





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 31 December 2003.

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 2003 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 2003 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 15 to the financial statements prepared in accordance with IFRS.

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

	PRC Accounting Regulations (RMB'000)	IFRS (RMB'000)
Domestic	6,242,387	5,870,643
Hong Kong Special Administrative Region ("Hong Kong")	2,009,184	2,017,181
International	5,747,488	5,560,187
Total	13,999,059	13,448,011

Dividends

The Group suffered an operating loss in 2003. The Board has proposed that no dividend be distributed

for 2003. The 2003 profit distribution plan will be submitted to the 2003 Annual General Meeting to be convened for approval.





Share Capital Structure

As at 31 December 2003, the share capital structure of the Company in 2003 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 31 December 2003, the total number of registered shareholders of the Company was 134,512, of which 131,823 are holders of A shares (including unlisted State-owned legal person shares and listed A shares), and 2,689 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 31 December 2003,

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 31 December 2003, interested in 5% or more of any class of the then issued share capital of the Company, or was otherwise, as at 31 December 2003, 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 31 December 2003			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	1,468,833,363	30.18%	–	93.74%	–

Note:

Based on the information available to the Directors as at 31 December 2003 (including such information as was available on the website of the Stock Exchange) and so far as the Directors are aware, as at 31 December 2003:

1. Among the 1,468,833,363 H shares held by HKSCC Nominees Limited, Morgan Stanley International Incorporated had an interest in an aggregate of 104,122,000 H shares of the Company (representing approximately 6.64% of its then total issued H shares). According to the information as disclosed in the website of the Stock Exchange and so far as the Directors are aware, Morgan Stanley International Incorporated, which was (or its directors were) accustomed to act in accordance with the directions of Morgan Stanley, held its indirect interest in the Company as at 31 December 2003 in the manner as follows:

(a) 89,874,000 H shares, representing approximately 5.736% of the Company's then total issued H shares, were held by Morgan Stanley Investment Management Company in the capacity of beneficial owner. Morgan Stanley Investment Management Company was ultimately 100% held by Morgan Stanley Asia Pacific (Holdings) Limited, which, in turn, was 90% held by Morgan Stanley International Incorporated;

(b) 390,000 H shares, representing approximately 0.025% of the Company's then total issued H shares, were held by Morgan Stanley Asset & Investment Trust Management Co., Limited, which was 100% held by Morgan Stanley International Incorporated;

(c) 262,000 H shares, representing approximately 0.017% of the Company's then total issued H shares, were held by Morgan Stanley & Co International Limited. Morgan Stanley & Co International Limited was ultimately 100% held by Morgan Stanley Group (Europe). Morgan Stanley Group (Europe) was approximately 98.30% held by Morgan Stanley International Limited, which, in turn, was 100% held by Morgan Stanley International Incorporated; and

(d) 1,296,000 H shares, representing approximately 0.083% of the Company's then total issued H shares, were held by Morgan Stanley Capital (Luxembourg) S.A., which was approximately 93.75% held by Morgan Stanley International Incorporated.

According to the information as disclosed in the website of the Stock Exchange and so far as the Directors are aware, as at 31 December 2003, Morgan Stanley International Incorporated also had a short position in 12,300,000 H shares of the Company (representing approximately 0.78% of its then total issued H shares).





2. Among the 1,468,833,363 H shares held by HKSCC Nominees Limited, J.P. Morgan Chase & Co. had an interest in an aggregate of 156,112,700 H shares of the Company (representing approximately 9.96% of its then total issued H shares). Out of the 156,112,700 H shares, J.P. Morgan Chase & Co. had an interest in a lending pool comprising 5,462,000 H shares of the Company (representing approximately 0.35% of its then total issued H shares). According to the information as disclosed in the website of the Stock Exchange and so far as the Directors are aware, J.P. Morgan Chase & Co. held its interest in the Company in the manner as follows:

- (a) 5,462,000 H shares in a lending pool, representing approximately 0.35% of the Company's then total issued H shares, were held by JPMorgan Chase Bank, which was 100% held by J.P. Morgan Chase & Co.;
- (b) 690,700 H shares, representing approximately 0.04% of the Company's then total issued H shares, were held in the capacity as beneficial owner by J.P. Morgan Whitefriars Inc., which was ultimately 100% held by J.P. Morgan Chase & Co.; and
- (c) 149,960,000 H shares, representing approximately 9.57% of the Company's then total issued H shares, were held in the capacity as investment manager by JF Asset Management Limited. JF Asset Management Limited was approximately 99.99% held by J.P. Morgan Fleming Asset Management (Asia) Inc., which, in turn, was ultimately 100% held by J.P. Morgan Chase & Co..

