

REPORT OF DIRECTORS

The board of directors (“Board of Directors”) of the Company is pleased to present its report together with the audited financial statements of the Group for the year ended 31 December 2000.

Group Activities and Results

The Company is one of the three largest air carriers in the PRC based on tonne-kilometers and number of passengers carried in 2000 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 31 December 2000 and the financial position of the Group as at that date, prepared in accordance with the IAS and the PRC Accounting Regulations, are set out in the financial statements.

Details of the Company’s principal subsidiaries are set out in note 16 to the financial statements prepared in accordance with IAS.

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

	PRC Accounting Regulations (RMB’000)	IAS (RMB’000)
PRC	4,676,905	4,184,310
Hong Kong Special Administrative Region (“Hong Kong”)	2,175,626	2,104,908
International	4,837,124	4,479,270
Total	11,689,655	10,768,488

Dividends

As at 31 December 2000, the Company’s accumulative distributable profits were approximately RMB149.8 million based on the financial statements prepared in accordance with the PRC accounting regulations. Having considered the Company’s cash requirement in 2001, the Board of Directors recommended payment of a cash dividend of RMB0.02 per share (including tax) based on an aggregate of 4,866,950,000 shares of the Company as at 31 December 2000. Shareholders of H shares will receive an equivalent amount of the above dividend distribution based on the foreign exchange conversion rate published by the People’s Bank of China on the date of the distribution of the cash dividend, representing a total of cash dividend payment of RMB97,339,000 (excluding the expenses for the distribution of the above dividend). The Board of Directors also decided that the above distribution proposal will be submitted to the 2000 annual general meeting to be convened on 26 June 2001 for approval.

The Company's register of members for H shares will be closed from 26 May 2001 to 26 June 2001 (both days inclusive), during which period no transfers of H shares will be registered. Holders of H shares who wish to attend the Annual General Meeting and be listed on the distribution list for final dividends must deliver their instruments of transfer and the relevant share certificates to Hong Kong Registrar, the Registrar of H shares of the Company, no later than 4 p.m. on 25 May 2001.

Share Capital Structure

As at 31 December 2000, the share capital structure of the Company was as follows:

	At the beginning of the period (10,000 shares)	Percentage (%)	Increase/ (Decrease) during this period (10,000 shares)	At the end of the period (10,000 shares)	Percentage (%)
1. Unlisted Shares					
State-owned legal person shares	300,000	61.64	0	300,000	61.64
2. Listed shares					
(a) H Shares	156,695	32.19	0	156,695	32.19
(b) A Shares	30,000	6.17	0	30,000	6.17
3. Total number of shares	486,695	100	0	486,695	100



Number of Shareholders

As at 31 December 2000, the total number of shareholders of the Company was 196,442.

Substantial Shareholders

As at 31 December 2000, the 10 largest shareholders of the Company and their respective shareholding are as follows:

	Name	Number of shares held	Shareholding (%)
1.	EASTERN AIR GROUP COMPANY (“EA Group”)	3,000,000,000	61.64
2.	HKSCC NOMINEES LIMITED	1,458,271,999	29.96
3.	HONGKONG & SHANGHAI BANKING CORPORATION (NOMINEES) LIMITED A/C BR-9	3,000,000	0.06
4.	HONGKONG & SHANGHAI BANKING CORPORATION (NOMINEES) LIMITED A/C BR-43	2,276,000	0.047
5.	HONGKONG & SHANGHAI BANKING CORPORATION (NOMINEES) LIMITED A/C BR-41	2,122,000	0.044
6.	HONGKONG & SHANGHAI BANKING CORPORATION (NOMINEES) LIMITED A/C BR-42	2,122,000	0.044
7.	HONGKONG & SHANGHAI BANKING CORPORATION (NOMINEES) LIMITED	1,798,000	0.037
8.	HONGKONG & SHANGHAI BANKING CORPORATION (NOMINEES) LIMITED A/C BR-1	1,668,000	0.034
9.	CHEUNG CHAK SUN	1,500,000	0.031
10.	LAU HING NGOR	1,500,000	0.031

The respective interests of EA Group and HKSCC Nominees Limited have been registered in the register of interests kept by the Company pursuant to the Securities (Disclosure of Interests) Ordinance (Chapter 396, Laws of Hong Kong).

