

HZKZ(2006)0022

**To the shareholders of
China Eastern Airlines Corporation Limited:**

We have audited the accompanying balance sheet and consolidated balance sheet of China Eastern Airlines Corporation Limited ("the Company") as of December 31, 2005 and the related statement of income and income appropriation, and consolidated statement of income and income appropriation, and statement of cash flow and consolidated statement of cash flow for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the financial statements based on our audit.

We conducted our audit in accordance with the Independent Auditing Standards of the People's Republic of China to obtain reasonable assurance about whether the financial statements are free of material misstatement. The audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. The audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the above-mentioned financial statements are in conformity with the Accounting Standards and the "Accounting Regulations for Enterprises". They present fairly, in all material respects, the financial position of the Company as of December 31, 2005, operating results and cash flow for the year then ended.

Lin Dongmo CPA

Chen Li CPA

Shanghai Zhonghua Certified Public Accountants

Shanghai, China

April 10, 2006

Balance Sheet

(Prepared in accordance with PRC Accounting Regulations)

As at 31 December 2005

Prepared by: China Eastern Airlines Corporation Limited

Unit: RMB

Assets	Note	Consolidated		Parent Corp.	
		Ending Balance	Beginning Balance	Ending Balance	Beginning Balance
Current Assets:					
Cash & bank	5.1	4,254,535,690.16	3,841,460,120.53	3,132,572,859.81	2,571,544,389.61
Short-term Investment	5.2	216,350,939.49	413,042,752.71	216,350,939.49	412,692,752.71
Notes receivable		-	-	80,000,000.00	-
Dividends Receivable		3,976,338.04	6,990,663.15	3,976,338.04	6,990,663.15
Interests Receivable		892,199.78	240,061.50	-	-
Accounts Receivable	5.3	1,652,293,507.04	1,780,420,970.81	1,508,401,820.80	1,562,172,460.75
Other Receivables	5.4	867,404,163.59	858,396,742.73	830,256,579.16	1,345,534,606.21
Prepayments	5.5	86,478,864.62	32,142,313.83	75,255,016.30	25,714,275.32
Inventories	5.6	2,123,963,260.72	1,177,346,469.96	1,979,267,180.59	1,098,436,416.93
Amounts to be Amortized	5.7	189,391,492.98	125,451,097.02	168,403,643.99	106,129,728.15
Total Current Assets		9,395,286,456.42	8,235,491,192.24	7,994,484,378.18	7,129,215,292.83
Long-term Investment					
Long-term equity Investment	5.8	763,480,113.54	677,070,402.26	3,289,128,320.65	2,996,065,529.94
Long-term Debt Investment		-	-	-	-
Total Long-term Investment		763,480,113.54	677,070,402.26	3,289,128,320.65	2,996,065,529.94
Less: Provision for Impairment of Long-term Investment	5.8	1,758,050.62	1,758,050.62	-	-
Long-term Investment, net		761,722,062.92	675,312,351.64	3,289,128,320.65	2,996,065,529.94
Including: Consolidation Difference	5.8	-6,334,788.19	-1,653,640.63	-	-
Including: Equity Investment Difference	5.8	51,952,290.10	53,910,614.20	45,116,779.68	51,741,918.01
Fixed Assets:					
Fixed Assets, at cost	5.9	51,334,825,330.72	40,860,132,679.81	42,374,428,829.64	34,097,710,149.69
Less: Accumulated Depreciation	5.9	15,142,397,158.14	12,905,946,919.58	11,987,973,664.55	10,414,452,094.15
Net Fixed Assets		36,192,428,172.58	27,954,185,760.23	30,386,455,165.09	23,683,258,055.54
Less: Provision for Impairment of Fixed Assets	5.9	3,570,000.00	3,570,000.00	3,570,000.00	3,570,000.00
Fixed Assets, net		36,188,858,172.58	27,950,615,760.23	30,382,885,165.09	23,679,688,055.54
Engineering Supplies		326,900.00	326,900.00	326,900.00	326,900.00
Construction in Progress	5.10	9,354,744,819.36	2,910,755,235.80	8,286,786,541.85	2,802,052,449.65
Disposal of Fixed Assets		-	-	-	-
Total Fixed Assets		45,543,929,891.94	30,861,697,896.03	38,669,998,606.94	26,482,067,405.19
Intangible Assets & Other Assets					
Intangible Assets	5.11	1,425,918,926.79	1,322,183,829.68	877,673,191.86	788,780,012.33
Long-term Assets to be Amortized	5.12	211,267,402.42	161,327,014.54	189,839,111.27	136,399,412.78
Other long-term assets	5.13	92,066,541.92	-	-	-
Total intangible Assets & Other Assets		1,729,252,871.13	1,483,510,844.22	1,067,512,303.13	925,179,425.11
Deferred Taxes:					
Deferred Tax Debits	5.14	128,481,375.46	139,592,391.32	102,835,820.79	114,305,063.55
Total Assets		57,558,672,657.87	41,395,604,675.45	51,123,959,429.69	37,646,832,716.62

Balance Sheet

(Prepared in accordance with PRC Accounting Regulations)

As at 31 December 2005

Prepared by: China Eastern Airlines Corporation Limited

Unit: RMB

Liabilities & Shareholder's Equity	Note	Consolidated		Parent Corp.	
		Ending Balance	Beginning Balance	Ending Balance	Beginning Balance
Current Liabilities:					
Short-term Loans	5.15	13,626,454,021.61	6,188,919,456.37	10,651,229,348.99	4,255,919,456.37
Notes Payable	5.16	1,775,047,801.31	838,337,176.10	1,597,047,801.31	838,337,176.10
Short-term Financing notes payable	5.17	1,974,544,444.45	-	1,974,544,444.45	-
Accounts Payable	5.18	1,119,482,543.65	727,835,020.99	833,684,227.75	665,488,290.48
Advances from Customers	5.19	91,157,502.36	69,661,954.06	127,757,048.95	225,488,934.68
International Sales in Advance of Carriage	5.20	629,785,497.79	716,225,097.79	606,634,664.96	691,240,870.62
Domestic Sales in Advance of Carriage	5.21	201,250,486.78	148,349,090.03	201,250,486.78	148,349,090.03
Payroll Payable		213,876,949.16	262,868,327.26	182,400,979.82	255,080,100.27
Welfare Payable		2,261,057.57	9,836,722.21	-	5,407,738.79
Dividends Payable	5.22	61,749,441.71	1,278,965.10	60,000,000.00	-
Taxes Payable	5.23	345,654,997.47	369,550,167.33	265,065,732.21	194,367,039.98
Other Outstanding Payment (statutory)	5.24	732,902,629.10	643,612,487.75	677,328,616.30	604,004,602.15
Other Payables	5.25	2,372,697,732.33	1,743,733,768.88	2,198,575,401.86	1,372,455,728.11
Accrued Expenses	5.26	3,735,503,693.13	3,323,089,093.18	3,130,629,245.15	2,594,404,151.53
Accrued Liabilities	5.27	21,125,337.00	13,831,473.00	21,125,337.00	13,831,473.00
Deferred Income	5.28	76,797,154.86	89,750,899.62	76,797,154.86	89,750,899.62
Portion of Long-term Liabilities					
due Within One Year	5.29	4,548,962,304.22	3,806,169,293.36	4,482,900,828.27	3,806,169,293.36
Total Current Liabilities		31,529,253,594.50	18,953,048,993.03	27,086,971,318.66	15,760,294,845.09
Long-term Liabilities:					
Long-term Loans	5.30	9,778,580,559.62	7,283,214,165.34	9,316,422,049.62	7,252,590,945.34
Long-term Accounts Payable	5.31	9,154,291,161.70	8,316,485,000.96	8,356,570,122.30	8,316,485,000.96
Payments for Special Purpose		102,276.05	102,276.05	102,276.05	102,276.05
Total long-term Liabilities		18,932,973,997.37	15,599,801,442.35	17,673,094,447.97	15,569,178,222.35
Deferred Taxes:					
Deferred Tax Credits	5.32	417,048,511.47	329,766,349.19	394,654,020.97	329,584,634.66
Total Liabilities		50,879,276,103.34	34,882,616,784.57	45,154,719,787.60	31,659,057,702.10
Minority Interests		864,827,200.18	714,813,526.35	-	-
Shareholder's Equity:					
Capital Stock	5.33	4,866,950,000.00	4,866,950,000.00	4,866,950,000.00	4,866,950,000.00
Capital Reserve	5.34	1,236,765,781.00	1,182,682,050.85	1,326,559,964.03	1,285,210,430.76
Surplus Reserve	5.35	212,612,116.74	185,940,927.08	-	-
Including: Public Welfare Fund	5.35	99,462,093.80	90,739,788.10	-	-
Undistributed Profit	5.36	-501,758,543.39	-534,737,613.40	-224,270,321.94	-261,724,416.24
Cash Dividends		-	97,339,000.00	-	97,339,000.00
Total Shareholder's Equity		5,814,569,354.35	5,798,174,364.53	5,969,239,642.09	5,987,775,014.52
Total liabilities & Shareholder's Equity		57,558,672,657.87	41,395,604,675.45	51,123,959,429.69	37,646,832,716.62

Income Statement

(Prepared in accordance with PRC Accounting Regulations)

For the period of January – December 2005

Prepared by: China Eastern Airlines Corporation Limited

Unit: RMB

Item	Note	Consolidated		Parent Corp.	
		Ending Balance	Beginning Balance	Ending Balance	Beginning Balance
I. Revenue from main Operations:	5.36	26,225,037,620.40	19,893,143,628.59	21,649,148,945.81	15,875,882,226.74
Less: Main Operating Cost	5.36	22,676,968,664.92	16,123,577,232.40	18,459,050,053.91	12,947,428,391.25
Business Taxes and additional	5.37	643,284,601.99	521,573,837.03	505,408,408.54	403,064,638.04
II. Profit from Main operations		2,904,784,353.49	3,247,992,559.16	2,684,690,483.36	2,525,389,197.45
Add: Other operating Revenue	5.38	613,655,715.99	664,863,604.99	245,084,507.89	327,651,265.45
Less: Operating Expenses		1,951,059,122.09	1,449,384,291.23	1,748,122,741.16	1,285,799,267.59
General & Administrative Expenses		1,303,786,537.41	1,176,830,743.19	1,016,749,409.76	903,400,798.62
Financial Expenses	5.39	570,697,799.19	698,476,930.78	451,695,704.06	625,102,482.12
III. Profit from Operations		-307,103,389.21	588,164,198.95	-286,792,863.73	38,737,914.57
Add: Investment Income	5.40	7,448,219.30	-29,401,993.41	38,661,726.33	313,895,668.13
Subsidy Income	5.41	175,421,635.88	71,219,749.56	145,386,980.08	71,105,974.91
Non-operating Income	5.42	228,265,135.98	337,990,332.32	214,690,681.69	312,336,039.27
Less: Non-operating Expenses	5.43	-1,526,476.34	53,371,600.17	-2,212,799.92	52,648,827.83
IV. Total Profit		105,558,078.29	914,600,687.25	114,159,324.29	683,426,769.05
Less: Income Tax	5.44	9,548,889.98	224,587,769.55	76,705,229.99	68,210,384.27
Gains or Losses of Minority Shareholders		35,535,015.74	153,670,846.87	-	-
V. Net Profit		60,474,172.57	536,342,070.83	37,454,094.30	615,216,384.78

Supplementary Data

1. Proceeds from Sale or Disposal of Departments or Invested Companies	-	-	-	-
2. Loss from Natural Disasters	-	-	-	-
3. Increase (or Decrease) of Total Profit Arising From Change in Accounting Policies	-	-	-	-
4. Increase (or Decrease) of Total Profit Arising From Change in Accounting Estimations	-	-37,039,000.00	-	-35,483,000.00
5. Loss from Debt Reorganization	-	-	-	-
6. Other Items	-	-	-	-

Statement of Profit Appropriation

(Prepared in accordance with PRC Accounting Regulations)

For the period of January – December 2005

Prepared by: China Eastern Airlines Corporation Limited

Unit: RMB

Item	Note	Consolidated		Parent Corp.	
		Ending Balance	Beginning Balance	Ending Balance	Beginning Balance
I. Net Profit (loss) for the year		60,474,172.57	536,342,070.83	37,454,094.30	615,216,384.78
Add: (Accumulated Loss)/Retained Profits at the Beginning of the Year		-534,737,613.40	-905,928,136.89	-261,724,416.24	-779,601,801.02
Less: Provision for staff housing subsidy		-	-	-	-
Add: Transfer from Surplus Reserve		-	-	-	-
II. Profits Available for Distribution		-474,263,440.83	-369,586,066.06	-224,270,321.94	-164,385,416.24
Less: Provision for					
Statutory Surplus Reserve		17,948,883.96	35,299,036.48	-	-
Provision for Statutory Welfare Fund		8,722,305.70	31,836,798.94	-	-
Provision for Staff & Worker's Welfare Fund		823,912.90	676,711.92	-	-
III. Profits Available for Distribution to Owners		-501,758,543.39	-437,398,613.40	-224,270,321.94	-164,385,416.24
Less: Dividends for Preferred Shares		-	-	-	-
Provision for Discretionary Surplus Reserve		-	-	-	-
Dividends for Common Shares		-	97,339,000.00	-	97,339,000.00
Common Shares Transferred into Share Capital		-	-	-	-
IV. Retained Profits/(Accumulated Loss)		-501,758,543.39	-534,737,613.40	-224,270,321.94	-261,724,416.24

Cash Flow Statement

(Prepared in accordance with PRC Accounting Regulations)

For the year of 2005

Prepared by: China Eastern Airlines Corporation Limited

Unit: RMB

Item	Note	Consolidated	Parent Corp.
I. Cash Flows from Operating Activities:			
Cash received from sales of goods or rendering of services		27,920,519,362.75	22,578,087,095.19
Refunds of taxes		30,034,655.80	–
Other cash received relating to operating activities		999,850,556.73	976,965,593.48
Sub-total of cash inflows		28,950,404,575.28	23,555,052,688.67
Cash paid for goods and services		19,427,991,546.73	15,620,246,028.55
Cash paid to and on behalf of employees		2,548,160,994.48	2,016,235,894.39
Payments of all types of taxes		1,356,874,600.55	1,089,680,936.27
Other cash paid relating to operating activities		1,676,661,527.26	1,663,115,020.56
Sub-total of cash outflows		25,009,688,669.02	20,389,277,879.77
Net cash flows from operating activities		3,940,715,906.26	3,165,774,808.90
II. Cash Flows from Investing Activities:			
Cash received from return of investments		350,000.00	–
Cash received from distribution of dividends or profits		225,522,761.38	219,968,098.69
Net cash receipts from the disposal of fixed assets, intangible assets and other long-term assets		958,120,376.64	946,516,598.12
Other cash received relating to investing activities		–	–
Sub-total of cash inflows		1,183,993,138.02	1,166,484,696.81
Cash paid for acquisition of fixed assets, intangible asset, and other long-term activities		12,634,707,583.16	10,605,540,569.26
Cash paid for acquisition of investments		1,587,569.25	1,042,500.00
Other cash paid relating to investing activities	5.46.1	117,752,770.35	117,752,770.35
Sub-total of cash outflows		12,754,047,922.76	10,724,335,839.61
Net cash flows from investing activities		-11,570,054,784.74	-9,557,851,142.80
III. Cash Flows from Financing Activities:			
Cash received from investors including: Cash received by subsidiaries from investments by minority shareholders		–	–
Cash received from borrowings		22,947,936,485.66	19,245,556,950.66
Other cash received relating to financing activities	5.46.2	17,647,200.00	17,647,200.00
Sub-total of cash inflows		22,965,583,685.66	19,263,204,150.66
Cash repayments of amounts borrowed		13,945,062,809.93	11,774,856,213.27
Cash paid for distribution of dividends or profits and for interest expenses including: Cash paid for distribution of dividends or profits to minority shareholders by subsidiaries		1,024,378,419.20	595,548,611.87
Other cash paid relating to financing activities	5.46.3	511,280,123.04	490,576,499.14
Sub-total of cash outflows		15,480,721,352.17	12,860,981,324.28
Net cash flows from financing activities		7,484,862,333.49	6,402,222,826.38
IV. Effect of Foreign Exchange Rate Changes on Cash		1,134,359.95	2,464,223.05
V. Net Increase in Cash and Cash Equivalents		-143,342,185.04	12,610,715.53

Cash Flow Statement

(Prepared in accordance with PRC Accounting Regulations)