3. Among the 1,468,833,363 H shares held by HKSCC Nominees Limited, Grantham, Mayo, Van Otterloo & Co. LLC had a direct interest in 80,923,000 H shares of the Company (representing approximately 5.16% of its then total issued H shares) in the capacity as investment manager.

Save as disclosed above, according to the records of HKSCC Nominees Limited and other information available to the Directors as at 31 December 2003, the other H shares held by HKSCC Nominees Limited were held by it on behalf of a number of other persons, and to the knowledge of the Directors, none of such persons individually held 5% or more of the then total issued H shares of the Company as at 31 December 2003.

Save as disclosed above and so far as the Directors are aware, as at 31 December 2003, no other person (other than the Directors, chief executives, Supervisors or members of senior management of the Company) 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, or was otherwise a substantial shareholder (as defined in the Listing Rules) of the Company.

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	11,175,364	1,468,833,363	30.1798	listed	Unknown	H shares
3. HSBC NOMINEES (HONGKONG) LIMITED {A/C BR-9}	0	3,000,000	0.0616	listed	Unknown	H shares
4. HSBC NOMINEES (HONGKONG) LIMITED	580,000	2,968,000	0.0610	listed	Unknown	H shares
5. BOSHI YUFU FUND (博時裕富基金)	2,533,740	2,533,740	0.0521	listed	Unknown	A shares
6. HSBC NOMINEES (HONGKONG) LIMITED {A/C BR-43}	0	2,256,000	0.0464	listed	Unknown	H shares
7. HSBC NOMINEES (HONGKONG) LIMITED {A/C BR-41}	0	2,122,000	0.0436	listed	Unknown	H shares
8. HSBC NOMINEES (HONGKONG) LIMITED {A/C BR-42}	0	2,000,000	0.0411	listed	Unknown	H shares
9. HSBC NOMINEES (HONGKONG) LIMITED {A/C BR-1}	0	1,668,000	0.0343	listed	Unknown	H shares
10. XINGHE FUND (興和基金)	0	1,543,786	0.0317	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	1,468,833,363	H shares
HSBC NOMINEES (HONGKONG) LIMITED {A/C BR-9}	3,000,000	H shares
HSBC NOMINEES (HONGKONG) LIMITED	2,968,000	H shares
BOSHI YUFU FUND (博時裕富基金)	2,533,740	A shares
HSBC NOMINEES (HONGKONG) LIMITED {A/C BR-43}	2,256,000	H shares
HSBC NOMINEES (HONGKONG) LIMITED {A/C BR-41}	2,122,000	H shares
HSBC NOMINEES (HONGKONG) LIMITED {A/C BR-42}	2,000,000	H shares
HSBC NOMINEES (HONGKONG) LIMITED {A/C BR-1}	1,668,000	H shares
XINGHE FUND (興和基金)	1,543,786	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 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. Ye Yigan 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 31 December 2003, the shares of the Company held by CEA Holding were not pledged.

Purchase, Sale or Redemption of Securities

During the year ended 31 December 2003, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of its securities (the term "securities" having the meaning ascribed thereto in the Listing Rules).

Compliance with the Code of Best Practice

The Company has at all times during the year ended 31 December 2003 complied with the "Code of Best Practice" set out in Appendix 14 to the Listing Rules.

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.

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 2003 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
Ye Yigan	Chairman of the Board of Directors	61	0	–	June 2001- June 2004
Li Fenghua	Director, President	54	0	–	October 2002- October 2005 [#]
Wan Mingwu	Director, Vice President	57	0	–	June 2001- June 2004
Cao Jianxiong	Director	45	2,800 (Note 1)	Beneficial Owner	June 2001- June 2004
Zhong Xiong	Director	58	2,800 (Note 1)	Beneficial Owner	June 2001- June 2004
Chen Quanxin	Director	62	2,800 (Note 1)	Beneficial Owner	June 2001- June 2004
Wu Baiwang	Director	61	0	–	June 2001- June 2004

[#] Li Fenghua was appointed as the President with effect from October 2002 and subsequently as a Director with effect from June 2003.





