



Report of
Directors



The board of directors of the Company (the “Board”) is pleased to present the audited financial report of the Company and its subsidiaries (the “Group”) for the year ended December 31, 2005.

Group Activities and Results

The Company is one of the three largest air carriers in the People’s Republic of China (the “PRC”) based on tonne-kilometres and number of passengers carried in 2005 and is the primary air carrier serving Shanghai, the largest

economic, trading and financial centre of the PRC. The results of the Group for the year ended December 31, 2005 and the financial position of the Company and the Group as at that date, prepared in accordance with International Financial Reporting Standards (“IFRS”) and PRC Accounting Regulations, are set out in the financial statements.

Details of the Company’s principal subsidiaries are set out in note 19 to the financial statements prepared in accordance with IFRS.

The geographical analysis of the Group’s revenue from principal business is as follows:

	PRC Accounting Regulations (RMB’000)	IFRS (RMB’000)
Domestic	12,202,300	11,785,201
Hong Kong Special Administrative Region (“Hong Kong”)	3,084,260	3,136,355
International	10,938,477	10,898,506
Total	26,225,037	25,820,062

Dividends

Having considered the Company’s cash flow position in 2006, the Board of Directors does not recommend payment of any dividend for the financial year ended 31 December 2005. The balance of retained profits will be carried forward

to next year. The Company will not convert funds from the common reserve to increase its share capital during this period.

Share Capital Structure

As at December 31, 2005, the share capital structure of the Company in 2005 remained unchanged as follows:

	At the beginning of the year (10,000 shares)	Approximate percentage in total issued share capital (%)	Increase/ (Decrease) in shareholding during the year (10,000 shares)	At the end of the year (10,000 shares)	Approximate percentage in total issued share capital (%)
1. Unlisted shares					
(a) A shares (unlisted State-owned legal person shares)	300,000	61.64	0	300,000	61.64
2. Listed shares					
(a) H shares	156,695	32.20	0	156,695	32.20
(b) A shares	30,000	6.16	0	30,000	6.16
3. Total number of shares	486,695	100	0	486,695	100

Number of Shareholders

As at December 31, 2005, the total number of registered shareholders of the Company was 106,310, of which 104,222 are holders of A shares (including unlisted State-owned legal person shares and listed A shares), and 2,088 are holders of H shares.

Substantial Shareholders

So far as the Directors are aware, each of the following persons, not being a Director, chief executive, Supervisor or member of the Company's senior management, had, as

at December 31, 2005, an interest and / or short position in the Company's shares or underlying shares (as the case may be) which would fall to be disclosed to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") under the provisions of Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance (the "SFO"), or was otherwise, as at December 31, 2005, interested in 5% or more of any class of the then issued share capital of the Company, or was otherwise, as at December 31, 2005, a substantial shareholder (as defined in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules")) of the Company:

Name of shareholder	Nature of shares held	Number of shares held	Interest As at December 31, 2005			Short position
			Approximate percentage of shareholding in the Company's total issued share capital	Approximate percentage of shareholding in the Company's total issued A shares	Approximate percentage of shareholding in the Company's total issued H shares	
China Eastern Air Holding Company	A shares (unlisted State-owned legal person shares)	3,000,000,000	61.64%	90.91%	–	–
HKSCC Nominees Limited (Note)	H shares	1,487,931,163	30.57%	–	94.96%	–

Note:

Based on the information available to the Directors as at December 31, 2005 (including such information as was available on the website of the Stock Exchange) and so far as the Directors are aware, as at December 31, 2005:

Among the 1,487,931,163 H shares held by HKSCC Nominees Limited, no person had an interest or short position in the Company's shares or underlying shares (as the case may be) which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO and as recorded in the register required to be kept under section 336 of the SFO.

According to the relevant disclosure requirements laid down by the China Securities Regulatory Commission, as at the end of the reporting period, the 10 largest registered shareholders and the 10 largest registered listed stock shareholders on the register of members and their respective shareholdings are as follows:

The 10 largest registered shareholders of the Company and their respective shareholdings

	Name of shareholders	Increase/ (Decrease) in shareholding in the year	Shareholding at the end of year	Percentage (%)	Type of shares	Charged or locked-up shares	Nature of shares held
1	CHINA EASTERN AIR HOLDING COMPANY	0	3,000,000,000	61.6402	unlisted	0	A shares (unlisted State-owned legal person Shares)
2	HKSCC NOMINEES LIMITED	4,116,000	1,487,931,163	30.5721	listed	Unknown	H shares
3	HSBC NOMINEES (HONG KONG) LIMITED	-756,000	4,104,000	0.0843	listed	Unknown	H shares
4	HSBC NOMINEES (HONG KONG) LIMITED <A/C BR-9>	0	3,000,000	0.0616	listed	Unknown	H shares
5	CITIGROUP	2,919,920	2,919,920	0.0600	listed	Unknown	A shares
6	HSBC NOMINEES (HONG KONG) LIMITED <A/C BR-43>	0	2,256,000	0.0464	listed	Unknown	H shares
7	HSBC NOMINEES (HONG KONG) LIMITED <A/C BR-41>	0	2,122,000	0.0436	listed	Unknown	H shares
8	HSBC NOMINEES (HONG KONG) LIMITED <A/C BR-42>	0	2,000,000	0.0411	listed	Unknown	H shares
9	HSBC NOMINEES (HONG KONG) LIMITED <A/C BR-1>	0	1,668,000	0.0343	listed	Unknown	H shares
10	BOSHI YUFU (博時裕富)	1,574,506	1,574,506	0.0324	listed	Unknown	A shares

Description of any related party or concert party relationship among the 10 largest shareholders: The Company is not aware of any related party or concert party relationship among the above shareholders.

The 10 largest registered listed stock shareholders of the Company and their respective shareholdings

Name of shareholders	Shareholding of listed stocks at the end of year	Nature of shares held
HKSCC NOMINEES LIMITED	1,487,931,163	H shares
HSBC NOMINEES (HONG KONG) LIMITED	4,104,000	H shares
HSBC NOMINEES (HONG KONG) LIMITED<A/C BR-9>	3,000,000	H shares
CITIGROUP	2,919,920	A shares
HSBC NOMINEES (HONG KONG) LIMITED<A/C BR-43>	2,256,000	H shares
HSBC NOMINEES (HONG KONG) LIMITED<A/C BR-41>	2,122,000	H shares
HSBC NOMINEES (HONG KONG) LIMITED<A/C BR-42>	2,000,000	H shares
HSBC NOMINEES (HONG KONG) LIMITED<A/C BR-1>	1,668,000	H shares
BOSHI YUFU (博時裕富)	1,574,506	A shares
ARSENTON NOMINEES LIMITED	1,500,000	H shares
Description of any related party or concert party relationship among the 10 largest listed stock shareholders: The Company is not aware of any related party or concert party relationship among the above listed stock shareholders.		

Controlling Shareholder

There is no change in the Company's controlling shareholder in the year.

China Eastern Air Holding Company ("CEA Holding") is the parent company of the Company and its registered capital amounts to RMB2,558,441,000. Mr. Li Fenghua is the legal representative of CEA Holding. CEA Holding manages all State-owned assets and State-owned equity of its group and its investment enterprises, all of which assets and equity are formed by State investment. As at December 31, 2005, the shares of the Company held by CEA Holding were not pledged.

Purchase, Sale or Redemption of Securities

During the year ended December 31, 2005, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of its issued securities (as defined under Appendix 16(1) of the Listing Rules).

Summary of Significant Differences between the Corporate Governance Practices of China Eastern Airlines Corporation Limited and the Corporate Governance Practices Required to be Followed by U.S. Companies under the New York Stock Exchange's Listing Standards

As a company incorporated in the People's Republic of China (the "PRC") and listed on the Shanghai Stock Exchange, The Stock Exchange of Hong Kong Limited (the "HKSE") and the New York Stock Exchange (the "NYSE"), China Eastern Airlines Corporation Limited (the "Company") is subject to applicable PRC laws and regulations, including the PRC Company Law, the PRC Securities Law, Corporate Governance Standards for Listed Companies and Guidance Opinions regarding the Establishment of Independent Director System in Listed Companies (the "Independent Director Guidance"), Hong Kong laws and regulations, including the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Hong Kong Listing Rules"), the Hong Kong Companies Ordinance and the Hong Kong Securities and Futures Ordinance, as well as applicable U.S. Federal securities laws, including the U.S. Securities Exchange Act of 1934, as amended, and the Sarbanes-Oxley Act of 2002. The Company is also subject to the listing standards of the NYSE to the extent they apply to non-U.S. issuers. The Company is not required to comply with all of the corporate governance listing standards of the NYSE.