Holding of State Legal Person Shares

Mr. Li Zhongming is the legal representative of EA Group, which is the PRC-incorporated holding company of the Company. The business scope of EA Group principally comprises the management of operations of enterprises under EA Group and the sale of goods produced by such enterprises. The business scope of EA Group also includes the provision of catering, boarding and lodging services, courier services, transportation of passengers and goods on land, and other land transportation services, as well as the sale of food and souvenirs on aircraft. As at 31 December 2000, the shares of the Company held by the EA Group were not mortgaged or charged.

Major Acquisitions

After consultation with China Civil Aviation Flying College, a shareholder of Air Great Wall, the method of restructuring Air Great Wall was changed from an equity joint venture between the two parties to a one-off acquisition on an instalment payment basis by the Group. Once the acquisition is completed, Air Great Wall will be renamed the Ningbo Branch of China Eastern Airlines Corporation Limited. The acquisition proposal has been submitted to the CAAC for its approval.

Purchase, Sale and Redemption of Shares

During 2000, there was no purchase, sale or redemption of the Company's or any of its subsidiaries' shares.

The Code of Best Practice

During the year ended 31 December 2000, the Board of Directors was not aware of any evidence showing that the Company had not complied with 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 Company convened a meeting of the Board of Directors on 24 August 2000, during which it was decided to establish an Investment Monitoring Committee as recommended in the "Code of Best Practice" to monitor investment decisions and investment risks. The Investment Monitoring Committee consists of directors Messrs. Wu Baiwang, Zhu Tonghai and Zhong Xiong. Executive director, Mr. Wu Baiwang, is the chairman of the Committee. The Investment Monitoring Committee formally began its work in early 2001.

Pre-emptive Rights

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



DIRECTORS, SUPERVISORS, AND SENIOR MANAGEMENT

Names, relevant information of and shares held by the Directors, supervisors (“Supervisors”) and senior management of the Company during 2000 and as at the date of this report are as follows:

Name	Position	Age	A shares held
Li Zhongming	Chairman of the Board of Directors (“Board”)	60	2,800
Shen Zejiang	Director	48	2,800
Xiao Liyuan	Director	51	2,800
Zhu Tonghai	Director	59	2,800
Zhong Xiong	Director	55	2,800
Chen Quanxin	Director	59	2,800
Wu Baiwang	Director	58	0
Zhou Ruijin	Director	62	0
Gong Haocheng	Independent Non-executive Director	73	0
Hu Honggao	Independent Non-executive Director	47	0
Peter Lok	Independent Non-executive Director	64	0
Fu Yunbi*	Director	61	2,800
Xu Minzhu*	Director	61	2,800
Yan Banghong*	Director	61	2,800
Li Wenxin	Chairman of the Supervisory Committee (“Supervisory Committee”)	52	0
Ba Shengji	Supervisor	42	2,800
Zhou Rongcai	Supervisor	56	0
Yang Jie	Supervisor	31	0
Liu Jiashun	Supervisor	44	0
Qin Yaping*	Supervisor	47	2,800
Dai Shiwen*	Supervisor	60	2,800
Feng Lei**	Supervisor	36	2,800
Liu Shaoyong	President	43	0
Wan Mingwu	Vice-president	54	0
Wu Yulin	Vice-president	52	2,800
Fan Ru	Chief Pilot	51	2,800
Yang Xu	Chief Engineer	40	0
Luo Weide	Chief Accountant	45	0
Luo Zhuping	Secretary of the Board	48	2,800

* resigned in June 2000

** resigned in January 2001

As at the date of this report, a brief biography in respect of each of the Directors, Supervisors and senior management officers of the Company is as follows:

Mr. Li Zhongming is currently the chairman of the Board. Mr. Li joined the civil aviation industry in 1961 and had been deputy head of the CAAC Shenyang Bureau from 1983 to 1985, and of the CAAC Guangdong Bureau from 1985 to 1992. From 1992 to 1996, he had been a vice president of China Southern Airlines (Group). From early 1996 to end of 1996, he was deputy head of the CAAC Central-Southern Bureau. Mr. Li became a Director and president of the Company at the end of 1996. Since 1997, Mr. Li has been deputy party secretary of the Company, and a president and deputy party secretary of EA Group. Mr. Li graduated from Beijing Aviation Industry School in 1961. He graduated from the Chinese Civil Aviation School in 1996 and holds the title of First-Class Pilot. Mr. Li became the vice chairman of the Board in August 1997. As from December 1999, Mr. Li is the chairman of the Board and president and party secretary of EA Group.

Mr. Shen Zejiang is currently a Director. Mr. Shen joined the civil aviation industry in 1968. From 1972 to 1992, he was pilot of the 5th Fleet (3rd Team) of the CAAC. From 1992 to 1995, he was head of China Eastern Airlines' Shanghai Fleet (1st Team). From 1995 to 1997, he was vice-president of China Eastern Airlines' Anhui Branch office. From 1997 to 1999, he was the president and deputy party secretary of the Company's Anhui Branch office. From December 1999, he was the President and deputy party secretary of the Company. He is currently deputy director of the CAAC Southwest Bureau. Mr. Shen graduated from Chinese Civil Aviation School and holds the title of First Class Pilot.

Mr. Xiao Liyuan is currently a Director. Mr. Xiao joined the civil aviation industry in 1965. From 1978 to 1982, he was secretary and deputy head of the Department of Politics of the CAAC Shanghai Bureau. From 1983 to 1985, he was deputy head of the CAAC Shanghai Bureau. From 1985 to 1987, he was political commissar of the 5th Fleet of the CAAC, and from 1987 to 1992, he was political commissar of China Eastern Airlines' Shanghai fleet. From 1992 to 1996, he was secretary of the disciplinary committee of China Eastern Airlines. From 1993, Mr. Xiao has been responsible for overseeing the listing of the Company in Hong Kong and New York. Mr. Xiao is the secretary of the disciplinary committee of both the Company and EA Group from 1997. Mr. Xiao graduated from the management department of the University of Telecommunication. In 1997, he graduated from the Sino-European International Business School. Mr. Xiao was the party secretary and vice-president of the Company as from December 1999. He is currently deputy director of the CAAC East China Bureau.

Mr. Zhu Tonghai is currently a Director. He joined the civil aviation industry in 1962. From 1984 to 1987, he was deputy head of the Aviation Standards Branch of the CAAC Shanghai Bureau and head of the Aviation Standards Branch of the CAAC Eastern China Bureau from 1987 to 1990. From 1990 to April 1995, Mr. Zhu was deputy party secretary of China Eastern Airlines. He became deputy party secretary of the Company in May 1995. Since 1997, Mr. Zhu has been a vice-president of EA Group. Mr. Zhu graduated in 1962 from the Air Force Aviation School No.16 and holds the title of First-Class Navigator.

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

Mr. Chen Quanxin is currently a Director and chairman of the workers' union of the Company. Mr. Chen joined the civil aviation industry in 1965. From 1983 to 1987, he was deputy manager and from early 1987 to end of 1987, manager of Transportation Services Company of the CAAC Shanghai Bureau. From the end of 1987 to 1992, Mr. Chen was chief of the China Eastern Airlines administrative office. In 1992, Mr. Chen became chairman of the workers' union of China Eastern Airlines. Since the end of 1996, he has been chairman of the workers' union of EA Group. In 1997, Mr. Chen became chairman of the workers' union of the Company.