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	65	0	–	June 2001- June 2004
Xie Rong	Independent Non-executive Director	52	0	–	June 2003- June 2006
Hu Honggao	Independent Non-executive Director	50	0	–	June 2001- June 2004
Peter Lok	Independent Non-executive Director	67	0	–	June 2001- June 2004
Li Wenxin	Chairman of the Supervisory Committee	55	0	–	June 2001- June 2004
Ba Shengji	Supervisor	45	2,800 (Note 1)	Beneficial Owner	June 2001- June 2004
Zhou Rongcai	Supervisor	59	0	–	June 2001- June 2004
Yang Jie	Supervisor	34	0	–	June 2001- June 2004
Liu Jiashun	Supervisor	47	0	–	June 2001- June 2004
Wu Yulin	Vice President	55	2,800 (Note 1)	Beneficial Owner	June 2001- June 2004
Wu Jiahong	Vice President	52	0	–	April 2002- April 2005
Yang Xu	Vice President	43	1,000 (Note 2)	Beneficial Owner	April 2002- April 2005
Zhou Liguo	Vice President, Chief Economic Official	55	0	–	April 2004- April 2007
Luo Weide	Chief Financial Officer	48	0	–	June 2001- June 2004
Luo Zhuping	Secretary of the Board	51	2,800 (Note 1)	Beneficial Owner	June 2001- June 2004

Note 1: representing approximately 0.000933% of the Company's total issued listed A shares as at 31 December 2003

Note 2: representing approximately 0.000333% of the Company's total issued listed A shares as at 31 December 2003



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. Ye Yigan is the incumbent chairman of the Board of Directors. Mr. Ye joined the civil aviation industry in 1965. From 1983, he served as deputy chief engineer of the aircraft repair factory of the CAAC Shanghai Bureau. From 1985, he served as head of the aircraft repair factory of the CAAC Shanghai Bureau. In December 1987 he became deputy head of the CAAC East China Bureau. From 1992, he served as president and deputy party secretary of China Aviation Supplies Corp. From June 1996, he served as head and party secretary of the CAAC East China Bureau. From April 2001 to September 2002, he served as president and party secretary of EA Group. From June 2001 he became chairman of the Board of Directors. In October 2002, he became president and deputy party secretary of CEA Holding. Mr. Ye graduated from the China Civil Aviation Institute in Tianjin, with a major in aircraft instrument maintenance. He holds the title of Senior Engineer.

Mr. Li Fenghua is currently the director and President of the Company. 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. Since October, 2002, he has been serving as the President of the China Eastern Airlines Corporation Limited and vice-president of China Eastern Air Holding Company. Mr. Li graduated from the China Civil Aviation Senior Aviation School and holds the title of First Class Pilot.

Mr. Wan Mingwu is currently a 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. Cao Jianxiong is currently a 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 became the party secretary of China Eastern Air Northwest Company since December 2002. 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. Zhong Xiong is currently a 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. Chen Quanxin is currently a Director. Mr. Chen joined the civil aviation industry in 1965. From 1983 to early 1987, he was vice president and from early 1987 to end of 1987, president 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. From 1992, Mr. Chen served as chairman of the workers' union of China Eastern Airlines. From the end of 1996, he was the chairman of the workers'

union of EA Group. From 1997 to 2001, he served as chairman of the workers' union of the Company. Mr. Chen has then retired.

Mr. Wu Baiwang is currently a Director of the Company. 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 is currently an independent non-executive 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 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 is currently an independent director of the Company and a certified accountant in the People's Republic of China. Mr. Xie 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. Hu Honggao is currently an independent non-executive Director of the Company. 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 is currently an independent non-executive Director of the Company. 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. 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. Zhou Rongcai is currently a Supervisor. 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 Company's workers' union. Since 1997 he has been head of the general office and vice chairman of the workers' unions of the Company and EA Group. Since April 2001, he served as the party secretary of Shanghai Eastern Air Catering Co. Ltd.. Mr. Zhou graduated from the Shanghai Air Force Political Academy.

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 is currently a Supervisor. 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 Yulin is a 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 chief pilot and head 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 has been vice president of the Company since December 1999. Mr. Wu graduated from Chinese Civil Aviation School and holds the title of First Class Pilot.

Mr. Wu Jiuhong 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. Mr. Wu has completed postgraduate studies and is a qualified senior political work instructor.