For the year of 2005

Prepared by: China Eastern Airlines Corporation Limited

Unit: RMB

Supplementary Information	Note	Consolidated	Parent Corp.
I. Reconciliation of Net Profit to Cash Flows from Operating Activities			
Net Profit		60,474,172.57	37,454,094.30
Add: Gains or losses of minority shareholders		35,535,015.74	-
Provision for impairment of assets		-115,475,835.71	-117,826,026.37
Deprecation of fixed assets		2,999,284,104.88	2,550,585,705.58
Amortization of intangible assets		46,815,451.40	34,129,631.05
Amortization of long-term deferred expenses		62,556,820.29	56,672,772.48
Decrease/(increase) in amounts to be amortized		-1,396,539.40	269,940.72
Decrease/(increase) in accrued expense		-502,963,241.84	-376,515,508.05
Losses/(gains) on disposal of fixed assets, intangible assets and other long-term assets		-943,422.71	-1,131,823.07
Losses on scrapping of fixed assets		18,241.20	-
Financial expenses		541,016,995.04	414,981,665.77
Losses/(gains) arising from investments		-7,448,219.30	-38,661,726.33
Deferred taxes credit/(debit)		76,538,629.07	76,538,629.07
Decrease/(increase) in inventories		99,699,060.24	158,141,674.40
Decrease/(increase) in operating receivables		374,764,060.85	926,981,232.98
Increase/(decrease) in operating payable		272,240,613.94	-555,845,453.63
Others		-	-
Net cash flows from operating activities		3,940,715,906.26	3,165,774,808.90
II. Investing and Financing Activities that do not Involve Cash Receipts and Payments			
Conversion of debt into capital		-	-
Convertible bonds maturing in one year		-	-
Fixed-assets acquired by finance leases		1,557,826,400.22	674,169,852.92
III. Net Increase in Cash and Cash Equivalents			
Cash at the end of the period		1,832,428,250.72	738,938,266.95
Less: cash at the beginning of the period		1,779,428,622.54	529,985,738.20
Add: cash equivalents at the end of the period		216,350,939.49	216,350,939.49
Less: cash equivalents at the beginning of the period		412,692,752.71	412,692,752.71
Net Increase in cash and cash equivalents		-143,342,185.04	12,610,715.53

Provision for Impairment of Assets

(Prepared in accordance with PRC Accounting Regulations)

For the period of January – December 2005

Prepared by: China Eastern Airlines Corporation Limited

Unit: RMB

Items	Consolidated		Decreases		Total	Ending Balance	Parent Corp.		Decreases		Total	Ending Balance
	Beginning Balance	Increases	Write off due to value of fixed assets rising up	Write off due to other reasons			Beginning Balance	Increases	Write off due to value of fixed assets rising up	Write off due to other reasons		
I. Provision for Bad Debts	206,843,339.26	51,722,067.27	-	5,041.77	5,041.77	258,560,364.76	151,648,056.14	49,977,383.45	-	5,041.77	5,041.77	201,620,397.82
Including: Accounts Receivable	94,489,141.21	15,761,239.15	-	5,041.77	5,041.77	110,245,338.59	86,018,454.93	15,633,539.13	-	5,041.77	5,041.77	101,646,952.29
Other Receivables	112,354,198.05	35,960,828.12	-	-	-	148,315,026.17	65,629,601.21	34,343,844.32	-	-	-	99,973,445.53
II. Provision for Impairment of short term investment	-	-	-	-	-	-	-	-	-	-	-	-
Including: Stock Investment	-	-	-	-	-	-	-	-	-	-	-	-
Bond Investment	-	-	-	-	-	-	-	-	-	-	-	-
III. Provision for Impairment of Inventory	625,082,026.67	-5,869,807.28	-	121,152,933.79	121,152,933.79	498,059,285.60	602,806,837.02	-6,472,162.43	-	121,152,933.79	121,152,933.79	475,181,740.80
Including: Aviation Equipment	625,082,026.67	-5,869,807.28	-	121,152,933.79	121,152,933.79	498,059,285.60	602,806,837.02	-6,472,162.43	-	121,152,933.79	121,152,933.79	475,181,740.80
Raw Material	-	-	-	-	-	-	-	-	-	-	-	-
IV. Provision for Impairment of Long term Investment	1,758,050.62	-	-	-	-	1,758,050.62	-	-	-	-	-	-
Including: Long term Equity Investment	1,758,050.62	-	-	-	-	1,758,050.62	-	-	-	-	-	-
Long term Bond Investment	-	-	-	-	-	-	-	-	-	-	-	-
V. Provision for Impairment of Fixed Assets	3,570,000.00	-	-	-	-	3,570,000.00	3,570,000.00	-	-	-	-	3,570,000.00
Including: Buildings	-	-	-	-	-	-	-	-	-	-	-	-
Machine Equipment	3,570,000.00	-	-	-	-	3,570,000.00	3,570,000.00	-	-	-	-	3,570,000.00
VI. Provision for Impairment of Intangible Assets	-	-	-	-	-	-	-	-	-	-	-	-
Including: Patent	-	-	-	-	-	-	-	-	-	-	-	-
Land use right	-	-	-	-	-	-	-	-	-	-	-	-
VII. Provision for Impairment of Construction-in-progress	19,000,000.00	-	13,800,000.00	-	13,800,000.00	5,200,000.00	19,000,000.00	-	13,800,000.00	-	13,800,000.00	5,200,000.00
VIII. Provision for Entrusted Loans	-	-	-	-	-	-	-	-	-	-	-	-

Net Assets Yield and Earnings per Share Calculation

(Prepared in accordance with PRC Accounting Regulations)

For the period of January – December 2005

Prepared by: China Eastern Airlines Corporation Limited

Unit: RMB

Profit	Net Assets Yield		Earnings per share	
	Diluted Earnings per Share	Weighted Average	Diluted Earnings per Share	Weighted Average
Profit from Main Operations	49.96%	49.85%	0.5968	0.5968
Profit from Operations	-5.28%	-5.27%	-0.0631	-0.0631
Net Profit	1.04%	1.04%	0.0124	0.0124
Net Profit after deducting extraordinary gains and losses	-4.88%	-4.87%	-0.0583	-0.0583

Notes to the Financial Statements

(Prepared in accordance with PRC Accounting Regulations)

Year ended 31 December 2005

1. Brief Profile of the Company

China Eastern Airlines Corporation Limited (“the Company”) was established in April 1995 under the sole sponsorship of Eastern Air Group Company. In Feb. 1997, with the approval of State Reformation Commission by its Circular No. (1996) 180 and State Council Securities Commission by its Circular No. (1997) 4, the Company issued 1,566,950,000 H shares, which are listed on the Stock Exchange of Hong Kong and New York Stock Exchange. In May 1997, with the approval of Civil Aviation Administration of China and China Securities Supervisory Commission, the Company issued 300,000,000 A shares to the public. The registered capital of the Company is RMB 4,866,950 thousand. The registered address is No. 66 Jichang Avenue, Pudong International Airport, Shanghai.

The Company is primarily engaged in the air transportation of passengers, cargo, mails and luggage over domestic and approved overseas air routes, extended services, general aviation business, aircraft maintenance, manufacturing and maintenance of aviation equipment, agent services for airlines both at home and abroad and other business related to aviation transportation.

Except the headquarters of the Company, the main aviation business is performed by its nine branches in Shandong, Anhui, Jiangxi, Hebei, Shanxi, Ningbo, Northwest, Yunnan, Gansu and two holding subsidiaries, namely, China Eastern Airlines Jiangsu Co. Ltd., and China Cargo Airlines Co., Ltd.. The other subsidiaries are mainly involved in extended aviation service, manufacturing and maintenance of aviation equipment, and other business related to aviation transportation.

2. Principal Accounting Policies and Accounting Estimations

2.1 Accounting Policies Applied

The company follows the Accounting Standards and *Accounting Regulations for Business Enterprises* and its supplementary regulations. Meanwhile, it also follows the *Accounting Treatment for Civil Aviation Industry*.

2.2 Accounting Period

The Company adopts the Gregorian calendar year as its accounting period, i.e., from January 1 to December 31 each year.

2.3 Base Currency

The Company adopts Renminbi (“RMB”) as its base currency.

2.4 Principle and Basis of Accounting

The Company adopts accrual basis. All items are recorded at actual cost upon acquisition. If impairment occurs, the provision for impairment will be made according to “Accounting Regulations for Business Enterprises”.

Notes to the Financial Statements

(Prepared in accordance with PRC Accounting Regulations)

Year ended 31 December 2005

2. Principal Accounting Policies and Accounting Estimations (Cont'd)

2.5 Translation of Foreign Currencies

Foreign currency transactions are translated into RMB at the middle exchange rate issued by PBOC at the beginning of the month. Monetary assets and liabilities in foreign currencies are translated into RMB at the middle exchange rate prevailing at the end of each period. The differences between RMB equivalents and carrying amounts are treated as exchange differences. Exchange differences of specific borrowings related to the acquisition or construction of a fixed asset should be capitalized in the period in which they are incurred when the relevant fixed asset being acquired or constructed is not ready for its intended use. Exchange differences during preparation period are included in long-term amortization charges, which will be accounted as current profit and loss of the month during which formal operation starts. Exchange differences in normal operations are included in the exchange gains and losses of the current period.

2.6 Definition of Cash Equivalents

Cash equivalents are short term (with a holding period of less than three months), highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

2.7 Current Investment

2.7.1 The initial cost of a current investment is the total price paid on acquisition, deducting cash dividends which have been declared but unpaid at the time of acquisition or unpaid interest on bonds that have been accrued. Cash dividends or interests during holding period are offset against the carrying amount of investments upon receipt. On disposal of a current investment, the difference between the carrying amount and the sale proceeds is recognized as an investment gain or loss of the current period.

2.7.2 The current investment is recorded at the lower of cost and market value. The provision for impairment of current investment is made at the excess of carrying amount over the market value on an individual item basis and will be accounted as current profit and loss.

2.8 Accounting Method for Bad Debts

2.8.1 The Company adopts allowance method for bad debts. At the end of each accounting period the company analyses the recoverability of receivable items (including accounts receivable and other receivables) and makes allowance for bad debts according to the aging method and analysis result. Allowance for bad debts is not made for the items that are surely to be recovered. If there is enough evidence proving the uncollectibility of an account receivable, allowance is made at a higher ratio or at the full carrying amount. The allowance for remaining accounts receivable shall refer to the following ratios.

Notes to the Financial Statements

(Prepared in accordance with PRC Accounting Regulations)

Year ended 31 December 2005

2. Principal Accounting Policies and Accounting Estimations (Cont'd)

2.8 Accounting Method for Bad Debts (Cont'd)

Aging	Ratio
Within 1 year	3‰
In the second year	5%
In the third year	10%
In the fourth year	15%
In the fifth year	20%
Over 5 years	40%

2.8.2 The company adopts following standards in determination of bad debts:

- a. When the debtor is bankrupt or dead, the accounts receivable that are unable to be recovered even after liquidation of the debtor's bankrupt estate or legacy.
- b. When the debt is overdue due to the default of the debtor and there is obvious evidence proving the uncollectibility of the accounts.

The bad debt loss should be approved by Board of Directors. The bad debts will first offset against the allowance that has already been made. If the allowance for bad debts is not enough to compensate the losses the difference will be charged into income statement of the current period.

2.9 Inventory

2.9.1 The inventory of the Company mainly comprises high-price rotables, aircraft consumables, common appliances, aircraft supplies and low-price consumables. The inventory is recorded at planned price and the difference between planned price and actual cost is recorded in 'Materials Cost Variance'. The amortization of high-price rotables is made evenly over 5 years starting from the next month of acquisition according to the adjusted actual cost. Other inventory such as aircraft consumables is charged to cost according to the adjusted actual cost when put into use. The maintenance costs for high-price rotables are recognized as current period expenses immediately when occurred.

2.9.2 In respect of aircraft consumables for aircrafts which are still in use, provision for impairment is made based on aging analysis and corresponding percentage at the end of each period. For those of the aircrafts no longer in use, provision for impairment is made at the lower of the realizable value and carrying amount.

Notes to the Financial Statements

(Prepared in accordance with PRC Accounting Regulations)

Year ended 31 December 2005

2. Principal Accounting Policies and Accounting Estimations (Cont'd)

2.10 Long-term Investment

- 2.10.1 Long-term equity investment (including stock investment and other equity investment) is recorded at the actual cost after deducting cash dividends which have been declared but unpaid at the time of acquisition or at the price agreed upon by relevant parties. The equity method is applied wherever the Company can control, jointly control or has significant influence over the investee enterprise (usually when the Company holds 20% or more voting capital of the investee enterprises or holds less than 20% of the voting capital but has significant influence over the investee enterprise). Otherwise, the cost method is applied. When equity method is adopted, the difference (referred to as "equity investment difference") between the initial investment cost and the Company's share of owners' equity of the investee enterprise should be amortized evenly over a period of 10 years and charged into corresponding year's income statement.
- 2.10.2 Long-term debt investment (including bond investment and other debt investment) is recorded at actual cost. The difference between actual cost and the nominal value of a bond investment is recognized as premium or discount. Interest from investment on bonds should be accrued periodically. The accrued interest revenue from investment on bonds, after adjustments of the amortization of premium or discount, should be recognized as investment income of the period.
- 2.10.3 The long-term investment is recorded at the lower of carrying amount and recoverable amount at the end of each period. If the recoverable amount of a long-term investment is lower than its carrying amount as a result of a continuing decline in market value or deterioration in operating conditions of the investee enterprise, the Company shall make provision for impairment on long-term investment on an individual item basis and charge into the current period.

2.11 Fixed Assets and Depreciation

- 2.11.1 Fixed assets refer to those tangible assets whose useful life is over 1 year, with a high unit price and can be held physically to realize its benefits during the course of use. Fixed assets are recorded at actual acquisition cost. Fixed assets held under financial lease are recorded at net contract price and other actual incidental cost incurred. The corresponding long-term liabilities are determined by the total financing amount stipulated in such financing contracts as lease agreement and loan agreement signed by the Company and lessor. The financing expenses are apportioned during the course of leasehold at actual interest rate.

If no impairment has occurred, the depreciation is provided on a straight-line basis according to the following useful lives and estimated residual value.

Notes to the Financial Statements

(Prepared in accordance with PRC Accounting Regulations)

Year ended 31 December 2005

2. Principal Accounting Policies and Accounting Estimations (Cont'd)

2.11 Fixed Assets and Depreciation (Cont'd)

	Useful lives	Residual value rate
Aircraft and engines attached	20 years	5%
Standby engines	20 years	0%
Buildings	15-35 years	3%
Vehicles and electronic devices	5-6 years	3%
Other Equipment	5-20 years	3%

When impairment occurs, the depreciation is provided on an individual item basis based on the net book value after deducting impairment and residual useful lives.

- 2.11.2 Fixed assets which have been or will be put into other use, or will not be in operation or will be disposed are recorded at the lower of carrying amount and recoverable amount at the end of each period. The recoverable amounts depend on the future cashflows generated by the assets or the estimates made by the management according to the current market situation. When the recoverable amounts have declined below their carrying amounts, the Company shall make provision for impairment of fix assets at the end of the period on an individual item basis and charge to the current period.

2.12 Construction-in-Progress

- 2.12.1 Construction-in-progress is accounted for on an individual item basis at the actual cost. Upon completion and readiness for use, the cost of construction-in-progress is to be transferred to the account of Fixed Assets. Interests incurred in connection with specific borrowings and relevant exchange differences for the purpose of construction-in-progress should be capitalized as part of the cost when the project is not ready for intended use. Interests incurred and exchange differences after the project is ready for use should be recognized as current period expenses.
- 2.12.2 Construction-in-progress is recorded at the lower of carrying amount and recoverable amount at the end of each period. The Company shall make provision for impairment of construction-in-progress at the excess of the carrying amount over its recoverable amount on an individual item basis and charge to the current period.

Notes to the Financial Statements

(Prepared in accordance with PRC Accounting Regulations)

Year ended 31 December 2005

2. Principal Accounting Policies and Accounting Estimations (Cont'd)

2.13 Valuation and Amortization of Intangible Assets

2.13.1 The intangible assets of the Company refer to non-monetary long-term assets without physical substance held for the purpose of rendering service, rental or for administrative purposes. The intangible assets of the Company mainly include land use right and premise use right. The intangible assets are recorded at actual acquisition cost and amortized over its expected useful life under straight-line method.