Mr. Wu Baiwang is currently a Director and party secretary of Guangzhou Baiyuan Airport. Mr. Wu joined the civil aviation industry in 1959 and was deputy head and subsequently head 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. In September 1995, he became the general manager of China General Aviation Corporation. Mr. Wu graduated from Chinese Civil Aviation School in 1965 and holds the title of First Class Pilot.

Mr. Zhou Ruijin is currently a director of the Company. 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 1994 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, posts from which he is now retired. Mr. Zhou graduated from the journalism department of Fudan University in 1962.

Mr. Gong Haocheng is currently an independent non-executive Director. He is chairman of the supervisory committee of China Guo Tai Securities Co., Ltd., president of the Shanghai Institute of Securities and Futures, and a professor at the Shanghai University of Finance, Shanghai University of Communications and Eastern China College of Law and Politics. From 1984 to 1991, he was assistant branch manager and then branch manager of the Shanghai Branch of the People's Bank of China, and head of the Shanghai Bureau of the State Administration of Foreign Exchange. Mr. Gong was responsible for overseeing the establishment of the Bank of Communications, the Shanghai Stock Exchange and the Shanghai Foreign Exchange Adjustment Centre.

Mr. Hu Honggao is currently an independent non-executive Director. He is the vice-chancellor and professor of law at Fu Dan University Law School, and tutor of students researching on international economic law at Fu Dan University. He is also senior associate of the Shanghai Fu Dan Law Office. Mr. Hu is a member of the Legislative Consultation Committee of the Shanghai Municipal Government, an arbitrator of the Shanghai Arbitration Committee, and a member of the governing bodies of both the Shanghai Law Association and the Shanghai Notary Association.

Mr. Peter Lok is currently an independent non-executive Director. 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 administration and management of civil aviation in England from 1968 to 1973. In 1982, he became the assistant director of the Hong Kong Civil Aviation Department. As from 1985, during his 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 the deputy director in 1988, and subsequently the director in 1990 of the Hong Kong Civil Aviation Department. Mr. Lok retired in 1996 and he is currently a consultant at the Flight 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. Li Wenxin is currently Chairman of the Company's Supervisory Committee. Mr. Li joined the civil aviation industry in 1970. From 1995 to 1996 he was deputy party secretary of China General Aviation Corporation. From 1996 to 1998 he was deputy general manager of China General Aviation Corporation and in February 1998 he assumed the post of party secretary and executive deputy general manager of the Shanxi branch of the Company. He is currently deputy party secretary and secretary of the disciplinary committee of Eastern Air Group. Mr. Li received a university education and has qualifications as a political work instructor.

Mr. Ba Shengji is currently a Supervisor. Mr. Ba joined the civil aviation industry in 1978. In 1980, Mr. Ba became an accountant at the Department of Finance of the CAAC Shanghai Bureau. In 1988, he became 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. Mr. Ba is currently the chief officer of the auditing office of the Company. Mr. Ba graduated from the University of Telecommunication and specializes in corporate management.



Mr. Zhou Rongcai is currently a supervisor and vice-chairman of the workers' union of the Company. Mr. Zhou joined the civil aviation industry in 1972. From 1979 to 1987 he was an instructor with the 5th Fleet (3rd Team) of the CAAC. From 1987 to 1992 he was an instructor and a deputy political commissar with the Shanghai Fleet (3rd Team) of China Eastern Airlines. From 1992 to 1996 he was deputy department head of the organization department of China Eastern Airlines and from 1996 to 1997 he was head of the general office of the China Eastern workers' union. Since 1997 he has been head of the general office and vice-chairman of the

workers' unions of the Company and Eastern Air Group. Mr. Zhou graduated from the Shanghai Air Force Political Academy.

Ms. Yang Jie is currently a supervisor of the Company. 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 2000 she was Communist Youth League deputy secretary of the aircraft maintenance base of the Company. She is currently deputy secretary of the Company's Communist Youth League. Ms. Yang graduated with a major in aviation electronics from the China Civil Aviation Academy and is a qualified engineer.