Mr. Yang Xu is a vice president of the Company. Mr. Yang joined the civil aviation industry in 1982. Mr. Yang was president and party secretary of the overhaul department at the aircraft maintenance base of China Eastern Airlines from 1993 to 1997, the vice president of the aircraft maintenance base of the Company from 1997 to 1998, and president and deputy party secretary of the aircraft maintenance base of the Company from 1998 to 1999. Mr. Yang has been the chief engineer of the Company since December 1999. Since April 2002, he served as vice president of the Company. Mr. Yang graduated from the Nanjing Aviation School with a major in aircraft manufacture and holds the title of Senior Engineer.





Mr. Zhou Liguo is currently a vice president and chief economic official 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 became the Company's chief economic official since December 2003. Mr. Zhou received university education and holds the title of First Class Pilot.

Mr. Luo Weide is the Company's chief financial officer. In 1976 Mr. Luo began his military service at the Air Force in Liuan 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.

Mr. Luo Zhuping is 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. 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.



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

On 29 April 2003, the Company convened the third meeting of the third Board of Directors and resolved that Mr. Liu Shaoyong would no longer serve as a Director of the Company, and that Mr. Gong Haocheng would no longer serve as an independent non-executive Director of the Company.

After nomination at the third meeting of 2003 of the third Board of Directors of the Company, and after consideration and by way of a resolution passed at the 2002 Annual General Meeting, Mr. Li Fenghua was appointed as a Director of the Company and Mr. Xie Rong was appointed as an independent non-executive Director of the Company.

Mr. Zhou Liguo was appointed at the Board meeting held on 5 April 2004 as the Company's deputy general manager (vice president) with effect from the conclusion of the Board meeting.

Shareholdings of Directors, Chief Executive, Supervisors and Senior Management

Save as disclosed above, as at 31 December 2003, 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 then Model Code for Securities Transactions by Directors of Listed Companies as set out in Appendix 10 to the Listing Rules then in force (which shall be deemed to apply to the Supervisors to the same extent as it applied to the Directors).

In 2003 and as at 31 December 2003, 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 then in force and applicable at that time).

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 31 December 2003, the Group had 16,435 employees, a majority of them worked in the PRC.

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 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 31 December 2003 are set out in notes 27 to 28 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 31 December 2003 was RMB97.414 million.

Fixed Assets

Movements of fixed assets of the Company and the Group during the year are summarized in note 12 to the financial statements prepared in accordance with IFRS.

Reserves

Details of movements in reserves of the Company and the Group for the year ended 31 December 2003 are set out in note 30 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 30(b) to the financial statements prepared in accordance with IFRS.

Donations

During the year, the Group made donations for charitable purposes amounting to RMB328,941.06.

Employees' Retirement Scheme

Details of the Company's employee retirement scheme and post retirement benefits are set out in note 34 to the financial statements prepared in accordance with IFRS.

Major Suppliers and Customers

As at 31 December 2003, the cost of aircraft and

related materials from the Group's largest and five largest suppliers accounted for approximately 27.70% and 49.98%, respectively, of the total purchases of the Group. The aggregate percentage of sales attributable to the Group's five largest customers combined accounted for less than 30% of the Group's total sales in 2003.

Since April 2003, Eastern Aviation Import and Export Company, the Group's largest supplier, has been interested as to 55% by CEA Holding and 45% by the Company. In 2003, the cost of aircraft, related equipment and other purchases from Eastern Aviation Import and Export Company accounted for approximately 27.70% of the Group's total purchases.

One of the five largest suppliers was Shanghai Eastern Air Catering Co. Ltd. ("Eastern Air Catering"), which is 60% owned by CEA Holding. The cost of food and beverages purchased by the Group from Eastern Air Catering in 2003 accounted for approximately 0.87% of the Group's total purchases.

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

Details of material contracts entered into subsequent to the balance sheet date are set out in note 43 to the financial statements prepared in accordance with IFRS.

AGM and Board Meetings

AGM

The 2002 Annual General Meeting of the Company was held on 20 June 2003 at Bai Hua Hall, Fourth Floor, 2nd Door, Pine City Hotel, 8 Dong'an Road, Shanghai, the PRC to consider the resolutions proposed by the Board of Directors, and approved by ordinary resolutions the working report of the Board of Directors for the year 2002, the working report of the Supervisory Committee for the year 2002, the audited financial statements and the auditor's reports for the year 2002, and the profit distribution proposal for the year 2002; the re-appointments of auditors; and the appointments of Mr. Li Fenghua as Director of the Company and Mr. Xie Rong as independent Director of the Company.