2.13.2 The intangible asset of the Company is recorded at the lower of carrying amount and recoverable amount at the end of each period. The Company shall make provision for impairment of intangible asset at the excess of the carrying amount over its recoverable amount on an individual item basis and charge to the current period.

2.14 Long-term Amortization Charges

Long-term amortization charges refer to the expenses that will be amortized after formal operation or the amortization period is over one year. All long-term amortization charges are amortized evenly over its estimated beneficial period except organization cost, which will be charged to the income statement of the month during which formal operation starts.

2.15 Overhaul Expenses of Aircraft and Engines

The overhaul expenses refer to D criteria overhaul and higher grade of maintenance for aircrafts owned by the Company or held under finance lease or operating lease. The overhaul expenses of self-owned aircraft and aircraft held under finance lease are charged into the current profit when incurred. The overhaul expenses for aircraft under operating lease are accrued according to lease contract or at a certain percentage for different types of aircraft (the ratio of actual flying hours and estimated flying hours between overhauls). The actual overhaul expenses will offset against the accrued amount. The other daily maintenance expenses of aircraft and engines will be charged into the current income statement.

2.16 Sales in Advance of Carriage

The sales in advance of carriage (SIAC) are mainly sales proceeds for transportation of passengers, cargo, mail and overweight luggage with tickets of the Company, which are to be settled later. The sales in advance of carriage are classified into international and domestic under categories of passenger, cargo and mail for tickets sold in different years. The balance of SIAC is transferred out upon delivery of service by the Company or other airlines with uplifted coupons or billing list by other airlines as evidence.

According to the *Accounting Treatment for Civil Aviation Industry* with the circular number Cai-kuai [2003]18, the Company acknowledges those SIAC balances of both domestic and international sales over settlement period as "over settlement balance" and transfers it into non-operating revenue of this year.

Notes to the Financial Statements

(Prepared in accordance with PRC Accounting Regulations)

Year ended 31 December 2005

2. Principal Accounting Policies and Accounting Estimations (Cont'd)

2.17 Retirement Benefits and Medical Insurance

2.17.1 Retirement Benefits

The Company participates in defined contribution retirement schemes regarding pension for employees organized by the governments of respective provinces. The Company and employees turn in social pension at a certain percentage of the total salaries of last year recognized by government to social welfare agent. In addition, the Company provides retirees with living allowance and transportation subsidies as well as other welfare. The post-retirement benefit expenses are recognized in the current profit and loss.

2.17.2 Medical Insurance

Except Shanghai Headquarters, its subsidiaries (except China Eastern Airlines Jiangsu Co. Ltd.), Northwest, Anhui and Ningbo Branches, the branches in other provinces and China Eastern Airlines Jiangsu Co. Ltd. have not participated in the social medical insurance scheme introduced by local governments. The Company and employees that have participated in the scheme contribute a certain percentage of the total salaries of last year to local social welfare agent. For those that have not participated in the social medical insurance scheme, the actual medical expenses are recognized in the current profit and loss when incurred.

2.18 Revenue

2.18.1 The Company's revenue from rendering transportation service of passengers, cargo and mails is recognized upon delivery of the service with uplifted coupons as evidence.

The commission income from other carriers in respect of sales made by the Company is recognized upon billing by other carriers.

Ground service income is recognized as other operating revenue upon rendering of services.

2.18.2 The interest income and royalty arising from the use by others of the assets held by the Company is recognized when it is probable that the economic benefits associated with the transaction will flow to the Company and the amount of the revenue can be measured reliably.

2.18.3 Incidental Items

Incidental Items refer to the revenue charged from customers in addition to the air ticket price, including insurance and oil expenses. In terms of those tickets sold by the Company but performed by other airlines, the incidental revenue received does not need to be paid to the other airlines, it will be charged to profit and loss statement after receiving billing notice from other airlines.

Notes to the Financial Statements

(Prepared in accordance with PRC Accounting Regulations)

Year ended 31 December 2005

2. Principal Accounting Policies and Accounting Estimations (Cont'd)

2.19 Frequent Flyer Program

The policy of FFP implemented by the Company entitle free travel award to customers based on their accumulated mileage when unsold tickets are available. Extra costs incur as a result of the policy. The company adopts incremental cost methods to estimate the cost of the program. The estimated incremental cost is recognized as an expense in the income statement and accrued as a liability in the balance sheet. As members redeem awards or their entitlements expire, the incremental cost liability is reduced accordingly.

2.20 Income Tax

Tax effects of taxable temporary timing differences are recognized as deferred income tax liabilities. Tax effects of deductible temporary timing differences are recognized as deferred income tax assets.

2.21 Basis of Consolidated Statements

2.21.1 Consolidation Scope: According to "Notice on the Distribution of 'Provisional Regulation on Consolidation of Financial Statements'" (1995) issued by Ministry of Finance and regulations of CKZ(96) No. 2 "Answer to Questions about Consolidation Scope", the consolidation scope of the Company includes all subsidiaries under control and associated companies under joint control, except those companies that have already been closed down, merged, declared in the process of liquidation or bankruptcy, intended to be sold in the near future or have an insignificant influence on consolidation.

2.21.2 Consolidation Method: The consolidated financial statements are prepared on the basis of the financial statements of the Company and its subsidiaries within consolidation scope and other relevant information. The equity investment and the corresponding portion of the owner's equity of the invested entities, the claims and liabilities, as well as all material transactions between or among them have been eliminated. The financial statements of the associate companies are consolidated in proportion.

3. Taxation Items

3.1 Business Tax

The business tax of transportation, ground service and commissions is levied at 3% of the income.

The business tax of maintenance and other services is levied at 5% of the income.

3.2 Value-added Tax

The value-added tax is levied at 4% of the material transfer income.

Notes to the Financial Statements

(Prepared in accordance with PRC Accounting Regulations)

Year ended 31 December 2005

3. Taxation Items (Cont'd)

3.3 City Construction Tax

The city construction tax is levied at 7% of the circular tax.

3.4 Income Tax

The income tax is calculated at applicable income tax rate and taxable income of the period. According to circular HSEC(2001)104 of Shanghai State Taxation Bureau, the Company enjoys the preferential policy of Pudong New Area since July 1, 2001 and the applicable income tax rate is reduced to 15%. The income tax rate of the subsidiaries included in consolidated scope is as follows:

Company	Income tax rate	Notes
China Eastern Airlines Jiangsu Co. Ltd.	33%	
China Cargo Airlines Co., Ltd.	15%	
Shanghai Eastern Flight Training Co., Ltd.	15%	
Shanghai Eastern Airlines Investment Co., Ltd.	15%	
Shanghai East Aircraft Maintenance Co., Ltd.	15%	
Eastern Airlines Hotel Co., Ltd.	33%	
Shanghai Eastern Airlines Logistics Co.,Ltd	15%	Exempt from income tax
Eastern (Shantou) Economic Development Co., Ltd.	33%	
Shanghai Eastern Fudart Transportation Services Co., Ltd.	15%	
Shanghai Eastern Airlines Swire investment Co., Ltd.	33%	

3.5 Education Tax

The education tax is calculated at 3% of the circular tax.

Notes to the Financial Statements

(Prepared in accordance with PRC Accounting Regulations)

Year ended 31 December 2005

4. Stock-held Subsidiaries and Associated Companies

No.	Name of Investee Company	Registered Capital (10,000)	Scope of Business	Total Investment (10,000)	Share-holding Percent
1	China Eastern Airlines Jiangsu Co., Ltd.	88,000.00	Air transportation of passengers, cargo, mails and luggage over domestic air routes and approved overseas routes	54,917.82	62.56%
2	Shanghai Eastern Flight Training Co., Ltd.	47,300.00	Training for flying crew and other related personnel	44,935.00	95%
3	Eastern Airlines Hotel Co., Ltd.	7,000.00	Sales of food, knitwear & hardware	6,010.00	85.86%
4	China Cargo Airlines Co., Ltd.	95,000.00	Air transportation of cargo & mails, air catering, sales of tourist goods, hotel, catering and entertainment	66,500.00	70%
5	Eastern (Shantou) Economic Development Co., Ltd.	1,000.00	Production & sales of aviation products, hardware, chemical materials	550.00	55%
6	Shanghai Eastern Airlines Investment Co., Ltd.	41,250.00	Investment and relevant consultation	40,752.00	98.79%
7	Shanghai Eastern Airlines Logistics Co.,Ltd	20,000.00	Cargo consignment, ground service, transportation service, storage, property management	13,867.48	69.30%
8	Jiangnan Tourism (HK) Co.	64.11	Tour services	44.88	70%
9	Eastern Airlines Jiangsu Advertisement Co., Ltd.	30.00	Design and making of advertisement in domestic broadcast and newspapers	30.00	100%
10	Jiangsu Suying Labor Service Co., Ltd.	16.60	Labor service, labor agent, labor information consultation and training	14.94	90%

Notes to the Financial Statements

(Prepared in accordance with PRC Accounting Regulations)

Year ended 31 December 2005

4. Stock-held Subsidiaries and Associated Companies (Cont'd)

No.	Name of Investee Company	Registered Capital (10,000)	Scope of Business	Total Investment (10,000)	Share-holding Percent
11	Eastern Airlines Jiangsu Co., Ltd. Food Trade Co.	49.80	Shut down	49.80	100%
12	Jiangsu Eastern Airlines Trade Co., Ltd.	200.00	Shut down	110.00	55%
13	Jiangsu Eastern Airlines Industrial Co., Ltd.	22.86	Shut down	16.01	70%
14	Shanghai Dongwei Aviation Transportation Service Co., Ltd	300.00	Land cargo transportation and storage service	195.00	65%
15	Shanghai Eastern Fudart Transportation Services Co., Ltd.	USD100.00	Agent services for transportation of imp. & exp. cargo by air or sea	291.13	51%
16	Shanghai East Aircraft Maintenance Co., Ltd.	USD310.00	airline repairing service	USD186.00	65%
17	Shanghai Eastern Airlines Swire investment Co., Ltd.	USD3000.00	civil aviation transportation and investment in the related field	USD225.00	50%
18	Shanghai Technologies Aerospace Co., Ltd.	USD7300.00	Airline inspect, maintenance, overhaul, etc.	5,187.00	51%

Among the above subsidiaries, No.1, No.2, No. 3, No. 4, No. 5, No. 6, No. 7, No. 15, No. 16 and No.17 have been included in the consolidation scope, No. 11, No. 12, and No. 13 have been shut down and are not included in the consolidation scope; No. 8, No. 9, No.10, and No. 14 have no significant influence on the financial position and are not included in the consolidation scope for the reason that the total assets, operating revenue, and net profit of these companies represent less than 10% of those of the parent company. Notwithstanding over 50% shareholdings, No.18 is not included in the consolidation scope due to the lack of substantial control. Whereas the operating income of Eastern (Shantou) Economic Development Co., Ltd has a great growth, it is included in the consolidation scope.

Notes to the Financial Statements

(Prepared in accordance with PRC Accounting Regulations)

Year ended 31 December 2005

5. Notes to Main Items of Financial Statements

(All amounts are in RMB Yuan; the notes are explanations to major items of consolidated financial statements except otherwise specified)

5.1 Monetary Fund

Item	Original Currency	Ending Balance		Original Currency	Beginning Balance	
		Exchange Rate	RMB Equivalent		Exchange Rate	RMB Equivalent
Cash			4,615,220.16			3,048,203.94
Bank Deposit			1,762,087,843.51			1,635,609,200.98
RMB	1,405,326,284.69	1.00000	1,405,326,284.69	1,328,627,356.53	1.00000	1,328,627,356.53
USD	14,212,657.29	8.07020	114,698,986.95	13,861,220.47	8.27650	114,722,391.22
JPY	1,113,482,522.00	0.06872	76,514,064.98	690,473,198.00	0.07970	55,031,404.35
HKD	833,219.65	1.04030	866,798.40	-	1.06370	-
EUR	3,862,603.92	9.57970	37,002,586.77	2,346,005.76	11.26270	26,422,359.07
SGD	3,219,259.72	4.85430	15,627,252.46	4,304,794.41	5.05500	21,760,735.74
KRW	1,617,815,727.00	0.00797	12,889,137.90	2,865,582,404.00	0.00799	22,893,137.83
THB	7,835,690.25	0.19670	1,541,280.27	76,992,681.93	0.21220	16,337,847.11
NZD	259,552.98	5.50310	1,428,346.00	772,678.39	5.94005	4,589,748.27
AUD	3,169,541.88	5.90660	18,721,216.07	2,081,969.28	6.44280	13,413,711.68
INR	52,581,872.97	0.17902	9,413,206.90	16,632,923.51	0.18970	3,155,265.59
GBP	1,741,951.96	13.34499	23,246,331.49	1,100,576.16	15.93100	17,533,278.80
MYR	3,093,548.70	2.13537	6,605,867.99	2,831,267.12	2.17831	6,167,377.48
CAD	2,198,563.44	6.96310	15,308,817.09	720,782.57	6.87390	4,954,587.31
RUB	34,862,196.79	0.28035	9,773,686.59			
VND	915,157.00	0.00051	463.98			
BDT	107,835,848.96	0.12170	13,123,514.98			
Other Monetary Fund			2,487,832,626.49			2,202,802,715.61
Total			4,254,535,690.16			3,841,460,120.53

The other monetary fund includes restricted overseas deposit equivalent to RMB 2.193 billion for the payment of financial lease payable, including USD27.68 million equivalent to RMB 223.38 million, DEM 193.42 million equivalent to RMB 947.37 million, and JPY 14,849.81 million equivalent to RMB 1,020.42 million.

The deposits in Eastern Air Group Finance Co., Ltd amounts to RMB 415 million.

Notes to the Financial Statements

(Prepared in accordance with PRC Accounting Regulations)

Year ended 31 December 2005

5. Notes to Main Items of Financial Statements (Cont'd)

5.2 Current Investment

	Ending Balance			Beginning Balance		
	Book Value	Provision	Net Book Value	Book Value	Provision	Net Book Value
Stock Investment	-	-	-	-	-	-
Other Investment	216,350,939.49	-	216,350,939.49	413,042,752.71	-	413,042,752.71
	216,350,939.49	-	216,350,939.49	413,042,752.71	-	413,042,752.71

The Company entrusts ICBC Shanghai Branch and CCB Shanghai No.1 Sub-branch to manage its short-term foreign exchange investment with its self-owned foreign exchange. The interest rate for USD is 1.15%-4.32625% and the maturity is Jan 4, 2006. These investments have been refunded by the issuing date of the financial reports.

The ending balance of short investment is 47.62% less than that of last year due to the decrease of foreign exchange investment in USD.

5.3 Accounts Receivable

5.3.1 Consolidated

Aging	Amount	Ending Balance			Beginning Balance			
		Percentage (%)	Provision for Bad Debts	Net Amount	Amount	Percentage (%)	Provision for Bad Debts	Net Amount
Within 1 Year	1,591,182,017.85	90.28	4,988,044.83	1,586,193,973.02	1,774,161,359.86	94.62	4,975,466.16	1,769,185,893.70
In the Second Year	43,952,366.69	2.49	4,231,287.08	39,721,079.61	3,558,164.93	0.19	342,666.24	3,215,498.69
In the Third Year	12,163,680.36	0.69	6,518,652.34	5,645,028.02	13,507,663.17	0.72	8,513,820.52	4,993,842.65
In the Fourth Year	26,296,675.78	1.49	13,560,221.44	12,736,454.34	6,896,720.18	0.37	6,225,781.96	670,938.22
In the Fifth Year	8,617,758.58	0.49	5,793,320.73	2,824,437.85	41,598,498.29	2.22	40,663,481.15	935,017.14
Above 5 Years	80,326,346.37	4.56	75,153,812.17	5,172,534.20	35,187,705.59	1.88	33,767,925.18	1,419,780.41
Total	1,762,538,845.63	100.00	110,245,338.59	1,652,293,507.04	1,874,910,112.02	100.00	94,489,141.21	1,780,420,970.81

Among the above accounts receivable, there is no amount due from shareholder holding over 5% (including 5%) of the Company's share capital.

The top 5 debtors owe a total amount of RMB 460 million, accounting for 26.12% of the total ending balance.