Mr. Liu Jiashun is currently a supervisor of the Company. From 1993 to 1999 Mr. Liu was party secretary, deputy general manager and secretary of the disciplinary committee secretary of Aviation Fuel Hainan Company. From 1999 to 2000 he was deputy party secretary of 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. Liu Shaoyong is currently President of the Company. Mr. Liu joined the civil aviation industry in 1978. From 1993 to 1995 he was deputy fleet leader and fleet leader of the Taiyuan fleet of China General Aviation Corporation. From 1995 to 1997 he was deputy general manager of China General Aviation Corporation and deputy director of the CAAC Shanxi Bureau. From 1997 to 1999 he was general manager of the Company's Shanxi branch and from 1999 to 2000 he was director of the CAAC's department of flight standards. Since December 2000 he has been President and deputy party secretary of the Company. Mr. Liu graduated from the China Civil Aviation Flight Academy and in 1999 he was a graduate student majoring in international trade at the Tianjin School of Finance and Economics. He holds the title of First Class Pilot.

Mr. Wan Mingwu is currently 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. Wu Yulin is the vice-president of the Company. Mr. Wu joined the civil aviation industry in 1966. From 1975 to 1985, he was the deputy head, and from 1985 to 1988, the head, of the 5th Fleet of the CAAC. In 1998, Mr. Wu became the head of China Eastern Airlines' Shanghai Fleet. From 1989 to 1994, Mr. Wu was the deputy chief, and from 1994 to 1995, the chief, of the Aviation Skills and Management Department of China Eastern Airlines. He was the director of China Eastern Airlines' Safety Supervision Department from 1995 to 1997, deputy pilot and chief of the Safety Supervision Department of the Company from 1997 to 1998 and president and party secretary of the Hebei Branch office of the Company from 1998 to 1999. Mr. Wu became vice president of the Company from December 1999. Mr. Wu graduated from Chinese Civil Aviation School and holds the title of First Class Pilot.

Mr. Fan Ru is the chief pilot of the Company. Mr. Fan joined the civil aviation industry in 1968. Mr. Fan was the deputy head of the 5th Fleet of the CAAC from 1985 to 1988, the deputy head of China Eastern Airlines' Shanghai Fleet from 1988 to 1995, the chief of the Aviation Skills and Management Department of China Eastern Airlines from 1995 to 1997 and the deputy pilot and chief of the Aviation Skills and Management Department of the Company from 1997 to 1999. Mr. Fan became the chief pilot of the Company from December 1999. Mr. Fan graduated from the Chinese Civil Aviation School and holds the title of First Class Pilot.

Mr. Yang Xu is the Chief Engineer of the Company. Mr. Yang joined the civil aviation industry in 1982. Mr. Yang was president of the Aircraft Repair and Maintenance Department of China Eastern Airlines from 1993 to 1997, the vice-president of the Aircraft Repair and Maintenance Base of the Company from 1997 to 1998, and president and deputy party secretary of the Aircraft Repair and Maintenance Department of the Company from 1998 to 1999. Mr. Yang became the Chief Engineer of the Company from December 1999. Mr. Yang graduated from the Aircraft Production Sector of the Nanjing Aviation School and holds the title of Senior Engineer.

Mr. Luo Weide is the Company's Chief Accountant. In 1976 Mr. Luo began his military service at the Air Force in Liuan Airport. From 1986 to 1991 he successively served as secretary of the general party branch and deputy bureau director 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 general manager 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 general manager of Pudong Finance Company. Since 2000 he has been the Chief Accountant of the Company. Mr. Luo graduated from the Sino-European International Business School in 1999, obtaining a Master's degree in business administration. He holds the titles of Senior Accountant and Senior Economist.

Mr. Luo Zhuping is the secretary of the Board and the head of the secretariat of the Board. Mr. Luo joined the civil aviation industry 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 and the head of the secretariat of the Board. Mr. Luo graduated from the Faculty of Philosophy and the Faculty of Law of Anhui University in 1979 and 1985, respectively.