In accordance with the requirements of Section 303A.11 of the NYSE Listed Company Manual, the following is a summary of the significant differences between the Company's corporate governance practices and those required to be followed by U.S. companies under the NYSE's listing standards.

Section 303A.01 of the NYSE Listed Company Manual provides that listed companies must have a majority of independent directors. As a company listed in the PRC, the Company is subject to the requirement under the Independent Director Guidance that at least one-third of its board of directors be independent as determined thereunder. As a company listed in Hong Kong, the Company is also subject to the requirement under the Hong Kong Listing Rules that at least three members of its board of directors be independent as determined under the Hong Kong Listing Rules, and at least one of whom must have appropriate professional qualifications or accounting or related financial management expertise. The Company currently has five independent directors out of a total of eleven directors. The standards for establishing independence set forth under either the Independent Director Guidance or the Hong Kong Listing Rules differ from those set forth in the NYSE Listed Company Manual.

Section 303A.03 of the NYSE Listed Company Manual provides that listed companies must schedule regular executive sessions in which non-management directors meet without management participation. The Company is not required, under either the applicable PRC law or the applicable Hong Kong law, to hold such executive sessions.

Section 303A.04 of the NYSE Listed Company Manual provides that listed companies must have a nominating/corporate governance committee composed entirely of independent directors. Currently, the Company does not have a nominating/corporate governance committee. The Company can choose to have but is not required to have such a committee under either applicable PRC law or Hong Kong law. Section 303A.04 of the NYSE Listed Company Manual also provides that the nominating/corporate governance committee of a listed company must have a written charter that address the committee's purpose and responsibilities, which include, among others, the development and recommendation of corporate governance guidelines to the listed company's board of directors. The board of directors of the Company is directly in charge of developing the Company's corporate governance guidelines.

Section 303A.05 of the NYSE Listed Company Manual provides that listed companies must have a compensation committee composed entirely of independent directors. The compensation committee of the Company is composed of three independent directors and one member of the supervisory committee.

Section 303A.10 of the NYSE Listed Company Manual provides that listed companies must adopt and disclose a code of business conduct and ethics for directors, officers and employees. As required under the Sarbanes-Oxley Act of 2002, the Company has adopted a code of ethics that is applicable to the Company's directors, supervisors, president, chief financial officer and other senior managers.

Pre-emptive Rights

Under the articles of association of the Company and the PRC laws, no pre-emptive rights exist which require the Company to offer new shares to existing shareholders on a pro rata basis.

Sufficiency of Public Float

Based on information that is publicly available to the Company and within the knowledge of the Directors as at the latest practicable date prior to the issue of this annual report, the Directors believe that the Company has at all times during the year ended December 31, 2005 maintained the relevant applicable minimum percentage of listed securities as prescribed by Rule 8.08 of the Listing Rules.

Shareholdings of Directors, Supervisors and Senior Management

Names, relevant information of and shares held by the Directors, the Supervisors and members of senior management of the Company during 2005 and as at the date of this report are as follows:

Name	Position	Age	Number of listed A shares of the Company held - personal interest	Capacity in which the A shares were held	Effective date and expiry date of appointment
Li Fenghua	Chairman of the Board of Directors	56	5,000 (Note 1)	Beneficial Owner	June 2004- June 2007
Luo Chaogeng	Directors, President	56	5,000 (Note 1)	Beneficial Owner	September 2004- June 2007
Gao Jianxiong	Director	47	5,800 (Note 2)	Beneficial Owner	June 2004- June 2007
Wan Mingwu	Director, Vice President	59	5,000 (Note 1)	Beneficial Owner	June 2004- June 2007
Zhong Xiong	Director	60	2,800 (Note 3)	Beneficial Owner	June 2004- June 2007
Luo Zhuping	Director, Secretary of the Board	53	5,800 (Note 2)	Beneficial Owner	June 2004- June 2007
Hu Honggao	Independent Non-executive Director	52	0	–	June 2004- June 2007
Peter Lok	Independent Non-executive Director	69	0	–	June 2004- June 2007
Wu Baiwang	Independent Non-executive Director	63	0	–	June 2004- June 2007

Name	Position	Age	Number of listed A shares of the Company held - personal interest	Capacity in which the A shares were held	Effective date and expiry date of appointment
Zhou Ruijin	Independent Non-executive Director	67	0	–	June 2004- June 2007
Xie Rong	Independent Non-executive Director	54	0	–	June 2004- June 2007
Li Wenxin	Chairman of the Supervisory Committee	57	6,000 (Note 4)	Beneficial Owner	June 2004- June 2007
Ba Shengji	Supervisor	47	5,800 (Note 2)	Beneficial Owner	June 2004- June 2007
Yang Xingen	Supervisor	53	3,800 (Note 5)	Beneficial Owner	June 2004- June 2007
Yang Jie	Supervisor	36	3,000 (Note 6)	Beneficial Owner	June 2004- June 2007
Liu Jiashun	Supervisor	49	3,000 (Note 6)	Beneficial Owner	June 2004- June 2007
Wu Jiahong	Vice President	54	3,000 (Note 6)	Beneficial Owner	June 2004- June 2007
Zhou Liguo	Vice President	57	3,000 (Note 6)	Beneficial Owner	June 2004- June 2007
Zhang Jianzhong	Vice President	51	5,000 (Note 1)	Beneficial Owner	June 2004- June 2007
Tong Guozhao	Vice President	47	5,000 (Note 1)	Beneficial Owner	April 2005- June 2007

Report of Directors

Name	Position	Age	Number of listed A shares of the Company held - personal interest	Capacity in which the A shares were held	Effective date and expiry date of appointment
Li Yangmin	Vice President	43	3,000 (Note 6)	Beneficial Owner	October 2005- June 2007
Luo Weide	Chief Financial Officer	50	3,000 (Note 6)	Beneficial Owner	June 2004- June 2007

Note 1: representing approximately 0.001667% of the Company's total issued listed A shares as at December 31, 2005

Note 2: representing approximately 0.001933% of the Company's total issued listed A shares as at December 31, 2005

Note 3: representing approximately 0.000933% of the Company's total issued listed A shares as at December 31, 2005

Note 4: representing approximately 0.002% of the Company's total issued listed A shares as at December 31, 2005

Note 5: representing approximately 0.001267% of the Company's total issued listed A shares as at December 31, 2005

Note 6: representing approximately 0.001% of the Company's total issued listed A shares as at December 31, 2005

As at the date of this report, brief biographical details in respect of each of the Directors, Supervisors and senior management officers of the Company are as follows:

Mr. Li Fenghua is the incumbent chairman of the Board of Directors, president and deputy party secretary of CEA Holding. Mr. Li joined the civil aviation industry in 1968 and was deputy head, and subsequently became head, of the 26th Fleet of the Civil Aviation Administration of China from 1987 to 1992. From 1992 to 1996, Mr. Li served as vice-president, and then became president, of the Hubei branch of China Southern Airlines (Group). Since 1996, he became vice-president of China Southern Airlines Company Limited and vice-president of China Southern Airlines (Group). In 2000, Mr. Li became party secretary and vice-president of China Southern Airlines Company Limited. From October 2002 to September 2004, he served as the President of

the China Eastern Airlines Corporation Limited and vice-president of China Eastern Air Holding Company. In September 2004, he became president and deputy party secretary of CEA Holding. Mr. Li graduated from the China Civil Aviation Senior Aviation School and holds the title of First Class Pilot.