Notes to the Financial Statements

(Prepared in accordance with PRC Accounting Regulations)

Year ended 31 December 2005

5. Notes to Main Items of Financial Statements (Cont'd)

5.3 Accounts Receivable (Cont'd)

5.3.2 Parent Company

Aging	Amount	Ending Balance			Beginning Balance			
		Percentage (%)	Provision for Bad Debts	Net Amount	Amount	Percentage (%)	Provision for Bad Debts	Net Amount
Within 1 Year	1,449,759,656.43	90.04	4,349,278.97	1,445,410,377.46	1,557,470,337.88	94.50	4,681,908.05	1,552,788,429.83
In the Second Year	42,058,034.54	2.61	4,136,570.46	37,921,464.08	2,589,020.41	0.16	129,451.02	2,459,569.39
In the Third Year	12,080,880.36	0.75	6,378,732.34	5,702,148.02	13,507,462.25	0.82	9,292,165.57	4,215,296.68
In the Fourth Year	26,229,475.78	1.63	13,550,141.44	12,679,334.34	1,283,230.67	0.08	977,573.41	305,657.26
In the Fifth Year	3,071,904.07	0.19	1,555,941.37	1,515,962.70	38,900,035.54	2.36	37,932,300.36	967,735.18
Above 5 Years	76,848,821.91	4.78	71,676,287.71	5,172,534.20	34,440,828.93	2.08	33,005,056.52	1,435,772.41
Total	1,610,048,773.09	100.00	101,646,952.29	1,508,401,820.80	1,648,190,915.68	100.00	86,018,454.93	1,562,172,460.75

Among the above accounts receivable, no amount is due from shareholder holding over 5% (including 5%) of the Company's share capital.

The top 5 debtors owe a total amount of RMB 915 million, accounting for 56.84% of the total ending balance.

5.4 Other Receivables

5.4.1 Consolidated

Aging	Amount	Ending Balance			Beginning Balance			
		Percentage (%)	Provision for Bad Debts	Net Amount	Amount	Percentage (%)	Provision for Bad Debts	Net Amount
Within 1 Year	583,884,424.11	57.58	19,650,105.16	566,409,283.23	667,357,170.68	68.75	13,355,343.01	654,001,827.67
In the Second Year	126,097,940.26	12.38	11,847,883.29	114,250,056.97	102,052,129.97	10.51	11,192,044.11	90,860,085.86
In the Third Year	98,353,213.68	9.66	13,076,355.60	85,276,858.08	73,931,069.10	7.62	13,606,374.04	60,324,695.06
In the Fourth Year	81,900,935.45	8.05	16,890,912.11	65,010,023.34	25,247,172.09	2.60	5,396,074.92	19,851,097.17
In the Fifth Year	8,104,296.05	0.80	1,620,859.21	6,483,436.84	30,382,629.44	3.13	13,409,169.24	16,973,460.20
Above 5 Years	117,378,380.21	11.53	85,228,910.80	32,149,469.41	71,780,769.50	7.39	55,395,192.73	16,385,576.77
Total	1,015,719,189.76	100.00	148,315,026.17	869,579,127.87	970,750,940.78	100.00	112,354,198.05	858,396,742.73

Notes to the Financial Statements

(Prepared in accordance with PRC Accounting Regulations)

Year ended 31 December 2005

5. Notes to Main Items of Financial Statements (Cont'd)

5.4 Other Receivables (Cont'd)

Among the year-end balance, RMB 50.34 million is due from Eastern Air Group Company, a shareholder holding 62% of the Company's share capital. (The included RMB 50.24 million is the excess amount between agreement price and actual settlement price regarding the acquisition of aviation service assets of China Eastern Airlines North West Company and China Eastern Airlines Yunnan Company from Eastern Air Group Company. This excess payment has been paid back on Mar. 21, 2006.)

The top 5 debtors owe a total amount of RMB132 million, accounting for 13.02% of the total ending balance.

5.4.2 Parent Company

Aging	Ending Balance				Beginning Balance			
	Amount	Percentage (%)	Provision for Bad Debts	Net Amount	Amount	Percentage (%)	Provision for Bad Debts	Net Amount
Within 1 Year	593,601,100.18	63.82	19,696,528.83	573,904,571.35	777,145,595.21	55.08	12,151,356.79	764,994,238.42
In the Second Year	108,599,171.25	11.67	9,547,331.99	99,051,839.26	475,662,773.92	33.71	6,866,722.06	468,796,051.86
In the Third Year	63,926,809.57	6.87	8,594,399.18	55,332,410.39	70,666,967.95	5.01	10,687,624.76	59,979,343.19
In the Fourth Year	78,623,056.64	8.45	13,958,457.02	64,664,599.62	25,042,948.09	1.77	5,365,441.32	19,677,506.77
In the Fifth Year	7,875,370.05	0.85	1,575,074.01	6,300,296.04	19,822,845.25	1.40	3,964,569.05	15,858,276.20
Above 5 Years	77,604,517.00	8.34	46,601,654.50	31,002,862.50	42,823,077.00	3.03	26,593,887.23	16,229,189.77
Total	930,230,024.69	100.00	99,973,445.53	830,256,579.16	1,411,164,207.42	100.00	65,629,601.21	1,345,534,606.21

Among the year-end balance, RMB 50.34 million is due from Eastern Air Group Company, a shareholder holding 62% of the Company's share capital. (The included RMB 50.24 million is the excess amount between agreement price and actual settlement price regarding the acquisition of aviation service assets of China Eastern Airlines North West Company and China Eastern Airlines Yunnan Company from Eastern Air Group Company. This excess payment has been paid back on Mar. 21, 2006.)

The top 5 debtors owe a total amount of RMB 249 million, accounting for 26.79% of the total ending balance.

The ending balance is 33.93% lower than that of the previous year, resulting from the fact that the procedures for capital increase of the subsidiary company, China Eastern Airlines Jiangsu Co. Ltd., was completed, and the capital initially recorded in other receivables is transferred to long-term equity investment.

Notes to the Financial Statements

(Prepared in accordance with PRC Accounting Regulations)

Year ended 31 December 2005

5. Notes to Main Items of Financial Statements (Cont'd)

5.5 Prepayments

Aging	Ending Balance		Beginning Balance	
	Amount	Percentage (%)	Amount	Percentage (%)
Within 1 Year	73,600,702.56	85.12	32,142,313.83	100
In the Second Year	12,481,123.88	14.43	-	-
In the Third Year	393,065.07	0.45	-	-
In the Forth Year	3,973.11	-	-	-
Total	86,478,864.62	100	32,142,313.83	100

Among the year-end balance of prepayment, there is no amount due from shareholder holding over 5% (including 5%) of the Company's share capital.

The ending balance is 169.05% higher than that of the previous year, mainly results from an increase of prepayments for the purchase of aviation equipment.

5.6 Inventory

Item	Provision for Impairment	Ending Balance		Beginning Balance		
		Net Value	Provision for Impairment	Net Value	Provision for Impairment	
Aircraft Consumables	1,405,439,120.10	434,960,088.30	970,479,031.80	979,931,729.94	467,100,745.16	512,830,984.78
High-price Rotables	1,113,173,714.03	63,099,197.30	1,050,074,516.73	783,011,490.52	157,981,281.51	625,030,209.01
Common Appliance	66,630,340.80	-	66,630,340.80	21,421,794.96	-	21,421,794.96
Materials purchase	33,622,372.25	-	33,622,372.25	4,881,860.71	-	4,881,860.71
Low-price Consumables	2,705,210.71	-	2,705,210.71	904,209.27	-	904,209.27
Sub-contracted materials	-	-	-	1,152,589.22	-	1,152,589.22
Others	451,788.43	-	451,788.43	11,124,822.01	-	11,124,822.01
Total	2,622,022,546.32	498,059,285.60	2,123,963,260.72	1,802,428,496.63	625,082,026.67	1,177,346,469.96

The ending balance of inventory is 45.47% higher than that of the previous year, mainly resulting from the acquisition of the airline business and related assets of China Eastern Airlines Northwest Company and China Eastern Airlines Yunnan Company affiliated to Eastern Air Group Company.

Notes to the Financial Statements

(Prepared in accordance with PRC Accounting Regulations)

Year ended 31 December 2005

5. Notes to Main Items of Financial Statements (Cont'd)

5.7 Expenses to be Amortized

Category	Ending Balance	Beginning Balance
Aircraft operating Lease obligations	181,388,755.31	107,172,119.38
Duties and value-added tax of aircraft under operating lease	3,425,775.65	17,516,449.17
Others	4,576,962.02	762,528.47
Total	189,391,492.98	125,451,097.02

The ending balance of expenses to be amortized is 50.97% higher than that of previous year, which is mainly due to the acquisition of aviation business and related assets of China Eastern Airlines Northwest Company and China Eastern Airlines Yunnan Company, affiliates of Eastern Air Group Company. The acquisition results in the increase of operating leased aircraft, which consequently increases the future operating lease expenses.

5.8 Long-term Equity Investment

5.8.1 Consolidated

Item	Book Value	Ending Balance		Book Value	Beginning Balance	
		Provision	Net Book Value		Provision	Net Book Value
Long term Equity Investment						
(Equity Method)	736,648,873.59	1,758,050.62	734,890,822.97	644,197,732.95	1,758,050.62	642,439,682.33
Subsidiaries	4,758,732.13	1,758,050.62	3,000,681.51	5,774,407.17	1,758,050.62	4,016,356.55
Associated companies	39,647,624.63	-	39,647,624.63	-	-	-
Affiliated companies	692,242,516.83	-	692,242,516.83	638,423,325.78	-	638,423,325.78
Long term Equity Investment						
(Cost Method)	33,166,028.14	-	33,166,028.14	34,526,309.94	-	34,526,309.94
Stock Investment	563,040.00	-	563,040.00	360,000.00	-	360,000.00
Other Long term						
Equity Investment	32,602,988.14	-	32,602,988.14	34,166,309.94	-	34,166,309.94
Consolidation Difference	-6,334,788.19	-	-6,334,788.19	-1,653,640.63	-	-1,653,640.63
Total	763,480,113.54	1,758,050.62	761,722,062.92	677,070,402.26	1,758,050.62	675,312,351.64

Notes to the Financial Statements

(Prepared in accordance with PRC Accounting Regulations)

Year ended 31 December 2005

5. Notes to Main Items of Financial Statements (Cont'd)

5.8 Long-term Equity Investment (Cont'd)

5.8.1 Consolidated (Cont'd)

5.8.1.1 Stock investment

1. Other equity investment

Investee Company	Investment Period	Investment Percentage	Investment Cost	Beginning Balance(1)	Additional Investment(2)	Profit & loss Adjustment			Investment Provision		Ending Balance(8)=(1)+ (2)+(3)+(4)+(6) Provision		
						Movement(3)	Cash bonus(4)	Accumulated movement (5)	Movement(6)	Accumulated Movement(7)			
Shanghai Eastern Air Catering Co., Ltd.	20 years	45.00%	157,500,000.00	170,997,901.10		19,134,261.88		32,501,436.64		130,726.34	190,132,162.98	-	
Shanghai Technologies Aerospace Co., Ltd.	20 years	51.00%	51,872,256.65		51,872,256.65	-12,224,632.02		-12,224,632.02		-	-	39,647,624.63	-
Shanghai Eastern Union Aviation Wheels & Brakes Overhaul Engineering Co.	12 years	40.00%	10,709,478.40	23,852,219.52		6,122,567.99	-3,000,000.00	16,265,308.11			26,974,787.51	-	
Eastern China Kaiya System Integration Co., Ltd.	No promise	41.00%	4,100,000.00	20,999,891.86		6,851,362.13	-2,050,000.00	21,701,253.99			25,801,253.99	-	
Shanghai Hongpu Civil Airport Communications Co., Ltd.	10 years	30.00%	7,500,000.00	7,538,770.14		43,085.98		81,856.12			7,581,856.12	-	
Eastern Airlines Development (HK) Co., Ltd.	10 years	40.00%	5,332,199.03		5,332,199.03	383,703.42		383,703.42			5,715,902.45	-	
Eastern Air Group Finance Co., Ltd.	20 years	25.00%	111,902,188.77	115,047,384.89		2,205,938.77		5,351,134.89	5,423.64	5,423.64	117,258,747.30	-	
China Eastern Airlines Wuhan Co., Ltd.	30 years	40.00%	163,567,943.69	31,693,622.81		-18,661,493.39		-150,673,961.17	57,069.46	195,216.36	13,089,198.88	-	
Eastern Aviation Advertising Service Co.	No promise	45.00%	13,109,263.18	11,898,648.18		1,843,445.72	-734,468.58	-124,270.26		22,632.40	13,007,625.32	-	
China Eastern Airlines Import and Export Co. Ltd.	No promise	45.00%	55,861,308.15	45,393,122.98		14,648,205.95	-486,338.04	3,693,682.74			59,554,990.89	-	
Shanghai Dongmei Aviation Travel Co., Ltd.	10 years	45.00%	15,103,698.74	17,076,299.10		875,088.57		2,847,688.93			17,951,387.67	-	
Shanghai Collins Aviation Maintenance Service Co., Ltd.	10 years	35.00%	21,122,652.33	13,300,785.02		1,608,467.11		-6,213,400.20			14,909,252.13	-	
Xi'an Kaiya Information Co., Ltd.	No promise	32.00%	1,826,860.40		1,826,860.40	85,948.39		85,948.39			1,912,828.79	-	
Yunnan Kaiya Information Co., Ltd.	No promise	49.00%	4,631,748.78		4,631,748.78	1,006,471.66	-490,000.00	516,471.66			5,148,220.44	-	
Shanghai Dongwei Aviation Transportation Service Co., Ltd.	20 years	65.00%	1,950,000.00	1,950,000.00		-495,701.54		-495,701.54			1,454,298.46	-	
Eastern Union Freight (HK) Co., Ltd.	No promise	41.00%	2,943,441.91	6,063,757.47	1,630,170.91	467,734.22	-1,739,548.00	3,478,672.69			6,422,114.60	-	
Shanghai Longji International Freight Co., Ltd.	20 years	45.00%	545,069.25		545,069.25						545,069.25	-	
Qingdao Liuting Int'l Airport Co., Ltd.	30 years	25.00%	112,500,000.00	112,500,000.00		-9,750,000.00					102,750,000.00	-	
Jiangsu Eastern Air Catering Co., Ltd.	3 years	100.00%	498,000.00	498,000.00							498,000.00	498,000.00	
Jiangsu Eastern Airlines Trade Co., Ltd.	15 years	55.00%	1,100,000.00	1,100,000.00							1,100,000.00	1,100,000.00	
Jiangsu Eastern Airlines Industrial Co., Ltd.	19 years	70.00%	160,050.62	160,050.62							160,050.62	160,050.62	
Jiangnan Tourism (Hong Kong) Co.	No promise	70.00%	448,770.00	557,732.78		-144,409.09					413,323.69	-	
Eastern Airlines Jiangsu Advertisement Co., Ltd.	No promise	100.00%	300,000.00	397,228.17		73,467.34					470,695.51	-	
Jiangsu Suying Labor Service Co., Ltd.	10 years	90.00%	149,400.00	605,107.48		57,256.37					662,363.85	-	
Jiangsu Huayu General Aviation Co., Ltd.	No promise	27.27%	30,000,000.00	-	30,000,000.00	-1,223,408.81					28,776,591.19	-	
Jiangsu Eastern Airlines International Travel Agency Co., Ltd.	30 years	45.00%	2,700,000.00	2,425,501.04		332,736.18					2,758,237.22	-	
				584,056,023.16	95,838,325.02	13,240,096.83	-8,500,354.62	-82,824,806.61	62,493.10	353,998.74	684,696,583.49	1,758,050.62	

Notes to the Financial Statements

(Prepared in accordance with PRC Accounting Regulations)

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5. Notes to Main Items of Financial Statements (Cont'd)

5.8 Long-term Equity Investment (Cont'd)

5.8.1 Consolidated (Cont'd)

2. Equity Investment Difference

Investee Company	Original Amount	Amortization Period	Current Period Amortization	Remaining Amount	Reason
Eastern Air Group Finance Co., Ltd.	-5,538,188.77	10 years	-553,818.88	-2,769,094.37	Note 1
China Eastern Airlines Wuhan Co., Ltd.	76,432,056.31	10 years	7,643,205.60	50,317,770.48	Note 2
Eastern Aviation Advertising Service Co.	2,506,504.11	10 years	250,650.41	1,754,552.88	Note 1
China Eastern Airlines Import and Export Co. Ltd	1,451,744.40	10 years	145,174.44	1,016,221.08	Note 1
Jiangsu Eastern Airlines International Travel Agency Co., Ltd.	1,979,200.00	10 years	197,920.00	1,632,840.03	Note 1
Total			7,683,131.57	51,952,290.10	

Note 1: The transaction price is determined with reference to evaluated net assets. The difference between evaluated net assets and the carrying amount of net assets of subsidiaries is accounted for as equity investment difference.

