from RMB3,867 million in 2003 to RMB6,050 million in 2004 mainly as a result of increased fuel prices and fuel consumption. Operating lease payments increased by 8.4% from RMB1,536 million in 2003 to RMB1,665 million in 2004, primarily due to the additional rental payments for new aircraft under operating leases. Catering expenses increased by 38.2% from RMB510 million in 2003 to RMB705 million in 2004, primarily due to increased passenger carried. Aircraft insurance costs decreased by 5.6% from RMB196 million in 2003 to RMB185 million in 2004, primarily because of a decrease in insurance premiums prescribed by the PRC insurance company. Labour costs for flight personnel increased by 40.9% from RMB728 million in 2003 to RMB1,026 million in 2004, largely due to the increase in flying hours.

Maintenance expenses which accounted for 15.0% of total operating expenses, increased by 33.6% from RMB2,589 million in 2003 to RMB3,459 million in 2004. The increase was primarily attributable to an 32.9% increase in aircraft overhaul charges from RMB2,377 million in 2003 to RMB3,158 million in 2004, as resulted from fleet expansion in recent years.

Aircraft and traffic servicing expenses, which accounted for 15.2% of total operating expenses, increased by 26.6% from RMB2,767 million in 2003 to RMB3,503 million in 2004. The increase primarily resulted from an 25.7% rise in landing and navigation fees from RMB2,563 million in 2003 to RMB3,222 million in 2004, due to an increase in number of landing and takeoffs.

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Promotional and marketing expenses, which accounted for 8.4% of total operating expenses, increased by 31.1% from RMB1,480 million in 2003 to RMB1,940 million in 2004. The increase was due to 44.4% increase in labour costs from RMB225 million in 2003 to RMB325 million in 2004, as more payments of performance bonus were made because of the increased traffic volume.

General and administrative expenses, which accounted for 5.7% of the total operating expenses, increased by 25.6% from RMB1,053 million in 2003 to RMB1,323 million in 2004. This was mainly attributable to increased scale of operations.

Depreciation and amortisation, which accounted for 10.5% of total operating expenses, increased by 18.4% from RMB2,038 million in 2003 to RMB2,413 million in 2004. This increase was primarily as a result of the additions of aircraft during 2004.

### OPERATING PROFIT

Operating profit increased by 99.3% from RMB456 million in 2003 to RMB909 million in 2004. This was mainly because operating revenue increased by RMB6,504 million or 37.2% from 2003 and operating expenses increased by RMB6,051 million or 35.6% over the same period.

### NON-OPERATING INCOME/(EXPENSES)

Interest expense decreased by 16.1% from RMB824 million in 2003 to RMB691 million in 2004, mainly reflecting the combined effect of scheduled debt repayments and the replacement of certain RMB denominated bank loans of higher interest rates with US\$ denominated bank loans of lower interest rates.

Interest income increased by 69.2% from RMB13 million in 2003 to RMB22 million in 2004. This was mainly attributable to an increase in average cash balances.

During 2004, the Group recorded a net exchange loss of RMB59 million (2003: RMB164 million) mainly from its Japanese yen denominated borrowings as a result of the Japanese yen appreciation. Such amount comprised mostly unrealised

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translational exchange loss.

### TAXATION

On 17 October, 2003, the Company's registered address was moved to Guangzhou Economic & Technology Development Zone, Guangzhou, China. In accordance with the Rules and Regulations for Implementation of Income Tax for Foreign Investment Enterprises and Foreign Enterprises of the PRC and a taxation approval document "Guangzhou Municipal State Tax Bureau Suo De Shui Zi Que 020043", the Company is entitled to enjoy the preferential tax policy implemented in the Guangzhou Economic & Technology Development Zone effective from 1 October, 2003. As a result, the Company's income tax rate has been changed from 33% to 15% beginning from that date.