Mr. Luo Chaogeng is currently a Director, as well as the President and deputy party secretary of the Company. Mr. Luo joined the civil aviation industry in 1970. Mr. Luo was a flight mechanic of the instructing team of the Lanzhou Civil Aviation Administration Bureau from August 1970 to August 1972. From August 1972 to March 1989, he was the flight mechanic of the 8th Civil Aviation Flight Team. From March 1989 to August 1994, he was the deputy commissar, commissar and party secretary of the Xian Flight Team of China Northwest Airlines. From August 1994 to October

1997, he was the party secretary of the aircraft maintenance plant of China Northwest Airlines. From October 1997 to March 1997, he was the party secretary and deputy general manager of the aircraft maintenance base of China Northwest Airlines. From March 1997 to December 2000, he was the deputy director of the Civil Aviation Administration Bureau of China Northwest Airlines. From December 2000 to November 2001, Mr. Luo was the general manager of Yunnan Airlines and the director and deputy party secretary of Civil Aviation Administration Bureau of Yunan. From November 2001 to September 2001, he was the general manager and deputy party secretary of Yunnan Airlines. From September 2002 to September 2004, he has also been serving concurrently as the general manager of Yunan Airlines. From September 2004 to the present, he has been the party constitution member and vice president of China Airlines Group Company, President and deputy party secretary of China Airlines Corporation Limited. From 1998 to June 2001, Mr. Luo has been studying the postgraduate course for incumbent leading cadres in professional economics and management at the Central Party School of Shaanxi. Mr. Luo has obtained first class competency in flight mechanics.

Mr. Cao Jianxiong is currently a Non-executive Director. Mr. Cao joined the civil aviation industry in 1982. From 1992, he served as president of Shanghai Eastern Airlines Development Company and in 1994 he became president of Eastern Airlines Futures Brokerage Company. In early 1996 he served as assistant president of the Company. From 1997, he served as vice president and chief financial officer of the Company. Since December 1999, he has served as vice president of EA Group. Since October 2002, he served as vice president of CEA Holding, and he also was the party secretary of China Eastern Air Northwest

Company from December 2002 to September 2004. Mr. Cao graduated from the Civil Aviation Management Institute with a major in labour economics. Mr. Cao also received a Master's degree in global economics from Eastern China Normal University's Department of International Finance. Mr. Cao holds the title of Economist.

Mr. Wan Mingwu is currently an Executive Director as well as the Company's party secretary and vice president. Mr. Wan joined the civil aviation industry in 1968. From 1983 to 1990 he was deputy section chief and section chief of the cadre section of the political department of the CAAC Shenyang Bureau. From 1990 to 1992 he was section chief of the personnel section of China Northern Airlines. From 1992 to 1995 he was deputy party secretary of China Northern Airlines and from 1995 to 2000 he was party secretary of China Northern Airlines. Since December 2000 he has been party secretary and vice president of the Company. Mr. Wan graduated from Civil Aviation Mechanics Vocational School. Mr. Wan is a college graduate and holds the title of Senior Political Work Instructor.

Mr. Zhong Xiong is currently a Non-executive Director of the Company. Mr. Zhong joined the civil aviation industry in 1970. From 1986 to 1988, he was vice president of Transportation Services Company of the CAAC Shanghai Bureau and was president of the sales and transportation department of China Eastern Airlines from 1988 to 1992. From 1992 to April 1995, he was vice president of China Eastern Airlines. From May 1995 to April 2002, Mr. Zhong has been vice president of the Company, and has become the Chairman of the workers' union of CEA Holding since April 2002. He graduated in 1970 from the English Department of Liaoning Teacher's College and holds the title of Economist.

Mr. Luo Zhuping is an Executive Director of the Company, the secretary of the Board of Directors and the head of the secretariat of the Board of Directors. Mr. Luo joined CEA in 1988. He was deputy chief and then chief of the enterprise management department of China Eastern Airlines from 1992 to 1997. He was deputy head of the share system office from 1993 to 1996. In 1997, he became the secretary of the Board of Directors and the head of the secretariat of the Board of Directors. He became a Director of the Company in June 2004. Mr. Luo graduated from the Faculty of Philosophy and the Faculty of Law of Anhui University in 1979 and 1985, respectively. In 1994, Mr. Luo received a Master's degree from the Economics Department of Eastern China Normal University, majoring in global economics. In 1998, he participated in the training programme for senior managers of large state-owned enterprises organised in the U.S.A. by the State Economic and Trade Commission and Morgan Stanley.

Mr. Hu Honggao was appointed as an independent non-executive Director of the Company in 1996. He is the vice-dean and professor of law at Fu Dan University School of Law as well as the head of the Civil and Commercial Law Research Centre of Fu Dan University, supervising doctoral students majoring in civil and commercial law at Fu Dan University. He is also a senior lawyer at the Shanghai Shen Yang Law Office. Mr. Hu is a managing director of China Commercial Law Research Society, a managing director of China Economic Law Research Society (中國經濟法研究會常務理事), a member of the Legislative Consultation Committee of the Shanghai Municipal Government, a member of the Legislative Profession Consultation Committee of the Shanghai Standing Committee of the People's Congress (上海市人大常委會立法專家諮詢委員會) vice-chairman of the Shanghai Economic Law Research

Society and an arbitrator of the Shanghai Arbitration Committee.

Mr. Peter Lok was appointed as an independent non-executive Director of the Company in 1998. Mr. Lok went to the College of Air Traffic Control in England for further studies after joining the Hong Kong Civil Aviation Department in December 1956. He studied air transport, air accident investigation and administration and management of civil aviation in England from 1968 to 1973. In 1982, he became assistant director of the Hong Kong Civil Aviation Department. From 1985, during his time in office at the air services division of the Hong Kong Civil Aviation Department, he participated in negotiations with various countries regarding air traffic rights. He became deputy director in 1988, and subsequently became director in 1990 of the Hong Kong Civil Aviation Department. Mr. Lok retired in 1996 and has served as a consultant at the Flights Standards Department of the CAAC. Mr. Lok is the first Chinese director of the Hong Kong Civil Aviation Department and was at one time an instructor of the College of Air Traffic Control of Hong Kong.

Mr. Wu Baiwang was appointed as an independent non-executive Director of the Company in 1998. Mr. Wu joined the civil aviation industry in 1959 and was deputy fleet leader and subsequently became fleet leader of the 12th Fleet of the CAAC from 1976 to 1984. From 1984 to 1992, Mr. Wu was deputy head and subsequently became head of the CAAC Jilin Bureau. From 1992 to 1995, Mr. Wu was head and party secretary of the CAAC Northeastern Bureau. From September 1995 to 1998, he became president of China General Aviation Corporation. He was the party secretary and vice-president of Guangzhou Baiyun International Airport Group Company and the Chairman of the Board of

Directors of Guangzhou Baiyun International Airport Company Limited from 1998 to September 2003. Mr. Wu graduated from Chinese Civil Aviation School in 1965 and holds the title of First Class Pilot.

Mr. Zhou Ruijin was appointed as an independent non-executive director of the Company in 2000. Mr. Zhou was deputy editor-in-chief and the East China regional director of the People's Daily. From 1988 to 1993 Mr. Zhou was party secretary and deputy editor-in-chief of the Liberation Daily. From April 1993 to 1996 he was deputy editor-in-chief of the People's Daily and from 1996 to 2000 he was deputy editor-in-chief and the East China regional director of the People's Daily. After retired, he became Vice-chairman of the China Productivity Council and Chairman of the Shanghai Productivity Council. Mr. Zhou graduated from the journalism department of Fudan University in 1962.

Mr. Xie Rong was appointed as an independent non-executive director of the Company in 2003. Mr. Xie is a certified accountant in the People's Republic of China. He is the deputy head of Shanghai National Accounting Institute. He taught at the faculty of accounting of Shanghai University of Finance and Economics from December, 1985 to March, 1997, and had been an assistant professor, a professor, a doctorate-tutor and the deputy dean of the faculty. Mr. Xie was a partner of KPMG Huazhen from December, 1997 to October, 2002, and has, since October, 2002, been the deputy head of Shanghai National Accounting Institute. Mr. Xie graduated from Shanghai University of Finance and Economics and has a doctorate degree in Economics.