Note 2: The former Wuhan Airlines joined the incorporation of China Eastern Airlines Wuhan Co., Ltd. with its evaluated net assets. Part of them are not recognized according to the accounting policy of the Company and the net assets on contribution date are adjusted accordingly.

5.8.1.2 Long term Equity Investment (Cost Method)

1. Stock Investment

Item	Type of shares	Volume	Ending Balance		
			Book Value	Provision	Market Value
Huning Expressway Co., Ltd.	Legal Person Shares	200,000.00	360,000.00	-	1,276,000.00
Shaanxi International Trust & Investment Co., Ltd. (A)	Legal Person Shares	216,000.00	203,040.00	-	907,200.00
Total			563,040.00	-	2,183,200.00

Notes to the Financial Statements

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5. Notes to Main Items of Financial Statements (Cont'd)

5.8 Long-term Equity Investment (Cont'd)

5.8.1 Consolidated (Cont'd)

5.8.1.2 Long term Equity Investment (Cost Method) (Cont'd)

2. Other Equity Investment

Investee Company	Investment Period	% of Shareholders' Equity	Ending Balance	
			Book Value	Provision
Eastern Airlines Hotel Co., Ltd	20 years	19.94%	21,968,325.52	-
Eastern Airlines Real Estate Co., Ltd	15 years	5.00%	5,000,000.00	-
CAAC Information Network Co., Ltd.	Not defined	0.30%	4,090,000.00	-
Eastern China Hainan Kaiya System Integration Co., Ltd.	Not defined	4.16%	544,662.62	-
Hengtai Insurance Brokerage Co., Ltd.	Not defined	3.33%	1,000,000.00	-
Total			32,602,988.14	-

5.8.1.3 Consolidation difference

Investee Company	Original Amount	Amortization Period	Current Period Amortization	Remaining Amount
Shanghai Eastern Fudart Transportation Services Co., Ltd.	-1,853,287.13	10 years	-183,586.67	-1,132,117.80
Eastern (Shantou) Economic Development Co., Ltd.	-8,178,296.39	10 years	-817,829.64	-4,906,977.83
Shanghai East Aircraft Maintain Co., Ltd.	-422,417.96	10 years	-42,243.60	-295,692.56
Total			-1,043,659.91	-6,334,788.19

Notes to the Financial Statements

(Prepared in accordance with PRC Accounting Regulations)

Year ended 31 December 2005

5. Notes to Main Items of Financial Statements (Cont'd)

5.8 Long-term Equity Investment (Cont'd)

5.8.2 Parent Company

Item	Book Value	Ending Balance		Book Value	Beginning Balance	
		Provision for Impairment	Net Book Value		Provision for Impairment	Net Book Value
Long term Equity Investment						
(Equity Method)	3,257,322,292.51	-	3,257,322,292.51	2,965,007,204.42	-	2,965,007,204.42
Subsidiaries	2,668,317,003.34	-	2,668,317,003.34	2,449,403,897.18	-	2,449,403,897.18
Associated Companies	39,647,624.63	-	39,647,624.63	-	-	-
Affiliated Companies	549,357,664.54	-	549,357,664.54	515,603,307.24	-	515,603,307.24
Long term Equity Investment						
(Cost Method)	31,806,028.14	-	31,806,028.14	31,058,325.52	-	31,058,325.52
Stock Investment	203,040.00	-	203,040.00	-	-	-
Other Longterm Equity						
Investment	31,602,988.14	-	31,602,988.14	31,058,325.52	-	31,058,325.52
Long term Debt Investment	-	-	-	-	-	-
Total	3,289,128,320.65	-	3,289,128,320.65	2,996,065,529.94	-	2,996,065,529.94

Notes to the Financial Statements

(Prepared in accordance with PRC Accounting Regulations)

Year ended 31 December 2005

5. Notes to Main Items of Financial Statements (Cont'd)

5.8 Long-term Equity Investment (Cont'd)

5.8.2.1 Long term Equity Investment (Equity Method)

1. Other Long Term Equity Investment

Investee Company	Investment Period	Investment Percentage	Investment Cost	Beginning Balance(1)	Additional Investment(2)	Profit & Loss Adjustment		Investment Provision		Ending Balance(3)=(1)+(2)+(3)+(4)+(5)+(6)	
						Movement(3)	Cash bonus(4)	Accumulated movement (5)	Accumulated Movement(7)		
China Eastern Airlines Jiangsu Co.Ltd	No promise	62.56%	549,178,180.00	156,130,586.80	407,551,200.00	35,365,341.68		15,622,062.20	11,207,133.60	610,254,262.08	
Shanghai Eastern Flight Training Co., Ltd.	30 year	95.00%	449,350,000.00	476,751,084.28		14,023,102.27		40,445,856.65	978,229.90	490,774,166.55	
Eastern Airlines Hotel Co., Ltd.	30 year	65.86%	60,100,000.00	47,007,928.31		-3,499,393.39		-16,591,465.08		43,506,534.92	
China Cargo Airlines Co., Ltd.	No promise	70.00%	665,000,000.00	1,161,789,900.73	315,000,000.00	-488,444,177.54	-210,000,000.00	9,686,101.98	-12,048,943.18	91,610,678.03	
Shanghai Eastern Airlines Investment Co., Ltd.	20 year	98.79%	407,520,000.00	417,404,018.10		-9,503,058.84		380,959.26		407,900,959.26	
Shanghai East Aircraft Maintenance Co., Ltd.	20 year	60.00%	15,394,682.00	11,402,223.62		412,733.69		-3,579,704.69		11,814,957.31	
Eastern (Shantou) Economic Development Co., Ltd.	15 year	55.00%	10,928,296.39	8,339,080.01		1,816,292.48		-772,923.90		10,155,372.49	
Shanghai Eastern Airlines Logistics Co., Ltd.	20 year	69.30%	138,674,833.20	176,641,818.96		156,172,802.15		194,139,787.91		332,814,621.11	
Shanghai Technologies Aerospace Co., Ltd.	20 year	51.00%	51,872,256.65		51,872,256.65	-12,224,632.02		-12,224,632.02		39,647,624.63	
Shanghai Eastern Air Catering Investment Co., Ltd.	20 year	45.00%	157,500,000.00	170,997,901.10		19,134,261.88		32,501,436.64	130,726.34	190,132,162.98	
Shanghai Eastern Union Aviation Wheels & Brakes Overhaul Engineering Co.	12 year	40.00%	10,709,478.40	23,852,219.52		6,122,567.99	-3,000,000.00	16,265,309.11		26,974,787.51	
Eastern China Civil Aviation Kaiya System Integration Co., Ltd.	No promise	41.00%	4,100,000.00	20,999,891.86		6,851,362.13	-2,050,000.00	21,701,253.99		25,801,253.99	
Shanghai Hongyu Civil Airport Communications Co., Ltd.	10 year	30.00%	7,500,000.00	7,538,770.14		40,085.98		81,656.12		7,581,656.12	
Eastern Airlines Development (HK) Co., Ltd.	10 year	40.00%	5,332,199.03		5,332,199.03	383,703.42		383,703.42		5,715,902.45	
Eastern Air Group Finance Co., Ltd.	20 year	25.00%	111,902,188.77	115,047,384.89		2,205,938.77		5,351,134.89	5,423.64	117,258,747.30	
China Eastern Airlines Wuhan Co., Ltd.	30 year	40.00%	163,567,943.69	31,693,622.81		-18,661,493.39		-150,673,961.17	57,069.46	13,089,198.68	
Eastern Aviation Advertising Service Co.	No promise	45.00%	13,109,263.18	11,898,648.18		1,843,445.72	-734,468.58	-124,270.26	22,632.40	13,007,625.32	
China Eastern Airlines Import and Export Co. Ltd	No promise	45.00%	55,861,308.15	45,393,122.98		14,648,205.95	-486,338.04	3,693,682.74		59,554,990.69	
Shanghai Dongmei Aviation Travel Co., Ltd.	10 years	45.00%	15,103,698.74	17,076,299.10		875,088.57		2,847,688.93		17,951,387.67	
Shanghai Collins Aviation Maintenance Service Co., Ltd.	10 years	35.00%	21,122,652.33	13,300,785.02		1,608,467.11		-6,213,400.20		14,909,252.13	
Xian Kaiya Information Co., Ltd.	No promise	32.00%	1,826,880.40		1,826,880.40	65,948.39		65,948.39		1,912,828.79	
Yunnan Kaiya Information Co., Ltd.	No promise	49.00%	4,631,748.78		4,631,748.78	1,006,471.66	-490,000.00	516,471.66		5,148,220.44	
				2,913,265,286.41	786,214,284.86	-269,733,935.34	-216,760,806.62	153,522,996.57	-779,316.48	138,396,926.55	3,212,205,512.83

Note 1: According to the board resolution of China Eastern Airlines Jiangsu Co. Ltd., its registered capital is increased from RMB 257.50 million to RMB 880.00 million. After capital increase, Nanjing Investment Co. will be the new shareholder. (The capital contribution of Nanjing Investment Co. is the land at Nanjing Lukou Airport where the office building of former Nanjing Airlines Ltd. Co., originally owned by Nanjing Investment Co., is located. The land is evaluated at RMB52 million.) The Company increases an investment of RMB 407,551,200, and the shareholding percentage is increased from 55% to 62.56%. China Eastern Airlines Jiangsu Co. Ltd.. obtained the new business license on September 29, 2005.

Note 2: According to the board resolution of China Cargo Airlines Co. Ltd., the Company and another shareholder increase their capital contribution by transferring undistributed profit to capital at the registered capital percentage (70% for the Company). The Company increases its capital by RMB315 million. China Cargo Airlines Co. Ltd. obtained the new business license on November 22, 2005.

Notes to the Financial Statements

(Prepared in accordance with PRC Accounting Regulations)

Year ended 31 December 2005

5. Notes to Main Items of Financial Statements (Cont'd)

5.8 Long-term Equity Investment (Cont'd)

5.8.2 Parent Company (Cont'd)

5.8.2.2 Long term Equity Investment (Cost Method) (Cont'd)

2. Equity Investment Difference

Investee Company	Original Amount	Amortization Period	Current Amortization	Remaining Amount	Reason
Eastern Air Group Finance Co., Ltd.	-5,538,188.77	10 years	-553,818.88	-2,769,094.37	Note 1
China Eastern Airlines Wuhan Co., Ltd.	76,432,056.31	10 years	7,643,205.60	50,317,770.48	Note 2
Eastern Aviation Advertising Service Co.	2,506,504.11	10 years	250,650.41	1,754,552.88	Note 1
China Eastern Airlines Import and Export Co. Ltd	1,451,744.40	10 years	145,174.44	1,016,221.08	Note 1
Eastern (Shantou) Economic Development Co., Ltd.	-8,178,296.39	10 years	-817,829.64	-4,906,977.83	Note 1
Shanghai East Aircraft Maintenance Co., Ltd.	-422,417.96	10 years	-42,243.60	-295,692.56	Note 1
Total			6,625,138.33	45,116,779.68	

Note 1: The transaction price is determined with reference to evaluated net assets. The difference between evaluated net assets and the carrying amount of net assets of subsidiaries is accounted for as equity investment difference.

Note 2: The former Wuhan Airlines joined the incorporation of China Eastern Airlines Wuhan Co., Ltd. with its evaluated net assets. Part of them are not recognized according to the accounting policy of the Company and the net assets on contribution date are adjusted accordingly.

5.8.2.2 Long term Equity Investment (Cost Method)

1. Stock Investment

Stock Investment Item	Type of shares	Volume	Ending Balance		
			Book Value	Provision	Market Value
Shaanxi International Trust & Investment Co., Ltd. (A)	Legal Person Shares	216,000.00	203,040.00		907,200.00

Notes to the Financial Statements

(Prepared in accordance with PRC Accounting Regulations)

Year ended 31 December 2005

5. Notes to Main Items of Financial Statements (Cont'd)

5.8 Long-term Equity Investment (Cont'd)

5.8.2 Parent Company (Cont'd)

5.8.2.2 Long term Equity Investment (Cost Method) (Cont'd)

2. Other Equity Investment

Investee Company	Investment Period	% of shareholdings	Ending Balance	
			Book Value	Provision
Shanghai Eastern Airlines Hotel Co., Ltd	20 years	0.20	21,968,325.52	-
Eastern Airlines Real Estate Co., Ltd	15 years	0.05	5,000,000.00	-
CAAC Information Network Co., Ltd.	Not defined	-	4,090,000.00	-
Eastern China Hainan Kaiya System Integration Co., Ltd.	Not defined	0.04	544,662.62	-
Total			31,602,988.14	-

5.9 Fixed Assets

Item	Self-purchased Aircraft	Aircraft Engines	Aircraft Held under Financial Lease	Building & Premises	Equipment	Vehicles	Total
Cost:							
Beginning Balance	17,310,727,859.09	761,658,005.69	17,844,556,953.11	2,332,381,762.94	1,643,384,393.58	967,423,705.40	40,860,132,679.81
Increase	5,437,298,327.06	1,012,498,444.95	4,574,526,208.05	172,417,566.06	414,254,473.03	507,812,797.52	12,118,807,816.67
Decrease	-	439,324,785.52	918,934,062.52	4,830,549.55	79,419,752.61	201,606,015.56	1,644,115,165.76
Ending Balance	22,748,026,186.15	1,334,831,665.12	21,500,149,098.64	2,499,968,779.45	1,978,219,114.00	1,273,630,487.36	51,334,825,330.72
Accumulated Depreciation:							
Beginning Balance	4,078,743,695.87	397,779,146.25	6,459,109,437.38	445,070,456.61	873,014,106.49	652,230,076.98	12,905,946,919.58
Increase	2,024,277,771.85	274,466,902.23	360,812,010.55	87,979,209.39	179,791,076.94	295,122,075.18	3,222,449,046.14
Decrease	-	299,870,885.45	469,891,205.62	158,782.58	42,380,727.17	173,697,206.76	985,998,807.58
Ending Balance	6,103,021,467.72	372,375,163.03	6,350,030,242.31	532,890,883.42	1,010,424,456.26	773,654,945.40	15,142,397,158.14
Net Value:							
Beginning Balance	13,231,984,163.22	363,878,859.44	11,385,447,515.73	1,887,311,306.33	770,370,287.09	315,193,628.42	27,954,185,760.23
Ending Balance	16,645,004,718.43	962,456,502.09	15,150,118,856.33	1,967,077,896.03	967,794,657.74	499,975,541.96	36,192,428,172.58
Provision for Impairment:							
Beginning Balance	3,570,000.00	-	-	-	-	-	3,570,000.00
Increase (Decrease)	-	-	-	-	-	-	-
Ending Balance	3,570,000.00	-	-	-	-	-	3,570,000.00
Net value:							
Beginning Balance	13,228,414,163.22	363,878,859.44	11,385,447,515.73	1,887,311,306.33	770,370,287.09	315,193,628.42	27,950,615,760.23
Ending Balance	16,641,434,718.43	962,456,502.09	15,150,118,856.33	1,967,077,896.03	967,794,657.74	499,975,541.96	36,188,858,172.58

Notes to the Financial Statements

(Prepared in accordance with PRC Accounting Regulations)

Year ended 31 December 2005

5. Notes to Main Items of Financial Statements (Cont'd)

5.9 Fixed Assets (Cont'd)

The total amount of construction-in-progress transferred to fixed assets is RMB 2,497.00 million. The fixed assets already collateralized include aircrafts with a net value of RMB 8,821.00 million and buildings of a holding subsidiary valued at RMB 38 million. The aircrafts under operating lease is valued at RMB 289 million.

The ending balance of fixed assets is 25.64% higher than that of previous year. Except those transferred from construction-in progress, the increase is mainly due to the acquisition of airline business and related assets of China Eastern Airlines Northwest Co. and China Eastern Airlines Yunnan Co. affiliated to Eastern Air Group Company.