In 2003, the Group recorded an income tax credit of RMB324 million resulting from reduction in net deferred taxation liability balance of RMB392 million. In 2004, income tax expense of RMB78 million was recorded.

### MINORITY INTERESTS

Minority interests increased by 18.7% from RMB171 million in 2003 to RMB203 million in 2004, primarily reflecting the increased net profits earned by certain of the Group's airline subsidiaries for the year.

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### LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 31 December, 2004, the Group's borrowings totalled RMB35,072 million, representing an increase of RMB16,612 million from RMB18,460 million last year. Such borrowings were denominated, to a larger extent, in United States dollars and, to a smaller extent, in Japanese yen, Hong Kong dollars and Renminbi, with a significant portion being fixed interest rate borrowings. Of such borrowings, RMB13,599 million, RMB4,455 million, RMB6,699 million, RMB3,595 million and RMB6,724 million will be repayable in 2005, 2006, 2007, 2008, 2009 and thereafter respectively. As at 31 December, 2004, cash and cash equivalents of the Group totalling RMB3,083 million, of which 24.2% were denominated in foreign currencies, increased by 48.2% from RMB2,080 million last year.

Net debts (total borrowings net of cash and cash equivalents) increased by 95.3% to RMB31,989 million.

As at 31 December, 2004, the Group's shareholders' equity amounted to RMB11,848 million, representing a decrease of RMB48 million from RMB11,896 million last year.

Net debt/equity ratio of the Group at 31 December, 2004 was 2.70 times, as compared to 1.38 times last year.

### FINANCIAL RISK MANAGEMENT POLICY

In the normal course of business, the Group is exposed to fluctuations in foreign currencies and jet fuel prices. The Group's exposure to fluctuations in foreign currencies is a result of its debts which are denominated in foreign currencies. Depreciation or appreciation of the RMB against foreign currencies affects the Group's results significantly because the Group's foreign currency payments generally exceed its foreign currency receipts. The Group is not able to hedge its foreign currency exposure effectively other than by retaining its foreign currency denominated earnings and receipts to the extent permitted by the State Administration of Foreign Exchange, or subject to certain restrictive conditions, by entering into forward foreign exchange contracts with certain



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authorised PRC banks. The Group is required to procure a majority of its jet fuel domestically at PRC spot market prices. There are currently no effective means available to manage the Group's exposure to the fluctuations in domestic jet fuel prices.

### CHARGES ON ASSETS

As at 31 December, 2004, certain aircraft of the Group with an aggregate carrying value of approximately RMB23,438 million (2003: RMB14,576 million) were mortgaged under certain loan and lease agreements.

### COMMITMENTS AND CONTINGENCIES

As at December 31, 2004, the Group had capital commitments of approximately RMB26,871 million. Of such amounts, RMB25,347 million related to the acquisition of aircraft and related flight equipment and RMB824 million related to the Group's facilities and equipment to be constructed and installed at the new Guangzhou Baiyun International Airport. The remaining amount of RMB700 million was related to the Group's other airports and office facilities and equipment, overhaul and maintenance bases and training facilities.

As at 31 December, 2004, the Group was committed to make capital contributions of approximately RMB181 million and RMB83 million to its subsidiaries and to its jointly controlled entities respectively.

Details of the material litigation of the Company are set out in the section headed "Material Litigation" in this announcement.

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There have been no material changes in the contingent liabilities of the Group subsequent to 31 December, 2004.

### DIVIDENDS

The Board of Directors does not recommend the declaration of any dividend for the year ended 31 December, 2004.

### SHARE CAPITAL STRUCTURE

#### CHANGE IN SHARE CAPITAL

There was no change in the share capital of the Company for the year ended 31 December, 2004.