Mr. Li Wenxin is currently chairman of the Company's supervisory committee. Mr. Li joined the civil aviation

industry in 1970. From 1992 to 1995 he was secretary of the disciplinary committee of China General Aviation Company. From 1995 to 1996 he was deputy party secretary of China General Aviation Corporation. From 1996 to 1998 he was deputy president of China General Aviation Corporation and from February 1998 to June 2002, he assumed the post of party secretary and executive deputy president of the Shanxi branch of the Company. From June 2000 to September 2002, he served as deputy party secretary and secretary of the disciplinary committee of EA Group. Since October 2002, he served as party secretary and vice president of CEA Holding. He has been the Chairman of the Supervisory Committee of China Eastern Airlines Corporation Limited since June 2000. Mr. Li received university education and is a qualified Senior Political Work Instructor.

Mr. Ba Shengji is currently a Supervisor. Mr. Ba joined the civil aviation industry in 1978. From 1980, Mr. Ba was an accountant at the Department of Finance of the CAAC Shanghai Bureau. From 1988, he served as the section head of the Department of Finance of China Eastern Airlines. In 1993, Mr. Ba became the deputy head of the Department of Finance of China Eastern Airlines. In March 1997, Mr. Ba became the chief officer of the auditing office of the Company. From December 1997 to September 2002, he served as the head of EA Group's auditing department. Since October 2002, he became the head of CEA Holding's auditing department. Since January 2003, he concurrently served as chief of CEA Holding's disciplinary committee's administrative office. Mr. Ba received university education and is a qualified auditor.

Mr. Yang Xingen is currently a Supervisor. Mr. Yang was the deputy political committee member of the 1st flying

battalion and political committee member of the 2nd battalion of 105th Regiment, 35th Division from July 1980 to July 1986. From July 1986 to October 1997, he was the party branch secretary and manager of China Eastern Airlines Advertisement Service Company respectively. From October 1997 to April 2000, he was the party deputy secretary, secretary for the disciplinary committee and political director of the Shanghai flying squadron of China Eastern Airlines. From April 2000 to August 2002, he was the deputy secretary for the disciplinary committee cum director of the office for discipline committee and director of the supervision office. From August 2002 to now, he has been the deputy secretary for the disciplinary committee of China Eastern Airlines. Mr. Yang has been educated to the tertiary level. He was graduated from the faculty of mechanics of the Second Aviation Mechanics School of the air force.

Ms. Yang Jie is currently a Supervisor. Ms. Yang joined the civil aviation industry in 1992. From 1996 to 1998 she was electronic technology supervisor of the technology office and Communist Youth League secretary of the overhaul department at the aircraft maintenance base of the Company. From 1998 to September 2000 she was Communist Youth League deputy secretary of the aircraft maintenance base of the Company. She was the deputy secretary of the Company's Communist Youth League from September 2000 to July 2002, and the secretary of the Company's Communist Youth League from August 2002 to January 2003. Since January 2003, she has been the secretary of the Communist Youth League of China Eastern Air Holding Company, as well as the secretary of the Communist Youth League of China Eastern Airlines Corporation Limited. Ms. Yang graduated with a major in aviation electronics from the China Civil Aviation Academy

and a major in Business Administration from Sunny Management Academy (旭日管理學院工商管理) at Donghua University and she received a master degree in Business Administration. She is also a qualified engineer.

Mr. Liu Jiashun has been a Supervisor of the Company since 2000. From 1993 to 1999 Mr. Liu was party secretary, deputy president and secretary of the disciplinary committee secretary of China Aviation Fuel Hainan Company, as well as chairman of the board and president of Hainan Nanyang Air Transport Co., Ltd. From 1997 to 1999 he was also in charge of fuel supply engineering at Haikou's Meilan Airport and served as director of Meilan Airport Co., Ltd. and vice chairman of the board and president of Meilan Industrial Co., Ltd. From 1999 to 2000 he was deputy party secretary of China Aviation Fuel East China Company and he is currently deputy party secretary and secretary of the disciplinary committee of the East China branch of China Aviation Fuel Company. Mr. Liu is a former graduate student and has qualifications as a political work instructor.

Mr. Wu Jiahong is a vice president of the Company. Mr. Wu joined the civil aviation industry in 1971. From 1968 to 1971 he served with the 60th division under the 20th army. From 1971 to 1973 he studied aviation machinery at the Civil Aviation College. From 1973 to 1981 he was with the 18th Fleet of the CAAC's 2nd General Fleet. From 1985 to 1988 he served as Communist Youth League secretary and deputy head of the political department of the CAAC's Jiangxi Bureau. From 1988 to 1995 he concurrently served as deputy party secretary and disciplinary committee secretary of the Cabin Service Department of China Eastern Airlines. From 1995 to 1997 he served as head of the Company's publicity department. From 1997 to 2002, he served as party secretary and executive vice president of

the Company's Jiangxi branch. Since April 2002 he has been vice president of the Company. He also became the party secretary of China Eastern Air Northwest Company since September 2004. Mr. Wu has completed postgraduate studies and is a qualified senior political work instructor.

Mr. Zhou Liguo is currently a vice president of the Company. He joined the civil aviation industry in 1981, and attended the Air Force Changchun First Reserve Flight School from 1966 to 1967 and the Harbin First Navigation School from 1967 to 1969. Mr. Zhou performed his military service with the 34th Division of the Air Force from 1969 to 1981, and served as squadron leader in the 5th Fleet of the Civil Aviation from 1984 to 1988. Mr. Zhou was deputy fleet leader of China Eastern Airlines' Shanghai Fleet from 1988 to 1992, and leader of the said fleet from 1992 to 1997. From 1997 to 2000, he served as general manager and deputy party secretary of the Company's General Flight Department. In 2000 he became assistant president of the Company, and from 2000 to 2003 he served as president and deputy party secretary of China Cargo Airlines Limited. Mr. Zhou was the Company's chief economic official from December 2003 to April 2004. He became a vice president of the Company since April 2004. Mr. Zhou received university education and holds the title of First Class Pilot.

Mr. Zhang Jianzhong is a vice president of the Company. Mr. Zhang joined the civil aviation industry in 1982. From April 1982 to December 1987, he was an assistant of the Shanghai Civil Aviation Planning Bureau. From December 1987 to April 1987, he was the deputy director of the planning department of Shanghai Hongqiao International Airport. From April 1990 to January 1996, he was the director of the planning department of China Eastern

Airlines. From January 1996 to April 1999, he was the manager of the sales and marketing department of China Eastern Airlines Corporation Limited. From April 1999 to April 2003, he was the Assistant to the President of China Eastern Airlines Corporation Limited. From September 2000 to December 2001, he served concurrently as the director of the office of strategic study of the Company. From December 2001 to May 2003, he served concurrently as the general manager of the computer information centre of the Company. From April 2003 to June 2004, he was the chief economic official of China Eastern Airlines Corporation Limited. From May 2003 to June 2004, he served concurrently as the general manager of the sales and marketing department of the Company. From June 2004 to the present, he has been a vice president of China Eastern Airlines Corporation Limited. Mr. Zhang graduated from the Faculty of Mechanical Engineering of Zhejiang University and Professional Study in Economics and Management at Fudan University, from which he obtained a master's degree.

Mr. Tong Guozhao is a vice president of the Company. Mr. Tong joined the civil aviation industry in 1980. From January 1980 to May 1992, Mr. Tong had been the deputy pilot, chief pilot and captain respectively of the flight team of Urumqi Civil Aviation Bureau. From May 1992 to April 1997, he had been the captain, sub-team leader, deputy squadron leader and squadron leader of the Shanghai Flight Team of China Eastern Airlines Corporation. From April 1997 to May 1998, he was a vice president of the Shanghai Flight Team of China Eastern Airlines Corporation Limited. From May 1998 to March 2001, he was the president of the Safety Monitoring Department of China Eastern Airlines Corporation Limited. From March 2001 to January 2004, he was the president of the Anhui branch company of China Eastern Airlines Corporation Limited. From January 2004

to September 2004, he was the president of the China Cargo Airlines Corporation Limited and deputy party secretary. From September 2004 to April 2005, he was the president of China Eastern Airlines Corporation Limited cum president of the Operation Control Centre. Since April 2005, he has been a vice president of China Eastern Airlines Corporation Limited. Mr. Tong graduated from the Civil Aviation School and Anhui School of Business and Administration (安徽工商管理學院). He received a master degree in business administration and holds the title of Second Class Pilot.