5.10 Construction-in-progress

Item	Progress	Source of Fund	Ending Balance		Beginning Balance			
			Book value	Provision for impairment	Net Book value	Provision for impairment	Net Book value	
Advance Payment for A330 Aircraft	Uncompleted	Loans, self-financing	5,597,358,800.24	-	5,597,358,800.24	1,665,484,576.60	-	1,665,484,576.60
B 747 Aircraft	Uncompleted	Self-financing	869,623,807.34	-	869,623,807.34	-	-	-
Advance Payment for A321 Aircraft	Uncompleted	Loans, self-financing	838,007,321.80	-	838,007,321.80	302,282,734.38	-	302,282,734.38
Advance Payment for B737 Aircraft	Uncompleted	Loans, self-financing	664,717,020.93	-	664,717,020.93	29,612,563.77	-	29,612,563.77
Advance Payment for A319 Aircraft	Uncompleted	Loans, self-financing	511,933,999.44	-	511,933,999.44	-	-	-
Advance Payment for A320 Aircraft	Uncompleted	Loans, self-financing	206,053,985.31	-	206,053,985.31	621,787,458.29	-	621,787,458.29
Advance Payment for B787 Aircraft B787	Uncompleted	Loans, self-financing	196,563,534.39	-	196,563,534.39	-	-	-
BFE A330-300	Uncompleted	Self-financing	126,997,699.94	-	126,997,699.94	-	-	-
A340 Simulator	Uncompleted	Loans, self-financing	97,496,946.87	-	97,496,946.87	13,255,642.40	-	13,255,642.40
Advance Payment for ERJ Aircraft	Uncompleted	Self-financing	45,533,519.30	-	45,533,519.30	-	-	-
Second Phase of Building	Uncompleted	Self-financing	33,574,866.26	-	33,574,866.26	66,800.00	-	66,800.00
A330 Aircraft Engines	Uncompleted	Self-financing	22,623,405.29	-	22,623,405.29	-	-	-
A320 Simulator	Uncompleted	Self-financing	20,223,953.75	-	20,223,953.75	-	-	-
Land beside Beijing Jingjiang Hotel	Uncompleted	Self-financing	17,448,925.20	-	17,448,925.20	-	-	-
Warehouse of aviation equipment at Pudong	Uncompleted	Self-financing	17,156,940.40	-	17,156,940.40	1,039,120.00	-	1,039,120.00
Overhaul Expenses of Aircraft	Uncompleted	Self-financing	16,753,956.32	-	16,753,956.32	18,801,973.04	-	18,801,973.04
Xiamen Domestic Travel Building	Uncompleted	Self-financing	15,200,000.00	5,200,000.00	10,000,000.00	27,700,000.00	19,000,000.00	8,700,000.00
Flight Training Building	Uncompleted	Self-financing	5,963,715.19	-	5,963,715.19	4,181,531.59	-	4,181,531.59
Land of Dongshe Airport	Uncompleted	Self-financing	4,495,915.42	-	4,495,915.42	4,495,915.42	-	4,495,915.42
Aircraft D examination tools	Uncompleted	Self-financing	3,710,704.74	-	3,710,704.74	-	-	-
Others	Uncompleted	Self-financing	48,505,801.23	-	48,505,801.23	241,046,920.31	-	241,046,920.31
Total			9,359,944,819.36	5,200,000.00	9,354,744,819.36	2,929,755,235.80	19,000,000.00	2,910,755,235.80

Notes to the Financial Statements

(Prepared in accordance with PRC Accounting Regulations)

Year ended 31 December 2005

5. Notes to Main Items of Financial Statements (Cont'd)

5.10 Construction-in-progress (Cont'd)

Total amount of construction-in-progress has increased RMB 9,753 million. Among which RMB 2,497 million is transferred to fixed assets while RMB 826 million is transferred to other accounts.

The borrowing cost capitalized at the beginning and end of the year is RMB 38 million and RMB 272 million respectively. The new borrowing cost capitalized this year is RMB 276 million and RMB42 million is transferred to fixed assets. The average interest rate used for calculation of capitalized borrowing cost is 4.00%.

The ending balance of construction-in-progress is 219.48% higher than that of previous year, mainly due to the increase of advance payment for the purchase of aircrafts.

The provision of construction-in-progress is 72.63% lower than that of previous year, which is mainly due to the compensation received from the new partner of Xiamen Domestic Travel Building project. The originally estimated losses for the project are reduced. Part of the impairment is reversed after revaluation of net recoverable amount.

5.11 Intangible Assets

Category	Land Use Right	Premise Use Right	Software	Others	Total
Initial Amount	1,531,382,655.09	43,474,910.00	84,964,437.27	1,153,565.00	1,660,975,567.36
Acquisition Method	Contribution/self-purchase	Self-purchase	Self-purchase	Self-purchase	
Beginning Balance:					
Amount	1,244,810,654.75	38,257,921.04	38,543,908.93	571,344.96	1,322,183,829.68
Less: Provision for Impairment	-	-	-	-	-
Net Value	1,244,810,654.75	38,257,921.04	38,543,908.93	571,344.96	1,322,183,829.68
Increase:	112,079,139.09	-	38,567,860.58	-	150,646,999.67
Decrease:					
Transfer out	-	-	-	-	-
Amortization	32,248,262.40	869,498.16	13,580,031.52	214,110.48	46,911,902.56
Provision (write-off) of impairment	-	-	-	-	-
Subtotal	32,248,262.40	869,498.16	13,580,031.52	214,110.48	46,911,902.56
Ending Balance:					
Amount	1,324,641,531.44	37,388,422.88	63,531,737.99	357,234.48	1,425,918,926.79
Less: Provision for Impairment	-	-	-	-	-
Net Value	1,324,641,531.44	37,388,422.88	63,531,737.99	357,234.48	1,425,918,926.79
Remaining Months	26-594 months	552 months	24-93 months	12-42 months	

Notes to the Financial Statements

(Prepared in accordance with PRC Accounting Regulations)

Year ended 31 December 2005

5. Notes to Main Items of Financial Statements (Cont'd)

5.11 Intangible Assets (Cont'd)

The Company hasn't made provision for impairment, because the management of the Company believes that there is no such situation that the net realizable value of intangible assets is lower than their book value.

In restructuring the Company into a public-listed corporation, Eastern Air Group Company, a shareholder holding 62% of the Company's share capital, provided a land use right as its investment which is located in China (mainly in Shanghai Hongqiao Airport). The ownership transfer of the land has not been completed yet. By the end of Dec. 2005, the net book value of the asset is 310 million. Before the completion of the ownership transfer, the Company's right to transfer or mortgage will be restricted as the registered name on the land use right certificate is not consistent with the Company's name. But the Company's right to occupy and use the land will not be affected, and the company does not consider it will have significant influence on financial position.

The Company's holding subsidiary China Eastern Airlines Jiangsu Co., Ltd holds the land use right of Lukou Airport, which is invested by its investor Jiangsu Airline Industrial Group Co., Ltd.. The type of the land use right is "state-owned land use right".

5.12 Long-term Amortization Charges

Item	Customs Duties, VAT and Supervision charges on Aircraft Held under Operating Lease	Flying Crew Training Expenses	Aircraft Modification Expenses	Uniform Cost	One-off Transportation Subsidy	Other Deferred Expenses	Total
Initial Amount	205,146,907.73	117,816,975.00	100,739,063.13	59,056,121.45	74,029,330.87	60,589,275.68	617,377,673.86
Beginning Balance	37,591,627.08	939,000.00	60,102,154.52	15,383,508.70	27,649,384.39	19,661,339.85	161,327,014.54
Increase	-	16,937,875.00	-	29,185,311.77	44,412,992.87	22,775,717.50	113,311,897.14
Amortization	16,326,784.20	3,689,625.00	9,301,229.95	17,259,947.89	10,783,603.25	5,997,371.97	63,358,562.26
Transfer out	-	-	-	12,947.00	-	-	12,947.00
Ending Balance	21,264,842.88	14,187,250.00	50,800,924.57	27,295,925.58	61,278,774.01	36,439,685.38	211,267,402.42
Accumulated							
Amortization	183,882,064.85	103,629,725.00	49,938,138.56	31,747,248.87	12,750,556.86	24,149,590.30	
Remaining							
Months	1-3 months	8-32 months	54-101 months		12-71 months		

Notes to the Financial Statements

(Prepared in accordance with PRC Accounting Regulations)

Year ended 31 December 2005

5. Notes to Main Items of Financial Statements (Cont'd)

5.13 Other Long term Assets

The ending balance of other long term assets is 92,066,541.92, which is accounts receivable of China Cargo Airlines Co. Ltd., a subsidiary whose 70% shares are held by the Company. The accounts receivable are to be collected within three years and are guaranteed by a third party (refer to note 10.2)

5.14 Deferred Tax Debits

5.14.1 Consolidated

Item	Ending Balance	Beginning Balance
Provision for Bad Debts	47,983,689.35	38,043,755.48
Provision for Impairment of Inventory	78,602,029.41	97,582,979.14
Provision for Impairment of Fixed Assets	535,500.00	535,500.00
Provision for Impairment of Construction-in-progress	780,000.00	2,850,000.00
Provision for Impairment of Long-term Investment	580,156.70	580,156.70
Total	128,481,375.46	139,592,391.32

5.14.2 Parent Company

Item	Ending Balance	Beginning Balance
Provision for Bad Debts	30,243,059.69	20,498,538.02
Provision for Impairment of Inventory	71,277,261.10	90,421,025.53
Provision for Impairment of Fixed Assets	535,500.00	535,500.00
Provision for Impairment of Construction-in-progress	780,000.00	2,850,000.00
Total	102,835,820.79	114,305,063.55

5.15 Short-term Loans

Category	Ending Balance	Beginning Balance
Credit loans	12,702,477,148.99	5,055,919,456.37
Guarantee loans	838,000,000.00	1,133,000,000.00
Discounted commercial acceptance bills	85,976,872.62	—
Total	13,626,454,021.61	6,188,919,456.37

Notes to the Financial Statements

(Prepared in accordance with PRC Accounting Regulations)

Year ended 31 December 2005

5. Notes to Main Items of Financial Statements (Cont'd)

5.15 Short-term Loans (Cont'd)

Among the credit loans, RMB25 million is entrust loan from Eastern Air Group Finance Co., Ltd., a parent company holding 62% shares of the Company, to another holding subsidiary through Eastern Air Group Finance Co., Ltd..

Among the guarantee loans, RMB 800 million are owed by a holding subsidiary and guaranteed by another stock-held subsidiary. The remaining RMB 38 million are owed by a holding subsidiary and guaranteed by China Eastern Air Group Co., a shareholder holding 62% of the Company's share capital.

Among the discounted commercial acceptance bills, RMB 80 million is from a holding subsidiary of the Company.

The ending balance of short term loans is 120.08% higher than that of previous year, which mainly results from the greatly increased financing needs for the acquisition of aircrafts.

The ending balance of short term loans includes RMB 180,702,000 borrowed from Eastern Air Group Finance Co., Ltd.

5.16 Notes Payable

Item	Ending Balance	Beginning Balance
Commercial Acceptance Bills	1,100,422,248.43	838,337,176.10
Bank Acceptance Bills	674,625,552.88	—
Total	1,775,047,801.31	838,337,176.10

In terms of commercial acceptance bills, the Company has signed credit facility contracts with China Construction Bank Shanghai Branch, China Minsheng Banking Co. Ltd. Shanghai Branch, Industrial Bank Shanghai Branch, Bank of China Shanghai Branch and Communications Bank of China Changning Sub-branch this year. The company pays for the goods by issuing commercial acceptance drafts whose interests are born by the buyer.

In terms of bank acceptance bills, the Company has signed credit facility contracts with Shenzhen Development Bank Shanghai Branch, Pudong Development Bank Konggang Sub-branch and CITIC Xi'an Branch.

Among the year-end balance, no amount is due to shareholder holding over 5% (including 5%) of the Company's share capital.

The ending balance of notes payable is 111.73% higher than that of previous year, which mainly results from the increased payment for fuel and the increased financing demand for the acquisition of aircrafts compared with last year.

Notes to the Financial Statements

(Prepared in accordance with PRC Accounting Regulations)

Year ended 31 December 2005

5. Notes to Main Items of Financial Statements (Cont'd)

5.17 Short term Financial Debentures payable

Type	Issuing Amount	Issue Date	Period	Actual Financing Amount	Type of interest	Ending Balance
365days discounted short term financing debentures	1,000 million	2005.8.4	365 days	971,600,000.00	Discounted	983,433,333.33
9 months discounted short term financing debentures	1,000 million	2005.8.23	9 months	980,000,000.00	Discounted	991,111,111.12
Total						1,974,544,444.45

The issuance of above short term financial debentures is ratified by People's Bank of China with its circular (2005) No. 187.

5.18 Accounts Payables

	Ending Balance	Beginning Balance
Accounts Payables	1,119,482,543.65	727,835,020.99

Accounts payable mainly refer to the amounts payable to other airlines, which have been billed but unsettled yet and the amounts payable for purchase of aviation equipment.

There is no amount due to shareholders holding more than 5% (including 5%) of the Company's voting shares.

The ending balance is 53.81% higher than the previous year, mainly due to the increase of current period's purchase.

5.19 Advances from Customers

	Ending Balance	Beginning Balance
Advances from customers	91,157,502.36	69,661,954.06

There is no amount due to shareholders that hold more than 5% (including 5%) of the Company's voting shares.

The ending balance is 30.86% higher than that of previous year, which mainly results from the increase of advance ticket payments from agents.

Notes to the Financial Statements

(Prepared in accordance with PRC Accounting Regulations)

Year ended 31 December 2005

5. Notes to Main Items of Financial Statements (Cont'd)

5.20 International Sales in Advance of Carriage

<International Sales in Advance of Carriage> refers to the amount pending settlement resulting from the sales of passenger, cargo, mail and over-weighted luggage tickets for international routes. On receipt of evidence of transportation provided by the Company or other airlines, the amount is then transferred to revenue or accounts payable respectively. <International Sales in Advance of Carriage> has an ending credit balance of RMB 629,785,497.79.

5.21 Domestic Sales in Advance of Carriage

<Domestic Sales in Advance of Carriage> refers to the amount pending settlement resulting from the sale of passenger, cargo, mail and over-weighted luggage tickets for domestic routes. On receipt of the evidence of transportation from the Company or other airlines, the amount is then transferred to revenue or accounts payable respectively. <Domestic Sales in Advance of Carriage> has an ending credit balance of RMB 201,250,486.78.

5.22 Dividend payable

Item	Ending Balance	Beginning Balance
Dividends of Legal-person Shares	61,749,441.71	1,278,965.10
Total	61,749,441.71	1,278,965.10

The ending balance of dividend payable includes RMB 60 million dividends of previous years due to Eastern Air Group Company, a 62% shareholding company,.

5.23 Tax Payable

Item	Ending Balance	Beginning Balance
Income Tax	130,840,392.37	230,277,153.79
Value-added Tax	1,543,370.90	3,037,577.23
Business Tax	176,672,877.40	113,571,464.19
City Construction Tax	8,655,137.13	6,579,463.97
Others	27,943,219.67	16,084,508.15
Total	345,654,997.47	369,550,167.33

Notes to the Financial Statements

(Prepared in accordance with PRC Accounting Regulations)

Year ended 31 December 2005

5. Notes to Main Items of Financial Statements (Cont'd)

5.24 Other outstanding payment (Statutory)

The ending balance of other outstanding payment (wtatutory) is RMB 732,902,629.10, mainly because the Company follows "Regulations on the Accounting Treatment in the Reform of Staff Housing" (Cai-kuai [2001] 5) and has accrued housing subsidy for employees of RMB265 million, besides, it also has accrued civil aviation infrastructure levies payable of RMB 251 million and airport construction fees of RMB 210 million.

5.25 Other Payables

	Ending Balance	Beginning Balance
Other Payables	2,372,697,732.33	1,743,733,768.88

Among the ending balance, RMB 40.37 million is payable to Eastern Air Group Company, a shareholder holding 62% of the Company's share capital.

The ending balance is 36.07% higher than last year, mainly due to the acquisition of airline services and related assets of China Eastern airlines Northwest Company and China Eastern airlines Yunnan Company affiliated to Eastern Air Group Company.

5.26 Accrued Expenses

Item	Ending Balance	Beginning Balance
Accrued Interest on Aircraft under Financial Lease	131,684,325.54	76,341,158.84
Accrued Interest on Loan	66,182,474.32	15,473,979.44
Aircraft Operating Lease Obligation	27,344,235.46	18,724,114.45
Overhaul Expenses of Aircraft & Engines	609,368,106.65	731,006,634.21
Taking-off & Landing Charges	797,721,795.26	720,874,440.78
Aircraft Fuel	1,549,138,113.16	1,218,486,166.71
Food and Beverage	197,290,048.26	182,175,665.66
Aircraft Insurance	35,751,672.93	84,505,861.35
Flight Crew Training	87,181,043.84	94,160,241.49
Off- Port Information Expense	155,895,913.35	45,836,621.10
Flying Hours Expenses	12,880,360.80	28,248,717.60
Rentals of Office Buildings	7,938,114.40	6,866,366.56
Others	57,127,489.16	100,389,124.99
Total	3,735,503,693.13	3,323,089,093.18

Notes to the Financial Statements

(Prepared in accordance with PRC Accounting Regulations)

Year ended 31 December 2005

5. Notes to Main Items of Financial Statements (Cont'd)

5.27 Accrued Liabilities

The ending balance of accrued liabilities is RMB 21,125,337.00, mainly owing to the provision made for the incremental cost of FFP, an award to entitled frequent customers.