Interests of Directors and Supervisors in the Share Capital of the Company

Except as disclosed in this report, none of the Directors or Supervisors had, as at 31 December 2000, any interests in any shares or debentures of the Company or any associated corporation (within the meaning of the Securities (Disclosure of Interests) Ordinance ("SDI Ordinance")) or which are required pursuant to section 29 of the SDI Ordinance to be entered in the register referred to therein, or any interests in warrants to subscribe for shares in the Company or any associated corporation (as so defined) which are required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies or, in the case of Supervisors, which would be required to be notified as described above if they had been Directors.

At no time during the year was the Company or any of its subsidiaries, their holding companies or jointly controlled entities a party to any arrangement to enable the Company's Directors, Supervisors, chief executive or any of their spouses or children under eighteen years of age to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

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 other than statutory compensation. In accordance with the resolutions to be passed in the AGM for the year 2000 relating to the proposal for the change of certain directors and supervisors, the Company will enter into service contracts with the relevant directors and supervisors.

Interests of Directors and Supervisors in Contracts

Except as disclosed in this report, none of the Directors or Supervisors had a material interest in any contract of significance to which the Company or any of its subsidiaries was a party during the year.

Remuneration of Directors and Supervisors

Details of remuneration of Directors and Supervisors are set out in note 9 to the financial statements prepared in accordance with IAS.

Employees

As at 31 December 2000, the Group had approximately 13,000 employees, a majority of them are working in the PRC.

Bank Loans and Other Borrowings

Details of bank loans and other borrowings of the Company and the Group as at 31 December 2000 are set out in notes 26 to 27 to the financial statements prepared in accordance with IAS.

Interest Capitalized

Interest capitalized for the Group for the year ended 31 December 2000 was RMB 61 million.

Fixed Assets

Movements of fixed assets of the Company and the Group during the year are summarized in note 14 to the financial statements prepared in accordance with IAS.

Reserves

Details of movements in reserves of the Company and the Group for the year ended 31 December 2000 are set out in note 29 to the financial statements prepared in accordance with IAS.

Statutory Common Welfare Fund

Details in relation to the statutory common welfare fund, such as the nature, application and movements of the fund, and the basis of its calculation, including the percentage used for calculating the amounts, are set out in note 29(b) to the financial statements prepared in accordance with IAS.

Donations

During the year, the Group made donations for charitable purposes amounting to RMB 171,000.

Employees' Retirement Scheme

Details of the Company's employees' retirement scheme and post retirement benefits are set out in note 33 to the financial statements prepared in accordance with IAS.

Major Suppliers and Customers

As at 31 December 2000, the cost of aircraft and related equipment and other purchases from the Group's largest and five largest suppliers accounted for approximately 24.42% and 64.58%, respectively, of the total purchases. The aggregate percentages of sales attributable to the Group's five largest customers are less than 5% and therefore no additional disclosure with regard to major customers are made.

One of the five largest suppliers is Shanghai Eastern Air Catering Co. Ltd. ("Eastern Air Catering"), which is owned as to 60% by EA Group. The cost of food and beverages purchased by the Group from Eastern Air Catering in 2000 accounted for approximately 1.37% of the Group's total purchases.

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

Material Contracts

Details of material contracts entered into subsequent to the balance sheet date are set out in note 40(a) to the financial statements prepared in accordance with IAS.

AGM and Board Meetings

AGM

On 22 June 2000, the Company held its 1999 AGM at Bai Hua Hall, Fourth Floor, 2nd Door, Pine City Hotel, 8 Dong'an Road, Shanghai, The People's Republic of China to discuss various resolutions proposed by the Board. Ordinary resolutions were passed to approve each of the following matters: the Directors' report, the Supervisory Committee's report, the financial report and the profit appropriation proposal of the Company for the year ended 31 December 1999; the appointment of auditors and the appointment and resignation of some of the directors of the Company.