Mr. Li Yangmin is a Vice President of the Company. Mr. Li joined the civil aviation industry in 1985. From July 1985 to October 1996, he was the Deputy Head of the aircraft maintenance workshop (飛機維修廠車間), Head of technology office and secretary of the workshop branch of Northwest Company(西北航空公司). From October 1996 to June 2002, he was the Deputy General Manager of the aircraft maintenance base and the Manager of air route department (航線部) of Northwest Company (西北航空公司). From June 2002 to March 2004, he was the General Manager of the aircraft maintenance base of China Eastern Air Northwest Company. From March 2004 to October 2005, he was the Vice President and a member of the standing committee to the party committee of China Eastern Air Northwest Company. Since October 2005, he has been Deputy General Manager of China Eastern Airlines Corporation Limited. Mr. Li is a university graduate from China Civil Aviation Academy. He is a qualified senior engineer.

Mr. Luo Weide is the Company's chief financial officer. In 1976 Mr. Luo began his military service at the Air Force in Luan Airport. From 1979 to 1991 he successively served as department head and deputy head of the Putuo branch

of the Shanghai Municipal Tax Bureau. From 1991 to 1993 he concurrently served as head of the finance bureau and the state asset bureau of Putuo District, Shanghai. From 1993 to 1998 he successively served as deputy chief accountant, chief accountant and executive deputy president of Shanghai Jinqiao (Group) Co., Ltd. From 1998 to 2000, he was vice president of Shanghai Pudong Development (Group) Co., Ltd. and chairman of the board and president of Pudong Finance Company. Since 2000 he has been chief financial officer of the Company. Mr. Luo graduated from the Sino-European International Business School in 1999 with a Master's degree in business administration. He holds the titles of Senior Accountant and Senior Economist.

Each of the independent non-executive Directors has issued a confirmation in respect of the factors set out in Rule 3.13 of the Listing Rules concerning his independence pursuant to Rule 3.15 of the Listing Rules. The Company considers all of the independent non-executive Directors to be independent.

Changes in the Members of the Board of Directors and Management Personnel

At the 2004 annual general meeting of the Company held on 30 June 2005, it was approved that Mr Luo Chaogeng be elected as a Director of the Company, and that Mr Ye Yigan would cease to be a Director of the Company.

On 1 April 2005, the fourth session of the Board held the sixth meeting for 2005 to resolve by written resolution that Mr Tong Guozhao be appointed as Vice President of the Company and that Mr Wu Yulin would cease to be a Vice President of the Company.

On 28 October 2005, the fourth session of the Board held the fourteenth meeting for 2005 to resolve by written resolution that Mr Li Yangmin be appointed as Vice President of the Company and that Mr Yang Xu would cease to be a Vice President of the Company.

Shareholdings of Directors, Chief Executive, Supervisors and Senior Management

Save as disclosed above, as at December 31, 2005, none of the Directors, chief executives, Supervisors or members of the Company's senior management and their respective associates had any other interest or short position in the shares, underlying shares and/or debentures (as the case may be) of the Company and/or any of its associated corporations (within the meaning of Part XV of the SFO) which was required to be notified to the Company and the Stock Exchange pursuant to the provisions of Divisions 7 and 8 of Part XV of the SFO (including any interest and short position which any of such Directors, chief executives, Supervisors or members of the Company's senior management and their respective associates were taken or deemed to have under such provisions of the SFO) and as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO, or which was otherwise required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (which shall be deemed to apply to the Supervisors to the same extent as it applied to the Directors).

In 2005 and as at December 31, 2005, none of the Directors, chief executives, Supervisors, senior management of the Company and/or any of their spouses or children under the age of eighteen were granted any right, and the Company had not made any arrangement enabling any of them, to subscribe for share capital or debt securities of the Company.

Service Contracts of Directors and Supervisors

No Director or Supervisor has entered into any service contract with the Company which is not terminable by the Company within one year without payment of compensation (other than statutory compensation).

Interests of Directors and Supervisors in Contracts

None of the Directors or Supervisors had a material interest directly or indirectly in any contract of significance to which the Company or any of its subsidiaries was a party during the year (the term 'contract of significance' having the meaning ascribed thereto in paragraph 15 of Appendix 16 to the Listing Rules).

Remuneration of Directors and Supervisors

Details of remuneration of Directors and Supervisors are set out in note 8 to the financial statements prepared in accordance with IFRS.

Employees

As at December 31, 2005, the Group had 29,301 employees, a majority of them worked in the PRC. The employee's compensation is primarily composed of the basic salary and performance-based bonus.

Medical Insurance

In January 2001, the Group joined the medical insurance scheme promulgated by the Shanghai Municipal Government. The Group and its employees contribute approximately 12% and 2% respectively of the employees' basic salaries to the scheme. The Group has no other significant obligation for the payment of medical expenses other than the above-mentioned contributions. The Group believes that its contributions to such scheme will not have significant impact on the operation and the financial aspects of the Group.

Bank Loans and Other Borrowings

Details of bank loans and other borrowings of the Company and the Group as at December 31, 2005 are set out in note 30 to the financial statements prepared in accordance with IFRS.

Interest Capitalized

Interest capitalized for the Group as calculated in accordance with IFRS for the year ended December 31, 2005 was RMB279.99 million.

Property, Plant and Equipment

Movements of property, plant and equipment of the Company and the Group during the year are summarized in note 14 to the financial statements prepared in accordance with IFRS.

Reserves

Details of movements in reserves of the Company and the Group, and profit appropriation of the Company for the year ended December 31, 2005 are set out in note 32 to the financial statements prepared in accordance with IFRS.

Statutory Common Welfare Fund

Details in relation to the statutory common welfare fund, such as the nature and application of and movements in the fund, and the basis of its calculation, including the percentage used for calculating the amounts, are set out in note 32(a) to the financial statements prepared in accordance with IFRS.

Donations

During the year, the Group made donations for charitable purposes amounting to RMB410 thousand.

Employees' Retirement Scheme

Details of the Company's employee retirement scheme and post retirement benefits are set out in note 35 to the financial statements prepared in accordance with IFRS.

Major Suppliers and Customers

As at December 31, 2005, the cost of aircraft and related materials from the Group's largest and five largest suppliers accounted for approximately 19.28% and 59.08%, respectively, of the total purchases of the Group. The aggregate percentage of sales attributable to the Group's five largest customers combined accounted for 6.99% of the Group's total sales in 2005.

China Eastern Air Holding Company is interested in 55% of Shanghai Dongmei Aviation Travel Company Limited, one of the top five customers, since May 2003, whereas the Company is interested in 45%. In 2005, the air ticket sales which the Group delegated Dongmei Air Travel Company Limited as its agent accounted for approximately 1.73% of the total sales of the Group.

Except as disclosed above, none of the Directors, Supervisors or any of their respective associates nor any shareholder to the knowledge of the Directors holding 5% or more of the Company's share capital had any interest in any of the above mentioned suppliers and customers.