#### SHARE CAPITAL STRUCTURE

TYPE OF SHARES	NUMBER OF SHARES	APPROXIMATE PERCENTAGE OF TOTAL SHARE CAPITAL (%)
1. Unlisted shares		
State-owned shares	2,200,000,000 shares	50.30
2. Listed shares		
1. Overseas listed foreign		

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### 2. Listed shares

1. Overseas listed foreign shares (H Shares)	1,174,178,000 shares	26.84
2. Domestic listed ordinary shares (A Shares)	1,000,000,000 shares	22.86
Total share capital	4,374,178,000 shares	100.00

### PARTICULARS OF SHAREHOLDERS

The total number of shareholders of the Company as at 31 December, 2004 was 115,847, of which 113,618 were shareholders of A Shares and 2,229 were shareholders of H Shares.

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Particulars of shareholdings of the Company's ten largest shareholders as at the end of the reporting period are as follows:

### SHAREHOLDINGS OF TEN LARGEST SHAREHOLDERS

NO.	NAME OF SHAREHOLDERS	MOVEMENT DURING THE YEAR INCREASE/ (DECREASE) (share)	SHAREHOLDINGS AT THE END OF THE YEAR (share)	PERCENTAGE %	TYPE SHAR
1.	CSAHC	-	2,200,000,000	50.30	Unlis
2.	HKSCC NOMINEES LIMITED	1,998,000	1,151,953,998	26.34	Lis
3.	Bank of China - Huaxia Return Securities Investment Fund	(21,126,482)	35,739,259	0.82	Lis
4.	Huaxia Growth Securities Investment Fund	(28,447,027)	30,552,973	0.70	Lis
5.	China Merchant Bank Co.,Ltd. - Zhong Xin Jing Dian Pei Zhi Securities Investment Fund	30,530,870	30,530,879	0.70	Lis
6.	The Industrial and Commercial Bank of China - Galaxy Yin Tai Li Cai Fen Hong Securities Investment Fund	24,291,931	24,291,931	0.56	Lis
7.	Bank of China - Jiashi Service Value-added Industry Securities Investment Fund	23,861,475	23,861,475	0.55	Lis
8.	Yinfeng Securities Investment Fund	(2,386,412)	23,310,956	0.53	Lis

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9.	Bank of Communications - Yi Fang Da 50 Index Securities Investment Fund	22,024,754	22,024,754	0.50	Lis
10.	Xinghua Securities Investment Fund	(10,284,269)	19,875,921	0.45	Lis

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### SUBSTANTIAL SHAREHOLDERS

As at 31 December, 2004 so far as was known to the Directors or supervisors (the "Supervisors") of the Company, the interests and short positions of the following persons other than the Directors or Supervisors of the Company in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance (the "SFO") or who were, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of any other members of the Group, or had any option in respect of such capital are set out below:

NAME OF SHAREHOLDER	TYPE OF SHAREHOLDING	TYPE OF SHARES	NUMBER OF SHARES HELD	% OF THE TOTAL ISSUED H SHARES OF THE COMPANY	% OF THE TOTAL ISSUED DOMESTIC SHAR OF THE COMPAN
CSAHC	Direct holding	State-owned shares (A Shares)	2,200,000,000	-	68.75%
HKSCC Nominees Limited	Direct holding	H Shares	1,151,953,998	98.11%	-

Details of the interests of the Company's shareholders as at 31 December, 2004 will be set forth in the 2004 annual report of the Company.

### PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any shares of the Company during the year ended 31 December, 2004.

### 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 Group has complied with the requirements under the Code of Best Practice set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Hong Kong Listing Rules") issued by the Hong Kong Stock Exchange throughout the year ended 31 December, 2004.

### THE MODEL CODE

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Having made specific enquiries with all the Directors of the Company, the Directors have for the year ended 31 December, 2004 complied with the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules issued by the Hong Kong Stock Exchange. The Company has not adopted a code of conduct less stringent than the Model Code for Securities Transactions by Directors of Listed Issuers regarding securities transactions of the Directors.

### AUDIT COMMITTEE

The audit committee of the Company has reviewed and confirmed this 2004 annual results announcement and the 2004 annual report of the Company for the year ended 31 December, 2004.