5.28 Deferred income

The ending balance of deferred income is RMB 76,797,154.86, which is the residual amount after amortization within lease term of the difference between the carrying amount and sale price of leaseback operation.

5.29 Current Portion of Long-term Liabilities

Item	Ending Balance	Beginning Balance
Current Portion of Long-term Loans	1,476,559,647.34	2,290,849,925.73
Current Portion of Long-term Accounts Payable	3,026,791,041.13	1,485,319,367.63
Current Portion of tariff and value added tax	15,611,615.75	–
Current Portion of Amount Payable for Purchase of Assets	30,000,000.00	30,000,000.00
Total	4,548,962,304.22	3,806,169,293.36

Current Portion of Long-term Accounts Payable is the amount payable for fixed assets held under financial lease. Details are as follows:

Item	Ending Balance	Beginning Balance
The least payment for fixed assets held under financial lease	3,503,243,331.33	1,827,026,473.80
Less: Un-transferred financing expenses	476,452,290.20	341,707,106.17
Net amount of long-term accounts payable for fixed assets held under financial lease	3,026,791,041.13	1,485,319,367.63

5.30 Long-term Loans

Type	Ending Balance	Beginning Balance
Credit	3,982,455,785.59	3,396,177,570.56
Guaranteed	211,772,270.00	230,623,220.00
Collateralized	5,584,352,504.03	3,656,413,374.78
Total	9,778,580,559.62	7,283,214,165.34

Notes to the Financial Statements

(Prepared in accordance with PRC Accounting Regulations)

Year ended 31 December 2005

5. Notes to Main Items of Financial Statements (Cont'd)

5.30 Long-term Loans (Cont'd)

Among the credit loans, RMB50 million is entrust loan from Eastern Air Group Co., a parent company holding 62% shares of the Company, to another holding subsidiary through Eastern Air Group Finance Co., Ltd..

The guaranteed loans are guaranteed by Eastern Air Group Co., a shareholder holding 62% of the Company's share capital.

The collateral of the collateralized loans are 4 aircrafts of B737-700, 3 aircrafts of airbus A300-600R, 7 aircrafts of airbus A320-200, 4 aircrafts of airbus A321, 3 aircrafts of airbus A340-600, 1 aircraft of MD90 and part of buildings of a holding subsidiary, of which the procedures for collateral of aircrafts are still in process.

The ending balance of long term loans is 34.26% higher than that of previous year, which mainly results from the greatly increased financing demand for acquisition of aircrafts.

5.31 Long-term Accounts Payable

Item	Ending Balance	Beginning Balance
Accounts payable for fixed assets held under financial lease	8,986,737,275.46	8,196,485,000.96
Accounts payable for custom duty and value added tax	77,553,886.24	–
Accounts payable to China Civil Aviation Flight Institute	90,000,000.00	120,000,000.00
Total	9,154,291,161.70	8,316,485,000.96

5.31.1 Accounts Payable for Fixed Assets Held under Financial Lease

Item	Ending Balance	Beginning Balance
Least payment for fixed assets held under financial lease	9,705,032,828.51	8,639,557,608.60
Less: Un-transferred financing expenses	718,295,553.05	443,072,607.64
Net amount of long-term accounts payable for fixed assets held under financial lease	8,986,737,275.46	8,196,485,000.96

The ending balance of accounts payable for fixed assets held under financial lease is RMB 8,986,737,275.46, which is payable to financial lease companies for aircraft held under financial lease. The balance includes USD 837,665,865.45 translated at the exchange rate of 8.0702; DEM 114,755,836.24 translated at the exchange rate of 4.898023; JPY 24,629,578,288.54, translated at the exchange rate of 0.068716.

Notes to the Financial Statements

(Prepared in accordance with PRC Accounting Regulations)

Year ended 31 December 2005

5. Notes to Main Items of Financial Statements (Cont'd)

5.31 Long-term Accounts Payable (Cont'd)

5.31.2 Payment for China Civil Aviation Flight Institute

The Company acquired the assets of Great Wall Airlines Co., which was under the jurisdiction of China Civil Aviation Flight Institute, at a price of RMB270 million in 2001. According to the transfer agreement, the Company will pay in installments in 9 years starting from June 2001. The Company has paid RMB30 million this year. Accumulated payment is RMB150 million and the ending balance is RMB 120 million. Among the balance, RMB 90 million is recorded as long-term accounts payable and RMB 30 million is recorded as current portion of long-term liabilities.

5.32 Deferred Tax Credits

5.32.1 Consolidated

Item	Ending Balance	Beginning Balance
Tangible Assets Donated	181,714.53	181,714.53
Assets Revaluation Increment	235,777.50	314,370.00
Others	22,212,775.97	–
Depreciation	394,418,243.47	329,270,264.66
Total	417,048,511.47	329,766,349.19

5.32.2 Parent Company

Item	Ending Balance	Beginning Balance
Assets Revaluation Increment	235,777.50	314,370.00
Depreciation	394,418,243.47	329,270,264.66
Total	394,654,020.97	329,584,634.66

Notes to the Financial Statements

(Prepared in accordance with PRC Accounting Regulations)

Year ended 31 December 2005

5. Notes to Main Items of Financial Statements (Cont'd)

5.33 Share Capital

	Beginning Balance	Change, Current	Ending Balance
I. Unlisted Shares			
1. Sponsor's Shares			
Including:			
State-owned Shares	3,000,000,000.00	–	3,000,000,000.00
2. Subscribed Legal Person Shares	–	–	–
3. Internal Staff Shares	–	–	–
Total Unlisted Shares	3,000,000,000.00	–	3,000,000,000.00
II. Listed Shares			
1. RMB Common Shares in Domestic Market	300,000,000.00	–	300,000,000.00
2. Foreign Invested Shares in Domestic Shares	–	–	–
3. Foreign Invested Shares in Overseas Market	1,566,950,000.00	–	1,566,950,000.00
Total Listed Shares	1,866,950,000.00	–	1,866,950,000.00
III. Total Capital Shares	4,866,950,000.00	–	4,866,950,000.00

5.34 Capital Reserve

Item	Beginning Balance	Increase	Decrease	Ending Balance
Premium on Shares	954,456,511.50	–	–	954,456,511.50
Reserve for Equity Investment	38,644,716.54	35,541,470.93	–	74,186,187.47
Reserve for Asset Revaluation Increment	122,005,892.88	–	40,354,566.80	81,651,326.08
Other Capital Surplus Transferred In	40,759,431.68	40,639,205.52	–	81,398,637.20
Transferred from Appropriation for				
Special Purpose	26,109,467.50	18,257,620.50	–	44,367,088.00
The Difference of Related Transaction	706,030.75	–	–	706,030.75
Total	1,182,682,050.85	94,438,296.95	40,354,566.80	1,236,765,781.00

Notes to the Financial Statements

(Prepared in accordance with PRC Accounting Regulations)

Year ended 31 December 2005

5. Notes to Main Items of Financial Statements (Cont'd)

5.34 Capital Reserve (Cont'd)

The current increase of <Capital Surplus-Reserve for Equity Investment> mainly refers to excess of the carrying amount of net assets over the investment cost of Shanghai Technologies Aerospace Co., Ltd. and equity investment difference arising from additional investment in China Eastern Airlines Jiangsu Co. Ltd..

The current decrease of <Capital Surplus-Reserve for Asset Revaluation Increment> mainly refers to the amortization of asset evaluation increment of RMB 400,948,524.29 formed during the stock restructuring of the Company. From year 1998, the balance is to be amortized into < Capital Surplus-Other Capital Surplus Transferred In> evenly over a period of 10 years.

The current increase of <Capital Surplus-Transferred from Appropriation for Special Purpose > mainly refers to the appropriation by the CAAC to Eastern Air Group Company for the purpose of the construction of the aviation security enforcement system. The year-end balance is the amount transferred in from Eastern Air Group Company after utilization of the fund by the Company according to requirements. The equity belongs to the Company's holding company, Eastern Air Group Company.

5.35 Surplus Reserve

Item	Beginning Balance	Increase, Current	Decrease, Current	Ending Balance
Statutory Surplus Reserve	95,119,973.32	17,948,883.96	-	113,068,857.28
Public Welfare Fund	90,739,788.10	8,722,305.70	-	99,462,093.80
Discretionary Surplus Reserve	81,165.66	-	-	81,165.66
Total	185,940,927.08	26,671,189.66	-	212,612,116.74

5.36 Undistributed Profit

Undistributed Profit at the Beginning of the Year	-534,737,613.40
Add: Current Profit	60,474,172.57
Distributable Profit	-474,263,440.83
Less: Appropriation for Statutory Surplus Reserve	17,948,883.96
Appropriation for Statutory Welfare Fund	8,722,305.70
Appropriation for Staff Welfare Fund	823,912.90
Dividend of Common Shares Payable	-
Undistributed Profit at the End of the Year	-501,758,543.39

Notes to the Financial Statements

(Prepared in accordance with PRC Accounting Regulations)

Year ended 31 December 2005

5. Notes to Main Items of Financial Statements (Cont'd)

5.37 Revenue from Main Operations

5.37.1 Consolidated

5.37.1.1 Segment by Business

Item	Year 2005			Year 2004		
	Revenue	Cost	Profit	Revenue	Cost	Profit
Air Transportation	26,198,780,610.98	22,654,264,050.02	3,544,516,560.96	19,863,525,436.53	16,099,571,413.31	3,763,954,023.22
Training	26,257,009.42	22,704,614.90	3,552,394.52	29,618,192.06	24,005,819.09	5,612,372.97
Total	26,225,037,620.40	22,676,968,664.92	3,548,068,955.48	19,893,143,628.59	16,123,577,232.40	3,769,566,396.19

5.37.1.2 Segment by Region

Item	Year 2005			Year 2004		
	Revenue	Cost	Profit	Revenue	Cost	Profit
Domestic	12,202,299,811.50	10,435,742,902.09	1,766,556,909.41	8,528,136,879.39	6,799,102,681.02	1,729,034,198.37
International	10,938,477,416.48	9,602,752,447.24	1,335,724,969.24	8,552,225,426.72	7,113,303,692.25	1,438,921,734.47
Regional	3,084,260,392.42	2,638,473,315.59	445,787,076.83	2,812,781,322.48	2,211,170,859.13	601,610,463.35
Total	26,225,037,620.40	22,676,968,664.92	3,548,068,955.48	19,893,143,628.59	16,123,577,232.40	3,769,566,396.19

The revenue from top 5 customers is RMB1,919 million, representing 7.32% of the total revenue.

The revenue from main operations is 31.83% higher than that of last year, mainly because of the acquisition of aviation business and related assets of China Eastern Airlines Northwest Company and China Eastern Airlines Yunnan Company formerly affiliated to Eastern Air Group Company, which led to the increase of transportation capacity.

The cost from main operations is 40.64% higher than that of last year. In addition to the above-mentioned reason, the boost of fuel prices in domestic and international markets also contributes to the increase.

Notes to the Financial Statements

(Prepared in accordance with PRC Accounting Regulations)

Year ended 31 December 2005

5. Notes to Main Items of Financial Statements (Cont'd)

5.37 Revenue from Main Operations (Cont'd)

5.37.2 Parent Company

5.37.2.1 Segment by Business

Item	Revenue	Year 2005 Cost	Profit	Revenue	Year 2004 Cost	Profit
Passenger & Cargo						
Transportation	21,649,148,945.81	18,459,050,053.91	3,190,098,891.90	15,875,882,226.74	12,947,428,391.25	2,928,453,835.49
Training	-	-	-	-	-	-
Total	21,649,148,945.81	18,459,050,053.91	3,190,098,891.90	15,875,882,226.74	12,947,428,391.25	2,928,453,835.49

5.37.2.2 Segment by Region

Item	Revenue	Year 2005 Cost	Profit	Revenue	Year 2004 Cost	Profit
Domestic	10,650,995,743.18	9,158,010,251.89	1,492,985,491.29	7,188,623,606.60	5,906,798,677.60	1,281,824,929.00
International	8,229,014,993.62	6,939,759,006.33	1,289,255,987.29	6,223,101,955.18	5,028,734,037.91	1,194,367,917.27
Regional	2,769,138,209.01	2,361,280,795.69	407,857,413.32	2,464,156,664.96	2,011,895,675.74	452,260,989.22
Total	21,649,148,945.81	18,459,050,053.91	3,190,098,891.90	15,875,882,226.74	12,947,428,391.25	2,928,453,835.49

The revenue from top 5 customers is 1,919 million, representing 8.86% of the total revenue.

The revenue from main operations is 36.37% higher than that of last year, mainly because of the acquisition of the aviation business and related assets of China Eastern Airlines Northwest Company and China Eastern Airlines Yunnan Company formerly affiliated to Eastern Air Group Company, which led to the increase of the transportation capacity.

The cost from main operations is 42.57% higher than that of last year. In addition to the above-mentioned reason, the boost of fuel prices in domestic and international markets also contributes to the increase.

Notes to the Financial Statements

(Prepared in accordance with PRC Accounting Regulations)

Year ended 31 December 2005

5. Notes to Main Items of Financial Statements (Cont'd)

5.38 Business Tax and Additional

Item	Year 2005	Year 2004
Business Tax	601,613,291.40	486,974,160.11
City Construction Tax	28,505,651.39	23,429,837.54
Education Tax	13,165,659.20	11,169,839.38
Total	643,284,601.99	521,573,837.03

The business tax and additional is 23.34% higher than that of last year, mainly due to the increase of main operating income compared with that of previous year, which leads to increase of current year's business tax and additional.

5.39 Other Operating Profit

Item	Revenue	Year 2005 Cost	Profit	Revenue	Year 2004 Cost	Profit
Materials Transfer	18,235,490.24	142,622,886.60	-124,387,396.36	18,350,837.50	16,431,887.05	1,918,950.45
Commission	53,212.78	2,358.85	50,853.93	93,660.68	2,331.00	91,329.68
Ground Service	1,123,420,617.23	436,490,720.20	686,929,897.03	929,115,940.06	340,171,994.03	588,943,946.03
Overhaul Expenses of						
Aircraft Engines	17,560,586.82	15,633,799.34	1,926,787.48	11,724,687.62	9,077,682.64	2,647,004.98
Aircraft Sub-lease	52,080,104.06	23,619,133.03	28,460,971.03	108,934,377.26	37,849,252.92	71,085,124.34
Others	79,836,310.03	59,161,707.15	20,674,602.88	39,084,865.65	38,907,616.14	177,249.51
Total	1,291,186,321.16	677,530,605.17	613,655,715.99	1,107,304,368.77	442,440,763.78	664,863,604.99

The other operating profit is 7.70% lower than that of last year, mainly because of the decrease of aircraft sublease income. Meanwhile, the disposal of FK100 aviation materials has incurred loss (the provision for impairment of aviation materials of RMB118 million has offset administrative expenses).

Notes to the Financial Statements

(Prepared in accordance with PRC Accounting Regulations)

Year ended 31 December 2005

5. Notes to Main Items of Financial Statements (Cont'd)

5.40 Financial Expenses

Item	Year 2005	Year 2004
Interest Expenses	1,246,106,765.59	815,401,872.30
Less: Interest Income	149,975,669.76	128,735,693.19
Exchange Losses	22,570,565.96	437,472,243.32
Less: Exchange Gains	588,034,700.19	440,661,447.30
Others	40,030,837.59	14,999,955.65
Total	570,697,799.19	698,476,930.78

5.41 Investment Income

5.41.1 Consolidated

Item	Year 2005	Year 2004
Stock Investment Gains	127,000.00	–
Bond Investment Gains	–	5,847,961.54
Profit Distributed by Investee Company		
Accounted with Cost Method	20,800.00	–
Adjustment with Net Increase (Decrease) of		
Shareholders' Equity of Investee Companies	14,982,403.31	-33,673,522.23
Amortization of Equity Investment Difference	-7,683,131.57	-6,589,995.22
Others	1,147.56	5,013,562.50
Total	7,448,219.30	-29,401,993.41

The investment income this year increases dramatically compared with that of previous year, which results from the increased income of affiliated companies accounted by equity method.