Material Contracts

- (1) On 16 March 2005, the Company entered into an aircraft purchase agreement in Shanghai with Airbus SAS to purchase five A319 aircraft. Details are set out in the Company's announcements dated 17 March 2005 and 30 June 2005 and the circulars dated 7 April 2005 and 20 May 2005;
- (2) On 23 March 2005, China Eastern Airlines Jiangsu Co., Ltd., a subsidiary of the Company, entered into an aircraft purchase agreement in Shanghai with Harbin Embraer Aircraft Industry Co., Ltd. to purchase five ERJ145 aircraft. Details are set out in the Company's announcement dated 23 March 2005 and the circular dated 7 April 2005;
- (3) On 21 April 2005, the Company entered into an aircraft purchase agreement in Beijing with Airbus SAS to purchase fifteen A320 aircraft. Details are set out in the Company's announcements dated 21 April 2005 and 30 June 2005 and the circular dated 20 May 2005;
- (4) On 28 May 2005, China Cargo Airlines Co., Ltd., a subsidiary of the Company, entered into an aircraft purchase agreement in Shanghai with Boeing Company to purchase two Boeing 747-400 freight aircraft. Details are set out in the Company's announcement dated 6 June 2005 and the circular dated 12 July 2005;
- (5) On 8 August 2005, the Company entered into an aircraft purchase agreement with Boeing Company to purchase fifteen Boeing 787 aircraft. Details are set out in the Company's announcement dated 8 August 2005 and the circular dated 19 September 2005;
- (6) On 8 December, 2005, the Company entered into equity transfer agreements with each of Wuhan Municipality State-owned Assets Supervision and Administration Commission and Shanghai Junyao Aviation Investment Company Limited, pursuant to which the Company has agreed to acquire their equity interests in China Eastern Airlines Wuhan Limited. Details are set out in the Company's announcement dated 8 December 2005 and the circular dated 29 December 2005;

- (7) On 20 December, 2005, the Company entered into an aircraft purchase agreement with Boeing Company to purchase four Boeing 737 NG series aircraft. Details are set out in the Company's announcement dated 20 December 2005;
- (8) At the Company's 2004 annual general meeting, the resolution for the Company to issue short-term debenture was considered and approved, and it was agreed that they would be issued in two tranches at RMB1 billion each. Such debentures have a unit face value of RMB100 each, were issued at an agreed issue price being received by the Company of RMB97.16 per debenture for the first tranche and RMB98.00 per debenture for the second tranche, with maturity periods of 12 months and nine months respectively. On 23 August 2005, the Company had completed the issue of short-term debenture in the sum of RMB2 billion. The proceeds from the Issue of Debenture will be used, as currently contemplated, as the Company's working capital so as to meet the Company's short-term financial need and will be principally used for the procurement of aviation fuel and aviation equipment. Details are set out in the Company's announcement dated 23 August 2005;
- (9) Details of material contracts entered into subsequent to the balance sheet date are set out in note 44 to the financial statements prepared in accordance with IFRS.
- Shanghai, the PRC to consider the resolutions proposed by the Board of Directors, and approved by way of ordinary resolutions: the working report of the Board of Directors for 2004; the working report of the Supervisory Committee for 2004; the audited financial report and final accounts for 2004; the profit appropriation proposal for 2004; the appointment of both domestic and overseas accountants for the Company; the election of Mr. Luo Chaogeng to succeed Mr. Ye Yigan as member of the Board of Directors; the Company's purchase of the Airbus SAS series aircraft; the Company's purchase of aviation-related assets and liabilities of CEA Northwest and CEA Yunnan, both subsidiaries of CEA Holding and the Assets Transfer Agreement (《資產轉讓協議》); the Property Lease Agreement (《物業租賃協議》) entered into between the Company and CEA Holding, CEA Northwest, and CEA Yunnan; the Financial Services Framework Agreement (《金融服務框架協議》) entered into with Eastern Air Group Finance Co. Ltd.; the Framework Agreement on Appointment of External Trade Import and Export Agent (《外貿進出口委托代理框架協議》) entered into with Eastern Aviation Import & Export Co., Ltd.; the Production Services and Equipment Supply Framework Agreement (《生產服務及設備供應框架協議》) entered into with Shanghai Aviation Equipment Manufactory Company Limited (上海航空設備有限公司); the Air Catering Supply Framework Agreement (《航空食品供應框架協議》) entered into with Shanghai Eastern Air Catering Co., Ltd.; the Air Ticket Sales Agency Framework Agreement (《航空客票銷售代理框架協議》) entered into with Shanghai Dongmei Aviation Travel Co., Ltd.; and the Advertising Agency Framework Agreement (《廣告委托代理框架協議》) entered into with Shanghai Eastern Aviation Media Co., Ltd. (上海東方航空傳媒有限公司). Certain provisions of the Articles of Association of the Company were amended by way of special resolution. A resolution was adopted on issuance of short term debentures as a special resolution.

AGM and Board Meetings

AGM

The 2004 Annual General Meeting of the Company was held on June 30, 2005 at Function Room 2, Grand Ballroom, Shanghai Marriott Hotel Hongqiao, 2270 Hongqiao Road,

Extraordinary General Meeting

The Company held the first extraordinary general meeting of 2005 on 4 November 2005 at Meeting Centre, Shanghai Home You Hotel, 2550 Hongqiao Road, Shanghai, during which the resolution regarding the Company's purchase of certain Boeing aircraft was considered and passed.

Board Meetings

During 2005 the Company's Board of Directors held sixteen regular meetings and passed, among other resolutions, the following resolutions:

- 1) On 6 January 2005, the fourth session of the Board of Directors of the Company convened its fifth meeting, and resolved that twenty Airbus A320 be acquired.
- 2) On 1 April 2005, the fourth session of the Board of Directors of the Company held its sixth meeting, during which it was resolved that Mr. Wu Yulin would cease to be a Deputy General Manager because of work arrangement changes, and that Mr. Tong Guozhao be appointed as Deputy General Manager upon the nomination of Mr. Luo Chaogeng, General Manager.
- 3) On 12 April 2005 the fourth session of the Board of Directors of the Company held its seventh meeting, during which it was resolved that (1) a 40% equity interest in CEA Development (HK) Co., Ltd. (東航發展(香港)有限公司) be transferred to the Company for a consideration of HK\$4 million, which was determined based on 40% of the registered capital of CEA Development (HK) Co., Ltd. (東航發展(香港)有限公司); (2) Mr. Cao Jianxiong, director, be replaced by Mr. Wu Baiwang, independent director, as member of the Audit Committee of the Board of Directors; (3) the Articles of the Audit Committee (《審核委員會章程》) was considered and passed; (4) the Appraisal Rules for Senior Management (《高管人員業績述職規則》) was considered and passed.
- 4) On 28 April 2005, the fourth session of the Board of Directors of the Company convened its eighth meeting, during which the following resolutions were considered and passed: (1) a two-bay hangar for double-seater, instead of a simple aircraft hangar, be built in Pudong airport; (2) seven A300 airliners be converted into freighters; (3) two B747 – 400ERF aircrafts be acquired by China Cargo; (4) the adoption of the Rules on Operating Procedures for Aircraft Purchase and Leasing (《購置和租賃飛機操作流程的規定》) For details, see the documents for the Board of Directors' meeting.
- 5) On 12 May 2005, the fourth session of the Board of Directors of the Company convened its ninth meeting, during which it was resolved that certain assets and liabilities of CEA Northwest and CEA Yunnan be acquired from CEA Holding.
- 6) On 7 June 2005, the fourth session of the Board of Directors of the Company convened its tenth meeting, during which the Proposal on Issuance of Short-Term Financing Note of the Company (《公司發行短期融資券的提案》) was adopted.
- 7) On 30 June 2005, the fourth session of the Board of Directors of the Company convened its eleventh meeting, during which the following resolutions were considered and passed: a sales-and-lease-back arrangement for five sets of CFM56 – 5B reserve generator; the Company's acquisition for a 38% equity interest held by Wuhan State-owned Assets

Administration Commission (武漢國資委) in CEA Wuhan; the change of the Company's authorised representative in the Hong Kong Stock Exchange from Mr. Ye Yigan to Mr. Li Fenghua; and a requirement for the senior management of the Company to purchase shares of the company during the period between May and December every year.

- 8) On 27 July 2005, the fourth session of the Board of Directors of the Company convened its twelfth meeting and it was resolved that the Northwest Branch of China Eastern Airlines Corporation Limited and the Yunnan Branch of China Eastern Airlines Corporation Limited be established by the Company.
- 9) On 29 August 2005, the fourth session of the Board of Directors of the Company convened its thirteenth meeting, during which the following resolutions were considered and passed: a special plan for CEA's corresponding arrangement to align with the rebuilding and expansion of Pudong Airport; a special plan for the construction of Guangzhou base, the convening of an extraordinary shareholders' meeting; proposed amendments to the Code of Ethics for Senior Management (《高級管理人員職業道德準則》); and the establishment of a logistics information platform.
- 10) On 28 October 2005, the fourth session of the Board of Directors of the Company convened its fourteenth meeting, during which the following resolutions were considered and passed: the depreciation life of five newly-acquired aircraft of long useful lives; proposed amendments to the Administrative Rules of China Eastern Airlines Corporation Limited on Outside Investment (《中國東方航空股份有限公司對外投資管理規定》); and the Company's development strategy.