Board Meetings

During 2000 the Company's Board of Directors held three regular meetings and two ordinary meetings and passed the following resolutions:

Approving the Company's business plan and investment proposal for 2000, the working report of the President of the Company for 1999 and matters related to changes in the equity of Shanghai Eastern Flight Training Co., Ltd.; approving the draft of the annual results announcement of the Company for 1999, the domestic and international audited financial reports of the Company, the profit distribution proposal, the internal control systems for the Company's four depreciation reserves and matters related to the renewal of the agreement on major affiliated transactions between the Company and eight subsidiaries of the Group, and deciding upon 22 June 2000 as the date for convening the year 2000 annual shareholders' general meeting and determining the agenda for the same; approving the proposal presented by the President to partially adjust the Company's structure, the Company's most recent aircraft purchase plan and the proposal to contribute RMB7.5 million for a stake in Shanghai Hongpu Civil Airport Communications Co., Ltd.; approving the draft of the interim results announcement of the Company for the year 2000, the domestic and international financial reports of the Company for 2000, approving the joint venture with the Flight Academy to establish Eastern Air Great Wall Company, deciding on the establishment of an investment review committee by the Board of Directors and approving the Charter of the Investment Review Committee of China Eastern Airlines Corporation Limited and engaging Mr. Luo Weide as the Company's Chief Financial Officer on the recommendation of the President; approving the resignations of Mr. Shen Zejiang as President of the Company and Mr. Xiao Liyuan as Vice President, engaging Mr. Liu Shaoyong as President of the Company and, on the recommendation of President Liu Shaoyong, engaging Mr. Wan Mingwu as Vice-president of the Company.

The aforementioned resolutions on the annual results and interim results reports and the changes in the Company's management were previously announced respectively on 25 April, 20 August and 18 December 2000 in the *Shanghai Securities News*, the *South China Morning Post* and the *Hong Kong Economic Times*.

Connected Transactions

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

Details of the connected transactions entered into by the Group with EA Group or companies directly or indirectly held by EA Group for the year ended 31 December 2000 are set out in note 37(b) to the financial statements in accordance with IAS.

The Company's independent non-executive directors have reviewed the transactions with connected persons entered into by the Group during the year 2000 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 transactions or (II) (where there is no such agreement) on terms no less favourable than terms available to third parties.

In addition, as at 31 December 2000, the Company had given guarantee to a bank in respect of a short-term bank loan amounting to RMB 200 million drawn down by China Cargo Airlines Ltd., a non-wholly owned subsidiary of the Company.

In respect of each connected transactions disclosed in note 37(b) to the financial statements prepared in accordance with IAS and the guarantee given by the Company in respect of the short-term bank loan drawn down by China Cargo Airlines Ltd., the Company confirms that it has complied with the relevant requirements under Chapter 14 of the Listing Rules or a waiver from such requirements has been obtained from the Stock Exchange.

Details of the other related party transactions entered by the Group for the year ended 31 December 2000 are set out in note 37(a) to the financial statements prepared in accordance with IAS. These transactions do not constitute connected transactions under the Listing Rules.

Staff Quarters

Details of the Group's staff quarters are set out in note 4 to the financial statements in accordance with IAS.

Material Litigation

The Group was not involved in any material litigation or disputes in 2000.

Auditors

PricewaterhouseCoopers (Certified Public Accountants in Hong Kong) and Shanghai Zhonghua Huyin Certified Public Accountants (registered accountants in the PRC) were the Company's international and domestic auditors in 2000, respectively. A resolution to reappoint both PricewaterhouseCoopers and Shanghai Zhonghua Huyin Certified Public Accountants, as the Company's international and domestic auditors, respectively, for the financial year ending 31 December 2001 will be proposed at the forthcoming AGM on 26 June 2001.

On behalf of the Board

Li Zhongming

Chairman of the Board

Shanghai, 9 April 2001