Board Meetings

During 2003 the Company's Board of Directors held five regular meetings and passed, among other resolutions, the following resolutions:

Reviewing and approving the Company's financial budget and investment proposal for 2003; reviewing and approving the Company's working report of the president, audited report, profit appropriation proposal and the announcement of its results for the year 2002; reviewing and approving a motion to propose to the shareholders' meeting the re-appointments of Shanghai Zhonghua Certified Public Accountants and PricewaterhouseCoopers, Certified Public Accountants, Hong Kong as the Company's domestic and international auditors for 2003; approving the company information disclosure management system, senior management professional ethics standard, office rules for disclosure of information, the revision to the duties of the Company's Audit Committee, the review and



adjustment to the Company's financial information of 2002, and the adoption of the proposed policy in relation to the repair expenses of the Company's aircraft and engines; and reviewing and approving the addition to the Company's fleet of 20 A330 or B777 aircraft (19 of which being to replace the Company's existing A300, A310, B767 aircraft and the remaining aircraft being a new addition); reviewing and approving the Company's first quarterly report and financial report of 2003; resolving that Mr. Liu Shaoyong would no longer serve as a Director of the company and Mr. Gong Haocheng would no longer serve as an independent Director of the Company, and nominating Mr. Li Fenghua and Mr. Xie Rong as candidates for Director and independent Director, respectively, of the Company's third Board of Directors; reviewing and approving the adjustment proposal of not distributing profit for the year 2002, the resolution to convene the 2002 shareholders' meeting and the resolution regarding the Company's aircraft fuel risk management; reviewing and approving the drafts of the Company's 2003 interim report and announcement of interim results; approving the modification of the composition of the Audit Committee, which should be composed of Mr. Xie Rong, Mr. Hu Honggao and Mr. Cao Jianxiong and the appointment of Mr. Xie Rong as the chairman thereof; reviewing and approving the Company's third quarterly report and financial report of 2003; and approving the increase of share capital in Eastern China Kaiya System Integration Co., Ltd. with the unappropriated profits, resulting in an increase in the Company's equity interest therein to 42%.

Connected Transactions

1. On 24 April 2003, the Company entered into a share transfer agreement with CEA Holding,

pursuant to which the Company has acquired from CEA Holding 45% of its then equity interest in Eastern Aviation Import and Export Company ("EAIEC") for a consideration of approximately RMB43,820,000. The consideration was funded out of the Company's internal resources and had been paid by the Company to CEA Holding in cash within ten business days after date of signing the agreement and hence completion. The Company's Directors believed that the acquisition of 45% equity interest in EAIEC can reduce the Company's cost of importing and exporting aviation raw materials in its operation, enhance the Company's operating benefits and its profits generated from investment. As CEA Holding is the controlling shareholder and, hence, a connected person, of the Company, the transaction contemplated under this share transfer agreement constituted a connected transaction for the Company pursuant to paragraph 14.23(1) of the Listing Rules then in force. As the transaction contemplated under the agreement fell within the ambit under paragraph 14.25(1) of the then Listing Rules, this transaction was not subject to independent shareholders' approval. Details of the transaction were disclosed in the Company's announcement dated 24 April 2003.

2. To expand its aviation business and increase its market share, the Company entered into aircraft leasing agreements with each of China Eastern Air Northwest Company ("CEA Northwest") and China Eastern Air Yunnan Company ("CEA Yunnan") on 22 December

2003, whereby CEA Northwest leased two A300-600 aircraft to the Company and CEA Yunnan leased two CRJ-200 aircraft to the Company, both for the period commencing from 1 October 2003 to 31 March 2004, with the aggregate lease payments thereof for such entire period being approximately RMB136,152,000 and RMB45,127,800 respectively. The respective lease payments were payable on a monthly basis. The lease payments were determined by factors such as the number of hours flown by the relevant aircraft and the number of rental days. CEA Northwest and CEA Yunnan are wholly-owned by the Company's controlling shareholder - CEA Holding. CEA Northwest and CEA Yunnan are connected persons of the Company pursuant to the Listing Rules and the said aircraft leasing agreements constituted connected transactions for the Company pursuant to paragraph 14.23(1) of the Listing Rules then in force. The Directors of the Company were of the view that the terms of the said aircraft leasing agreements, including the basis for calculating the lease payments were fair and reasonable, were in the interests of the Company insofar as the independent shareholders of the Company were concerned and were on normal commercial terms. As the respective consideration involved in the said aircraft leasing agreements did not exceed 3% of the book value of the net tangible assets of the Company as disclosed in the then latest published unaudited accounts of the Company as at 30 June 2003, these transactions fell within the de-minimis provision under paragraph 14.25(1) of the then Listing Rules. Pursuant to the Listing Rules, the entering into of the two aircraft leasing agreements were

not subject to the approval of the Company's independent shareholders. Details of the transactions were disclosed in the Company's announcement dated 23 December 2003.