It was resolved that Mr. Yang Xu would cease to act as the Deputy General Manager of the Company owing to work changes and Mr. Li Yangmin be appointed as Deputy General Manager.

- 11) On 24 November 2005, the fourth session of the Board of Directors of the Company convened its fifteenth meeting, during which a resolution on the acquisition of an 18% equity interest held by Junyao Group in CEA Wuhan was approved in principal.
- 12) On 6 January 2005, the Board of Directors's first regular meeting for 2005 was convened, during which the following were considered and adopted: the Financial Statement for 2005; the Investment Plan for 2005; the Report of the General Manager; a resolution on a system of operating results evaluation by targets; conversion of the Investment Examination Committee (投資審核委員會) to a new development planning committee; and the amendments of Articles of the Investment Examination Committee (《投資審核委員會章程》) to the Articles of Articles of the Development Planning Committee (《規劃發展委員會章程》).
- 13) On 12 April 2005, the Board of Directors's second regular meeting for 2005 was convened, during which the following were considered and passed: the Company's Audit Report for 2004; an accounting and evaluation policy to provide for the price impairment of inventory - consumables; the Company's frequent flyer plan policy; the Company's profit appropriation proposal for 2004; and the Company's draft results announcement for 2004 (H/A Shares). A resolution was adopted on membership change of the Board of Directors whereby Mr. Ye Yigan would cease to be manager of CEA Holding and, as his directorship was

intended that his directorship be taken up by Mr. Luo Chaogeng, it was resolved that Mr. Luo Chaogeng be nominated as a candidate for directorship.

- 14) On 28 April 2005, the Board of Directors's third regular meeting for 2005 was convened, during which the financial report for the first quarter of 2005 and three resolutions to be proposed at the shareholders' general meeting for 2004 was considered and adopted. For details, please see the Company's announcement dated 28 April 2005.
- 15) On 29 August 2005, the Board of Directors's fourth regular meeting for 2005 was convened, during which the interim financial report for 2005 and the draft interim report announcement for 2005 were considered and adopted.
- 16) On 28 October 2005, the Board of Directors's fifth regular meeting for 2005 was convened, during which the financial report for the third quarter of 2005 was considered and approved.

Resolution No. 1 of the seventh meeting of the fourth session of the Board of Directors was a resolution on connected transactions, and directors involved in the connected transactions abstained from the vote. Resolutions No. 1 and 2 of the ninth meeting of the fourth session of the Board of Directors was a resolution on connected transactions, and directors involved in the connected transactions abstained from the vote.

Connected Transactions

On 12 May 2005, the Company entered into an acquisition agreement in Shanghai with CEA Holding (its controlling shareholder), CEA Northwest, and CEA Yunnan, pursuant to which the Company would acquire from CEA Holding certain assets and liabilities of the principal businesses of CEA Northwest and CEA Yunnan, which were wholly-owned by CEA Holding. The amount of transaction was RMB985,692,800. The initial transaction price was finally determined to be RMB639,749,100 based on the adjustments made to the audited gains and losses for the period between 1 January 2005 and 30 June 2005 in accordance with the Generally Accepted Accounting Rules of China, accompanied by an undertaking to bear all of the liabilities. For details, please refer to the Company's announcement dated 12 May 2005 and its circular dated 19 May 2005.

Continuing Connected Transactions

Background

The Company has in place agreements with certain members of the CEA Holding and its subsidiaries and other associates (excluding members of the Group) ("**CEA Holding Group**") in respect of provision of goods and/or services which are carried out on a continuing basis between the Group and the CEA Holding Group. The Company has a conditional waiver, granted by the Stock Exchange at the time when its H shares are listed in Hong Kong, from strict compliance with the relevant connected transaction regulatory requirements in respect of these agreements and the transactions thereunder. Information in relation to the waiver was disclosed in the Company's prospectus dated 28 January 1997.

To accommodate the anticipated expansion in the Group's daily and business operations following completion of the acquisition of certain assets and liabilities relating to the aviation businesses of CEA Northwest and CEA Yunnan pursuant to the acquisition agreement dated 12 May 2005, and to promote enhanced compliance with the applicable requirements under Chapter 14A of the Listing Rules, the Company (for itself and on behalf of other members of the Group) has entered into various agreements with certain members of the CEA Holding Group in respect of the continuing connected transactions and certain other transactions. Such agreements are made to further regulate the expected continuing business relationships between the Group, on the one hand, and the CEA Holding Group, on the other. These agreements are as follows:

Agreements	Counterparties and connected person relationship
1. Property Leasing Agreement	CEA Holding, CEA Northwest and CEA Yunnan
2. Financial Services Agreement	東航集團財務有限責任公司 (Eastern Air Group Finance Company Limited) (the " Finance Company "), which is interested as to approximately 46.25% by, and thus an associate of, CEA Holding
3. Import and Export Agency Agreement	東方航空進出口有限公司 (Eastern Aviation Import & Export Company) (the " Import & Export Company "), which is interested as to 55% by, and thus an associate of, CEA Holding
4. Maintenance Services Agreement	上海東方航空設備製造公司 (Shanghai Eastern Aviation Equipment Manufacturing Corporation) (the " Maintenance Company "), which is a wholly-owned subsidiary, and thus an associate, of CEA Holding
5. Catering Services Agreements	A number of subsidiaries or associates of CEA Holding (collectively, the " Catering Companies ")
6. Sales Agency Services Agreements	A number of subsidiaries or associates of CEA Holding (collectively, the " Sales Companies ")
7. Advertising Services Agreement	上海東方航空設備製造公司 (Shanghai Eastern Aviation Advertising Company Limited) (the " Advertising Company "), which is interested as to 55% by, and thus an associate of, CEA Holding

Details of the continuing connected transactions and the associated annual caps are set out below.

Certain charges for the services under the agreements are determined based on tariffs, if available and applicable, set by the relevant PRC or industry regulatory authorities. Those transactions where the charges are not set by reference to prescribed regulatory tariffs are determined based on commercial negotiations between the parties, in each case

on an arm's length basis. The terms of these transactions are, as currently anticipated, no less favourable than the terms as may be available to the Group from independent third parties.

In compliance with the relevant requirements under the Listing Rules, the Company has set maximum annual consideration or values, or annual caps, in respect of each of the continuing connected transactions. These annual

caps are, to the extent appropriate, determined by reference to factors including previous transactions and figures when available and readily ascertainable. Nonetheless, since the Group's business and financial positions were adversely affected by the outbreak of atypical pneumonia (severe acute respiratory syndrome, or SARS) in 2003, the relevant historical figures for the financial year of 2003 may therefore to a certain extent be compromised, and might not necessarily be indicative of the position had the Group's operations not been affected by SARS.

The various existing agreements between the Company and the relevant members of the CEA Holding Group in respect of the provision of goods and services between the Group and the CEA Holding Group will each be terminated at the time when the relevant agreement in respect of the corresponding continuing connected transaction becomes effective in accordance with its terms.

1. Property Leasing Agreement

On 12 May 2005, the Company entered into a Property Leasing Agreement with CEA Holding, CEA Northwest and CEA Yunnan, pursuant to which the Company will lease from CEA Holding, for use by the Group in its daily airlines and other business operations:

- (i) a maximum of altogether 33 land properties owned by CEA Holding through, and registered in the name of, CEA Northwest, covering an aggregate site area of approximately 692,539 square metres located primarily in Xi'an, Xianyang and Yongdeng, together with a total of 225 building properties and related construction, infrastructure and facilities occupying an aggregate floor area of approximately 269,148 square metres; and

- (ii) a maximum of altogether seven land properties owned by CEA Holding through, and registered in the name of, CEA Yunnan, covering an aggregate site area of approximately 420,768 square metres primarily located in Kunming, together with a total of 81 building properties and related construction, infrastructure and facilities occupying an aggregate floor area of approximately 457,722 square metres.

2. Financial Services Agreement

The Finance Company is a non-bank finance company approved and regulated by the relevant PRC regulatory authorities including the People's Bank of China and the China Banking Regulatory Commission.