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### DIRECTORS, SUPERVISORS AND SENIOR ADMINISTRATIVE OFFICERS

Directors, Supervisors and senior administrative officers of the Company in 2004 were as follows:

NAME	POSITION	GENDER	AGE
Liu Shao Yong	Chairman of the Board of Directors	Male	46
Liu Ming Qi	Vice Chairman of the Board of Directors	Male	61
Peng An Fa	Director	Male	57
Wang Quan Hua	Director	Male	51
Zhao Liu An	Director	Male	57
Zhou Yong Qian	Director	Male	60
Si Xian Min	Director, President	Male	47
Zhou Yong Jin	Director	Male	62
Xu Jie Bo	Director, Chief Financial Officer, Vice President	Male	40
Wu Rong Nan	Director	Male	63
Simon To	Independent Non-executive Director	Male	54
Peter Lok	Independent Non-executive Director	Male	69
Wei Ming Hai	Independent Non-executive Director	Male	41
Wang Zhi	Independent Non-executive Director	Male	63
Sui Guang Jun	Independent Non-executive Director	Male	44
Sun Xiao Yi	Chairman of the Supervisory Committee	Male	51
Yang Guang Hua	Supervisor	Male	52
Yang Yi Hua	Supervisor	Female	45
Li Kun	Vice President	Male	45
Yuan Xin An	Vice President, Chief Engineer	Male	48
Zheng En Ren	Vice President	Male	60
Hao Jian Hua	Vice President	Male	55
Ren Ji Dong	Vice President	Male	40
He Zong Kai	Vice President	Male	53
Liu Qian	Chief Pilot	Male	40
Su Liang	Company Secretary	Male	43
Chen Wei Hua	General Counsel	Male	38

On 16 June, 2004, the appointment of Sun Xiao Yi, Yang Guang Hua and Yang Yi Hua as Supervisors, and the resignation of Liang Hua Fu, Gan Yu Hua and Li Qi Hong as Supervisors were approved at the annual general meeting of the shareholders of the Company. On the same date, the Supervisory Committee of the Company elected Sun Xiao Yi as the chairman of the Supervisory Committee of the Company.

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On 8 October, 2004, the resignation of Yan Zhi Qing as the chairman of the Board of Directors of the Company was approved by the Board of Directors.

On 28 October, 2004, the appointment of Si Xian Min as the president of the Company, and the resignation of Wang Chang Shun as the president of the Company were approved by the Board of Directors.

On 29 November, 2004, the appointment of Liu Shao Yong as a Director, and the resignation of Yan Zhi Qing as a Director for age reason were approved at the first extraordinary general meeting of the shareholders of the Company. On the same date, the Board of Directors of the Company elected Liu Shao Yong as the chairman of the Board of Directors of the Company.

On 31 December, 2004, the appointment of Si Xian Min as a Director, and the resignation of Wang Chang Shun as a Director were approved at the second extraordinary general meeting of the shareholders of the Company.

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On 29 March, 2005, the appointment of Ren Ji Dong and He Zong Kai as the vice presidents of the Company, and the removal of Jiang Ping as a vice president of the Company were approved by the Board of Directors.

### INTERESTS AND SHORT POSITION OF DIRECTORS AND SUPERVISORS IN THE COMPANY AND ASSOCIATED CORPORATIONS

As at 31 December, 2004, the interests and short positions of the Directors and Supervisors of the Company and their respective associates in the shares, underlying shares and debentures (as the case may be) of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of SFO (including interests or short positions which are taken or deemed to have under such provisions of the SFO), or recorded in the register maintained by the Company pursuant to Section 352 of the SFO or which were notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of the Listed Issuers in Appendix 10 of the Listing Rules are as follows:

NAME	THE COMPANY/ ASSOCIATED CORPORATION	TYPES OF INTEREST	TYPE OF SHARES	NUMBER OF SHARES HELD	% TO THE	% TO THE	% TO THE	SHO POSIT
					ISSUED OF THE COMPANY	DOMESTIC SHARES OF THE COMPANY	TOTAL ISSUED SHARE CAPITAL OF THE COMPANY	
Simon To	the Company	Interest of spouse (note 1)	H Shares	100,000	0.009%	-	0.002%	

Note 1: The spouse of Mr. Simon To is the owner of these 100,000 H Shares of the Company and accordingly, Mr. Simon To, is taken to be interested in these 100,000 H Shares by virtue of the SFO.

Save as disclosed above, as at 31 December, 2004, none of the Directors or Supervisors of the Company and their respective associates had interests or short positions in the shares, underlying shares and/or debentures (as the case may be) of the Company or its associated corporations (within the meaning of

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Part XV of the SFO) which were notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of SFO (including interests or short positions which he was taken or deemed to have under such provisions of the SFO), or recorded in the register maintained by the Company pursuant to Section 352 of the SFO or which were notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of the Listed Issuers in Appendix 10 of the Listing Rules.

### 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 from 16 June, 2004 (except that the service contract of Mr. Liu Shao Yong and Mr. Si Xian Min which commenced from 29 November, 2004 and 31 December, 2004 respectively will expire at the end of the term for the current session of the Board). Except for such service contracts, none of the Directors or Supervisors of the Company has entered or proposed to enter into any service contracts with the Company or its subsidiaries. None of the Directors or Supervisors has entered into any service contracts with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

### INTERESTS OF DIRECTORS AND SUPERVISORS IN CONTRACTS

In the year ended 31 December, 2004, none of the Directors or 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.

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### DESIGNATED DEPOSITS AND OVERDUE TIME DEPOSITS

As at 31 December, 2004, the Group's deposits placed with financial institutions or other parties did not include any designated deposits or overdue time deposits against which the Group failed to receive repayments.

### MATERIAL LITIGATION

The Company is currently involved in a civil litigation (Hong Kong High Court Action No. 515 of 2001) ("Litigation"). According to the writ of summons for the Litigation, New Link Consultants Limited, the plaintiff, claimed against the Group (as one of the defendants to the Litigation) on the basis of certain evidence proving that United Aero-Supplies System of China, Limited ("UASSC") entered into an agreement with the defendants for exclusive purchase of aviation equipment consigned to UASSC for sale. As the defendants failed to perform the agreement, UASSC should have the right to compensation. Since UASSC is in the course of its winding up proceedings, all the rights and benefits of UASSC in connection with the claim have been transferred to the plaintiff. The Company, as one of the defendants to the Litigation, is being claimed for unspecified damages for breach of the agreement. The Company has filed an objection in respect of the jurisdiction of the court, and has requested the court to transfer the case to the PRC for trial. On 3 May, 2004, the court made an award in favour of the Company for the transfer to the PRC, against which the plaintiff has filed an appeal.

By Order of the Board of Directors  
LIU SHAO YONG  
Chairman of the Board of Directors

Guangzhou, the PRC  
25 April, 2005.

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As at the date of this announcement, the Directors of the Company include Liu Shao Yong, Liu Ming Qi, Peng An Fa, Wang Quan Hua, Zhao Liu An, Zhou Yong Qian, Zhou Yong Jin, Xu Jie Bo, Wu Rong Nan and Si Xian Min as executive Directors; and Simon To, Peter Lok, Wei Ming Hai, Wang Zhi and Sui Guang Jun as independent non-executive Directors.

The annual report of the Group for the year ended 31 December, 2004 will be published on the website of the Hong Kong Stock Exchange (<http://www.hkex.com.hk>) in due course.

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### SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

CHINA SOUTHERN AIRLINES COMPANY LIMITED

By /s/ Su Liang

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Name: Su Liang

Title: Company Secretary

Date: April 29, 2005