3. On 22 December 2003, the Company entered into an equity transfer and capital increase agreement with CEA Holding and Shanghai Eastern Development Corporation Limited ("SEDC"), whereby the Company acquired 10% of SEDC's then equity interest in Shanghai Dong Mei Aviation Travel Corporation Limited ("Shanghai Dong Mei") at a consideration of approximately RMB1,517,429 and 35% of CEA Holding's then equity interest in Shanghai Dong Mei at a consideration of approximately RMB5,311,003. The payments had been made by the Company to SEDC and CEA Holding respectively within ten business days after completion. Upon completion of the acquisition, CEA Holding held 55% equity interest in Shanghai Dong Mei while the Company held 45% equity interest in Shanghai Dong Mei. CEA Holding and the Company then increased the registered capital of Shanghai Dong Mei from RMB10,000,000 to RMB31,000,000 according to their then shareholdings in Shanghai Dong Mei, and the Company made the capital contribution by way of cash in the sum of RMB8,100,000. The Company has funded the capital contribution by way of existing cash reserve of the Company. After completion of the capital increase, Shanghai Dong Mei remains to be held as to 55% by CEA Holding and 45% by the Company. The total consideration made by the Company in this transaction was approximately RMB14,928,000. Upon completion of the transaction, Shanghai Dong



Mei became an associated company of the Company. The investment in Shanghai Dong Mei will be accounted for in the accounts of the Company by way of equity accounting method. The Company's Directors believed that the investment in Shanghai Dong Mei would enable the Company to expand its business and would enhance the profits to be generated from the investment of the Company. As CEA Holding is the controlling shareholder of the Company and it owns 90% of the equity interest in SEDC, both CEA Holding and SEDC are connected persons of the Company. The acquisitions of the equity interest in Shanghai Dong Mei by the Company and the capital contribution made by the Company in Shanghai Dong Mei constituted connected transactions for the Company pursuant to the Listing Rules. As the connected transactions contemplated under the agreement fell within the de-minimis provision under paragraph 14.25(1) of the Listing Rules then in force, such transactions were not subject to independent shareholders' approval. Details of the transaction were disclosed in the Company's announcement dated 23 December 2003.

4. On 22 December 2003, the Company entered into a joint venture agreement with CEA Holding in relation to the establishment of China Eastern Air Catering Investment Company Ltd. ("CEA Catering"). The registered capital of and total investment in CEA Catering would be RMB350,000,000, which will be interested as to 55% by CEA Holding and 45% by the Company. The Company has contributed capital in the

amount of RMB157,500,000 towards CEA Catering by way of cash within 15 business days after the joint venture agreement becomes effective. Upon establishment of CEA Catering, it would be an associated company of the Company. The investment in CEA Catering will be accounted for in the accounts of the Company by way of equity accounting method. The Board believed that the investment by the Company in CEA Catering would be beneficial to the Company and its shareholders. The investment in CEA Catering was expected to reduce the cost to be incurred by the Company in the provision of catering services, enhance the profits to be generated from the investment of the Company and enhance the competitiveness of the Company in the domestic aviation industry. As CEA Holding is the controlling shareholder and, thus, a connected person of the Company, the establishment of CEA Catering by CEA Holding and the Company constituted a connected transaction for the Company pursuant to paragraph 14.23(1) of the Listing Rules then in force. As the connected transaction contemplated under the joint venture agreement fell within the de-minimis provision under paragraph 14.25(1) of the then Listing Rules, such transaction was not subject to independent shareholders' approval. Details of the transaction were disclosed in the Company's announcement dated 23 December 2003.

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 31 December 2003 are set out in note 39 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 2003 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 39 to the financial statements prepared in accordance with IFRS, the Company

confirms that it has complied with the relevant requirements then applicable under the Listing Rules then in force or a waiver from such requirements has been obtained from the Stock Exchange.