On 12 May 2005, the Company entered into a Financial Services Agreement with the Finance Company, pursuant to which the Finance Company will from time to time provide the Group with a range of financial services including (i) deposit services, (ii) loan and financing services and (iii) other financial services such as the provision of trust loans, financial guarantees and credit facilities and credit references.

Pursuant to the Financial Services Agreement, the Finance Company shall deposit all moneys deposited by the Group under the agreement with commercial bank(s) in China, including, for example, Industrial and Commercial Bank of China, China Construction Bank, Bank of Agriculture and Bank of Communications. The Finance Company has also undertaken under the Financial Services Agreement that all outstanding loans it provides to members of the CEA Holding Group will not at any time and from time to time exceed the aggregate amount of its equity capital, surplus reserves and deposits received from other parties.

3. Import and Export Agency Agreement

The Import & Export Company is a company approved by the PRC Ministry of Commerce and is licensed to engage in the business of import and export of aircraft and related aviation equipment and materials in the PRC.

On 12 May 2005, the Company entered into an Import and Export Agency Agreement with the Import & Export Company, pursuant to which the Import & Export Company will from time to time as its agent provide the Group with agency services for the import and export of aircraft and related raw materials, accessories, machinery and equipment required in the daily airlines operations and civil aviation business of the Group.

4. Maintenance Services Agreement

The Maintenance Company is a company located in Shanghai, which is principally engaged in the businesses of providing maintenance, repair and overhaul services in respect of aircraft and aviation equipment, and the manufacturing and sale of related equipment and materials.

On 12 May 2005, the Company entered into a Maintenance Services Agreement with the Maintenance Company, pursuant to which the Maintenance Company will from time to time provide the Group with comprehensive services in relation to maintenance, repair and overhaul of aircraft and aviation equipment, and procurement of related equipment and materials required in the daily operations of the Group.

5. Catering Services Agreements

The Catering Companies are companies principally engaged in the business of providing catering and related services for airline companies, and have established operating centres at various airports located in Shanghai, Xi'an, Kunming, Jinan and Qingdao.

On 12 May 2005, the Company entered into several Catering Services Agreements with the Catering Companies, pursuant to which the Catering Companies will from time to time provide the Group with in-flight catering services (including the supply of in-flight meals and beverages, cutlery and tableware) and related storage and complementary services required in the daily airline operations and civil aviation business of the Group. The Catering Companies shall provide their services in accordance with the specifications and schedules as from time to time specified by the relevant member(s) of the Group to accommodate its operation needs.

6. Sales Agency Services Agreements

The Sales Companies are companies principally engaged in the business of providing agency services in relation to sale of domestic and international air tickets and complementary services such as tourism services (including hotel reservation and sale of souvenirs and other hospitality products). The Sales Companies have established local operating centres in Shanghai, Xi'an, Kunming and other cities and areas in China, including Hong Kong.

On 12 May 2005, the Company entered into several Sales Agency Services Agreements with the Sales Companies, pursuant to which the Sales Companies will from time to time provide the Group as its agents with services for sale of air tickets and the provision of complementary services required in the daily airline operations and civil aviation business of the Group.

7. Advertising Services Agreement

The Advertising Company is a company principally engaged in the businesses of multi-media advertising

operations, including advertising design and production, and organising promotional functions and campaigns.

On 12 May 2005, the Company entered into an Advertising Services Agreement with the Advertising Company, pursuant to which the Advertising Company will from time to time provide the Group with multi-media advertising services to promote its business and to organise promotional functions and campaigns to enhance its reputation in the civil aviation industry.

Summary of the continuing connected transactions and the associated annual caps

Transactions	Annual caps For the financial year ending		
	31 December 2005	31 December 2006	31 December 2007
1. Property leasing	RMB60,000,000	RMB60,000,000	RMB60,000,000
2. Financial services			
Deposit and other financial services	RMB1,050,000,000	RMB1,100,000,000	RMB1,150,000,000
3. Import/export agency services	RMB40,000,000	RMB55,000,000	RMB55,000,000
4. Maintenance services	RMB30,000,000	RMB36,000,000	RMB43,200,000
5. Catering services	RMB363,000,000	RMB417,000,000	RMB480,000,000
6. Sales agency services	RMB77,116,000	RMB88,683,000	RMB101,985,000
7. Advertising services	RMB13,000,000	RMB16,000,000	RMB19,000,000

In respect of each of the continuing connected transactions, the associated annual cap represents the maximum aggregate annual value of consideration payable under the relevant transaction. If any annual cap for a transaction is exceeded, the Company will be required to re-comply with the applicable connected transaction regulatory requirements under Chapter 14A of the Listing Rules.

For details of the principal terms of the relevant agreements, please refer to the Company's announcement dated 12 May 2005 and its circular dated 19 May 2005.

As CEA Holding holds approximately 61.64% of the issued share capital of the Company, certain transactions entered into between the Group and CEA Holding and its associates constitute connected transactions for the Company under the Listing Rules.

Details of the Group's continuing connected transactions with the Company's connected persons (as defined in the Listing Rules) during the year ended December 31, 2005 are set out in note 41 to the financial statements prepared in accordance with IFRS.

The Company's independent non-executive Directors have reviewed such continuing connected transactions during the year 2005 and confirmed that:-

- (a) the transactions have been entered into by the Group in the ordinary and usual course of its business;
- (b) the transactions have been entered into either (i) on normal commercial terms (by reference to transactions of a similar nature made by similar entities within China) or (ii) (where there is no available comparison) on terms that are fair and reasonable so far as the shareholders of the Company are concerned; and
- (c) the transactions have been entered into either (i) in accordance with the terms of the agreement governing each such connected transaction or (ii) (where there is no such agreement) on terms no less favourable than terms available to third parties.

In respect of each continuing connected transaction disclosed in note 41 to the financial statements prepared in accordance with IFRS, the Company confirms that it has complied with the relevant requirements under the Listing Rules.

Details of the other related party transactions entered by the Group during the year ended December 31, 2005 are set out in note 41 to the financial statements prepared in accordance with IFRS. These transactions do not constitute connected transactions under the Listing Rules.

In relation to future deliveries of aircraft, as at December 31, 2005, the following are details of aircraft on order which are scheduled to be delivered:

Type of aircraft	Number of aircraft	Year to be delivered
A319	3	2006
A321	2	2006
A330-300	7	2006
A330-200	3	2006
B737-700	7	2006
ERJ-145	4	2006
B747F	1	2006
B747F	1	2007
A330-200	1	2007
A330-300	5	2007
A319	2	2007
A321	4	2007
A320	2	2007
B737NG	2	2007
ERJ-145	3	2007

As at the date of this report, the Directors are not aware of any aircraft which are subject to options exercisable during a period of not less than 12 months from December 31, 2005.

Staff Quarters

Details of the Group's staff quarters are set out in note 36 to the financial statements prepared in accordance with IFRS.

Material Litigation

In 2005, the family members of some of the victims in the Baotou air accident, which took place in November 21, 2004, sued CEA in a U.S. court for compensation, the amount of which is yet to be determined. The Group is actively collaborating with CAAC, PICC Property and Casualty Insurance Company Limited, the U.S. attorney for this case and other aviation law experts in response to the litigation.

Special Auditing Opinion and Independent Directors' Opinion

Shanghai Zhonghua Certified Public Accountants have performed a special auditing work and issued special auditing opinion on the fund transfer between the Company, its controlling shareholder and other related parties, as required by the relevant requirements of the China Securities Regulatory Commission.

Independent directors of the Company have performed an auditing work and issued independent opinion on the guarantees the Company has provided, as required by the relevant requirements of the China Securities Regulatory Commission. The Company has strictly observed relevant

laws and regulations as well as its article of association while it has also imposed strict control on the guarantees provided. As of December 31, 2005, none of the Company and its subsidiaries included in the consolidated financial statements has provided any guarantee to the Company's controlling shareholder and other related parties, other non-legal person entity units and individuals.

Auditors

PricewaterhouseCoopers, Certified Public Accountants, Hong Kong and Shanghai Zhonghua Certified Public Accountants (registered accountants in the PRC) were the Company's international and domestic auditors in 2005, respectively.

On behalf of the Board

Li Fenghua

Chairman of the Board

Shanghai, China

April 10, 2006