Details of the other related party transactions entered by the Group during the year ended 31 December 2003 are set out in note 39 to the financial statements prepared in accordance with IFRS. These transactions do not constitute connected transactions under the Listing Rules.

Waiver from Compliance with the Listing Rules

Pursuant to Rule 14.04(8) of the Listing Rules then in force, the Stock Exchange has granted to the Company a waiver from strict compliance with the provisions of Chapter 14 of the Listing Rules then in force and applicable, which related to notifiable transactions, in relation to the acquisition or disposal of aircraft. The major terms of the waiver are summarized as follows:

- (a) instead of the normal tests under Chapter 14 of the Listing Rules then in force and applicable, the tests for the Company are made by reference to the Available Tonne Kilometers ("ATKs") for aircraft being acquired or disposed of as compared to the Company's aggregate fleet ATKs;
- (b) the proposed test replaces the relevant net asset test and the consideration test only, while the net profit and equity capital tests under Chapter 14 of the Listing Rules then in force and applicable still apply;



- (c) the calculation of ATKs is as follows:
- (i) fleet ATKs are the aggregate actual ATKs for all aircraft in the Company's fleet for the last financial year as disclosed in the Company's annual report;
 - (ii) ATKs for aircraft being disposed of are based on actual ATKs of the aircraft for the previous two financial years; and
 - (iii) ATKs for aircraft being acquired are based on the historical operating data for the type of aircraft. Where the aircraft to be acquired is of a new type, the ATKs are estimated based on other aircraft of similar size operated by the Company or the average for the Chinese civil aviation industry;
- (d) the Company's ATKs figure would be disclosed in the Company's annual report and reviewed by auditors who would confirm on an annual basis that the Company's ATKs are calculated correctly and consistently.
- (e) for the purposes of making the test stated in (a) above, all acquisitions and disposals for the last 12 months are aggregated, unless the acquisition or disposal has previously been reported as a notifiable transaction pursuant to the rules set out herein;
- (f) the thresholds for classifying a transaction as a discloseable, major or very substantial acquisition are $33\frac{1}{3}\%$, 50% and 100% (assuming that there are no circumstances which would make it a connected transaction or a share transaction);
- (g) where the transaction is a discloseable transaction, disclosure takes the form of a press announcement complying with Rule 14.14 of the Listing Rules then in force and applicable and details of the transaction are to be set out in the Company's annual report and accounts. Where the transaction is a major transaction or a very substantial acquisition, the applicable provisions of Chapter 14 of the Listing Rules then in force apply;
- (h) an option to acquire aircraft is not treated as acquisition while the exercise of such an option is treated as acquisition of an aircraft;
- (i) the Company shall disclose in its annual reports and interim reports the following information:
- (i) regarding future deliveries of aircraft, details of aircraft on order including the number and type, and the years in which such aircraft are scheduled to be delivered;
 - (ii) the number and type of aircraft which are subject to options exercisable during a period of not less than 12 months from the end of the financial year or period to which the report relates; and
- (j) should there be any change in control of the Company, the Stock Exchange will need to reconsider whether the waiver continues to be appropriate.
- As at 31 December 2003, the Company's ATKs were 4,774.50 million.

In relation to future deliveries of aircraft, as at 31 December 2003, the following are details of aircraft on order which are scheduled to be delivered:

Type of aircraft	Number of aircraft	Year to be delivered
A320	5	2004
A321	2	2004
A340-600	2	2004
A320	5	2005
A321	2	2005
B737-800	3	2005

* Except for three Boeing B737-800 aircraft to be acquired under operating leases, the other aircraft will be purchased by the Company.

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 31 December 2003.

Staff Quarters

Details of the Group's staff quarters are set out in note 35 to the financial statements prepared in accordance with IFRS.

Material Litigation

The Group was not involved in any material litigation or arbitration in the year ended 31 December 2003.

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 31 December 2003, none of the Company and its subsidiaries 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 2003, respectively. A resolution to re-appoint both PricewaterhouseCoopers, Certified Public Accountants, Hong Kong and Shanghai Zhonghua Certified Public Accountants as the Company's international and domestic auditors, respectively, for the financial year ending 31 December 2004 will be proposed at the Company's forthcoming 2003 Annual General Meeting.

On behalf of the Board

Ye Yigan

Chairman of the Board

Shanghai, China

5 April 2004