Notes to the Financial Statements

(Prepared in accordance with PRC Accounting Regulations)

Year ended 31 December 2005

5. Notes to Main Items of Financial Statements (Cont'd)

5.41 Investment Income (Cont'd)

5.41.2 Parent Company

Item	Year 2005	Year 2004
Bond Investment Gains	–	5,847,961.54
Profit Distributed by Investee Company		
Accounted with Cost Method	20,800.00	–
Adjustment with Net Increase (Decrease) of		
Shareholders' Equity of Investee Companies	45,266,064.66	314,672,848.51
Amortization of Equity Investment Difference	-6,625,138.33	-6,625,141.92
Total	38,661,726.33	313,895,668.13

The investment income this year decreases dramatically compared with that of previous year, which results from huge losses incurred by two consolidated subsidiaries during current year compared with previous year.

5.42 Subsidy Income

Item	Year 2005	Year 2004
Airline subsidy	12,236,000.00	12,436,200.00
Return of Tax	30,034,655.80	584,024.65
Financial Subsidy	133,150,980.08	58,199,524.91
Total	175,421,635.88	71,219,749.56

5.42.1 The Company received special airline subsidy of RMB 12.236 million.

5.42.2 According to the relevant regulation (Hu-cai-yu 2002 No. 113) of Shanghai Ministry of Finance, the Company received a financial subsidy of RMB 93,683.60 thousand.

5.42.3 The Company's Hebei, Shandong, Ningbo branches are granted with a financial subsidy of RMB 39,467.40 thousand by local Bureau of Finance respectively.

5.42.4 Two of the consolidated subsidiaries received tax return of RMB 30,034.70 thousand from local Bureau of Finance.

Notes to the Financial Statements

(Prepared in accordance with PRC Accounting Regulations)

Year ended 31 December 2005

5. Notes to Main Items of Financial Statements (Cont'd)

5.43 Non-operating Income

Item	Year 2005	Year 2004
Net Gains on Disposal of Fixed Assets	7,314,294.81	54,378,530.16
Stock Premium of Fixed Assets	–	178,100.00
Penalty Income	3,105,412.53	2,300,164.01
Others	217,845,428.64	281,133,538.15
Total	228,265,135.98	337,990,332.32

Other non-operating income includes the RMB 194 million of sales in advance of carriage over settlement period which is recognized as non-operating income in accordance with the Accounting Treatment for Civil Aviation Industry.

The non-operating income is 32.46% lower than that of last year, mainly because the net profit from disposal of fixed assets and the balance of sales in advance of carriage over settlement period recognized as income in accordance with the Accounting Treatment for Civil Aviation Industry has decreased compared with that of previous year.

5.44 Non-operating Expenses

Item	Year 2005	Year 2004
Net Loss on Disposal of Fixed Assets	6,389,113.30	36,700,174.08
Stock Loss of Fixed Assets	54,877.23	–
Penalties	1,892,658.27	1,303,678.05
Donation	460,965.90	478,061.80
Provision for Impairment of Construction-in-progress	-13,800,000.00	–
Others	3,475,908.96	14,889,686.24
Total	-1,526,476.34	53,371,600.17

The non-operating expenses decrease dramatically compared with that of previous year, mainly because the Company has reversed previous provision for impairment of Xiamen International Travel Building.

Notes to the Financial Statements

(Prepared in accordance with PRC Accounting Regulations)

Year ended 31 December 2005

5. Notes to Main Items of Financial Statements (Cont'd)

5.45 Income Tax

The income tax this year is RMB 9,548,889.98, which is calculated by deferred income taxes method.

5.46 Other Significant Items in Cash Flows Statement

- 5.46.1 Included in cash paid relating to other investing activities is net amount between RMB 690 million paid for the acquisition of aviation business and related assets of China Eastern Airlines Northwest Company and China Eastern Airlines Yunnan Company formerly affiliated to Eastern Air Group Company and RMB 602 million received during the acquisition. Additionally, it also includes RMB 30 million paid for the purchase of Great Wall Airlines Co., an affiliate of former China Civil Aviation Flight Institute, according to assets transfer agreement.
- 5.46.2 Included in cash received relating to other financing activities refers to RMB 17.65 million appropriation for special purpose transferred from Eastern Air Group Company, the fund is appropriated by CAAC for the purpose of the construction of aviation security enforcement system. By the end of 2005, the fund has been used according to the regulation and recorded as capital reserve.
- 5.46.3 The cash paid relating to other financing activities is RMB 511 million, which mainly includes interests paid for fixed assets under financial lease.

5.47 Extraordinary gains and losses

Items	Year 2005	Year 2004
Subsidy income	149,108,390.50	60,536,787.13
Gains on disposal of fixed assets	6,186,375.87	46,093,303.51
Revenue of Sales in Advance of Carriage over settlement period	164,963,960.10	215,141,670.66
Other operating revenue	22,809,251.93	25,871,932.03
Less: Losses on disposal of fixed assets	5,424,324.81	31,140,310.64
Reversal of provision for Impairment of construction-in-progress	-11,730,000.00	—
Other Non-operating Expense	4,961,603.40	14,155,066.94
Total	344,412,050.19	302,348,315.75

Notes to the Financial Statements

(Prepared in accordance with PRC Accounting Regulations)

Year ended 31 December 2005

6. Related Party Relationships and Transactions

6.1 Related Parties with Control Relationship

6.1.1 Brief Introduction of Related Parties with Control Relationship

Company	Registered Address	Main Operations	Relation with the Company	Type	Legal Representative
Eastern Air Group Company	Hongqiao West Rd., Shanghai	Management of subsidiary companies	Parent company	State-owned	Li Fenghua
Shanghai Eastern Flight Training Co., Ltd.	Waigaoqiao, Shanghai	Training of flying crew and other staff in connection with aviation	Subsidiary	Limited Liability	Wu Yuling
Eastern Airlines Hotel Co., Ltd.	Beijing	Sales of packaged food, beverage, knitwear, grocery	Subsidiary	Limited Liability	Luo Weide
China Cargo Airlines Co. Ltd.	Pudong New Area	Air transportation of cargo and mails over domestic and international air routes	Subsidiary	Limited Liability	Luo Chaogeng
Jiangnan Tourism (Hong Kong) Co., Ltd.	Hong Kong	Tourist service	Subsidiary	Limited Liabilities	Su Guoxin
Eastern Airlines (Shantou) Economic Development Co., Ltd.	Shantou	Manufacture and sales of products on airlines, sales of grocery and chemistries materials	Subsidiary	Limited Liabilities	Wu Jiahong
China Eastern Airlines Jiangsu Co., Ltd.	Nanjing	Air transportation of passengers, cargo and mails over domestic and approved international air routes	Subsidiary	Limited Liability	Su Guoxin
Eastern Airlines Jiangsu Advertisement Co.	Nanjing	Design of newspaper, advertisement, and presswork	Subsidiary	Collective owned enterprise	Yang Jianmin
Shanghai Dongwei Aviation Transportation Services Co. Ltd.	Chongming Island of Shanghai	Land Freight Transportation, Storage Service etc	Subsidiary	Limited Liabilities	Chen Daqian
Shanghai Eastern Fudart Transportation Services Co., Ltd.	Pudong New Area, Shanghai	Agent services for transportation of imp. & exp. cargo by air or sea; international air express	Subsidiary	Sino-foreign joint venture	Zhou Ligu
Shanghai Eastern Airlines Investment Co., Ltd.	Pudong New Area, Shanghai	Industrial investment and the related consulting services	Subsidiary	Limited Liability	Li Fenghua
Shanghai East Aircraft Maintenance Co., Ltd.	Pudong New Area, Shanghai	Airline maintaining services	Subsidiary	Sino-foreign joint venture	Yang Xu
Shanghai Eastern Logistics Co., Ltd	Pudong New Area, Shanghai	Freight Consignment, Land freight Load and Unload, Transportation Service, Storage, Property Management	Subsidiary	Limited Liability	Zhou Ligu

Notes to the Financial Statements

(Prepared in accordance with PRC Accounting Regulations)

Year ended 31 December 2005

6. Related Party Relationships and Transactions (Cont'd)

6.1 Related Parties with Control Relationship (Cont'd)

6.1.2 Registered Capital and its Movement of Related Parties with Control Relationship

Company	Beginning Balance	Increase,	Decrease,	Ending Balance
Eastern Air Group Company	2,558,441,000.00	–	–	2,558,441,000.00
Shanghai Eastern Flight Training Co., Ltd.	473,000,000.00	–	–	473,000,000.00
Eastern Airlines Hotel Co., Ltd.	70,000,000.00	–	–	70,000,000.00
China Cargo Airlines Co. Ltd.	500,000,000.00	450,000,000.00	–	950,000,000.00
Jiangnan Tourism (Hong Kong) Co., Ltd.	641,100.00	–	–	641,100.00
Eastern Airlines (Shantou) Economic Development Co., Ltd.	10,000,000.00	–	–	10,000,000.00
China Eastern Airlines Jiangsu Co., Ltd.	257,503,600.00	622,496,400.00	–	880,000,000.00
Eastern Airlines Jiangsu Advertisement Co.	300,000.00	–	–	300,000.00
Shanghai Dongwei Aviation Transportation Co.,Ltd	3,000,000.00	–	–	3,000,000.00
Shanghai Eastern Fudart Transportation Services Co., Ltd.	USD1,000,000	–	–	USD1,000,000
Shanghai Eastern Airlines Investment Co., Ltd.	412,500,000.00	–	–	412,500,000.00
Shanghai East Aircraft Maintenance Co., Ltd.	USD3,100,000	–	–	USD3,100,000
Shanghai Eastern Logistics Co., Ltd	200,000,000.00	–	–	200,000,000.00

Notes to the Financial Statements

(Prepared in accordance with PRC Accounting Regulations)

Year ended 31 December 2005

6. Related Party Relationships and Transactions (Cont'd)

6.1 Related Parties with Control Relationship (Cont'd)

6.1.3 Stock Held and its Movement of Related Parties with Control Relationship

Company	Beginning Balance		Increase, Current		Decrease, Current		Ending Balance	
	Amount	%	Amount	%	Amount	%	Amount	%
Eastern Air Group Company	3,000,000,000.00	62.00	-	-	-	-	3,000,000,000.00	62.00
Shanghai Eastern Flight Training Co., Ltd.	449,350,000.00	95.00	-	-	-	-	449,350,000.00	95.00
Eastern Airlines Hotel Co., Ltd.	60,100,000.00	85.86	-	-	-	-	60,100,000.00	85.86
China Cargo Airlines Co. Ltd.	350,000,000.00	70.00	315,000,000.00	70.00	-	-	665,000,000.00	70.00
Jiangnan Tourism (Hong Kong) Co., Ltd.	330,000.00	55.00	-	-	49,262.31	18.77	280,737.69	43.79
Eastern Airlines (Shantou) Economic Development Co., Ltd.	5,500,000.00	55.00	-	-	-	-	5,500,000.00	55.00
China Eastern Airlines Jiangsu Co., Ltd.	142,448,800.00	55.32	408,101,200.00	65.56	-	-	550,550,000.00	62.56
Eastern Airlines Jiangsu Advertisement Co.	165,000.00	55.00	22,680.00	62.56	-	-	187,680.00	62.56
Shanghai Dongwei Aviation Transportation Co., Ltd	1,365,000.00	45.50	-	-	-	-	1,365,000.00	45.50
Shanghai Eastern Fudart Transportation Services Co., Ltd.	2,040,031.52	35.70	-	-	-	-	2,040,031.52	35.70
Shanghai Eastern Airlines Investment Co., Ltd.	407,520,000.00	98.79	-	-	-	-	407,520,000.00	98.79
Shanghai East Aircraft Maintenance Co., Ltd.	15,394,662.00	60.00	-	-	-	-	15,394,662.00	60.00
Shanghai Eastern Logistics Co., Ltd	140,000,000.00	70.00	-	-	-	-	140,000,000.00	70.00

6.1.4 Transactions with Related Parties with Control Relationship (Unit: RMB'000)

6.1.4.1 Transaction Amount with Related Parties

6.1.4.1.1 Assets Acquisition

On May 20, 2005 the Company, China Eastern Air Group Company (referred to as "Eastern Air Group"), China Eastern Airlines Northwest Co., Ltd (referred to as "Northwest Airline"), and China Eastern Airlines Yunnan Co., Ltd (referred to as "Yunnan Airline") signed "Asset Transfer Agreement" regarding the acquisition of aviation business and relevant assets from Northwest Airline and Yunnan Airline by the Company. The total amount of assets is RMB 9,466,892.7 thousand and the amount of liabilities is RMB 8,827,143.6 thousand, and the net amount therefore is RMB 639,749.1 thousand. The Company paid RMB 689,985 thousand in 5 days after the effective date of the agreement and the excess payment of 50,235.9 thousand has been paid back on March 21, 2006.

Notes to the Financial Statements

(Prepared in accordance with PRC Accounting Regulations)

Year ended 31 December 2005

6. Related Party Relationships and Transactions (Cont'd)

6.1 Related Parties with Control Relationship (Cont'd)

6.1.4 Transactions with Related Parties with Control Relationship (Unit: RMB'000) (Cont'd)

6.1.4.1 Transaction Amount with Related Parties (Cont'd)

6.1.4.1.2 Leasing

China Eastern Air Group Company (referred to as "Eastern Air Group"), China Eastern Airlines Northwest Company (referred to as "Northwest Airline"), China East Airline Yunnan Company (referred to as "Yunnan Airline") and the Company signed "Agreement on the Lease of Land and Auxiliary Facilities to China Eastern Airlines Co., Ltd.". Pursuant to the agreement, the Company shall lease 692,539 square meters of land, 269,148.24 square meters of building and auxiliary facilities from North West Company. The Company shall also lease 420,768.13 square meters of land and 457,721.67 square meters of buildings and auxiliary facilities from Yunnan Company. The lease term is 3 years and the rent is paid once every half year. According to "Report on Evaluation of Land Rental" issued by State Land & Real Estate Consultation & Appraisal Center on April 12, 2005 and ZHPBZ (2005) 22-4 "Evaluation Report on Real Estate Rental" issued by Zhonghua Financial Consultation Co., Ltd. on April 18, 2005, the rental of land and is RMB 22,969.50 thousand and the rental for buildings and auxiliary facilities is RMB 32,429.54 thousand each year respectively. During 2005, the Company has paid a rental of RMB 27,699 thousand for the second half year of 2005.

6.1.4.2 Related Parties Accounts Receivable and Accounts Payable

Company	Ending Balance	Beginning Balance
Other Receivables: Eastern Air Group Company	50,340	34,305
Other Payables: Eastern Air Group Company	40,367	16,319
Prepayment: Eastern Air Group Company	–	7,474
Dividends Payable: Eastern Air Group Company	60,000	–
Short term Borrowing (entrusted loans): Eastern Air Group Company	25,000	–
Long term Borrowing (entrusted loans): Eastern Air Group Company	50,000	–

Notes to the Financial Statements

(Prepared in accordance with PRC Accounting Regulations)

Year ended 31 December 2005

6. Related Party Relationships and Transactions (Cont'd)

6.2 Related Parties without Control Relationship but have Transactions with the Company (Unit: RMB'000)

6.2.1 Nature of Relation with Related Parties without Control Relationship

Company	Relation with the Company
China Eastern Airlines Import and Export Co. Ltd	Same parent company
Eastern Air Group Finance Co., Ltd.	Same parent company
Shanghai Eastern Aviation Equipment Manufacturing Corporation	Same parent company
Eastern Aviation Advertising Service Co.	Same parent company
Eastern Airlines Int'l Tourism Transportation Co., Ltd	Same parent company
Shanghai Dongmei Aviation Travel Co., Ltd.	Same parent company
Eastern (Zhoushan) Tourism Industrial Development Company	Same parent company
Shanghai Travel Service (Hong Kong) Co., Ltd.	Same parent company
Shanghai Tourism (Hong Kong) Co., Ltd.	Same parent company
China Eastern Airlines Northwest Co., Ltd.	Same parent company
China Eastern Airlines Yunnan Co., Ltd.	Same parent company
Nanjing Aviation Co.	Same ultimate holding company
Shanghai Eastern Air Catering Co., Ltd.	Same ultimate holding company
Qi Lu Eastern Airlines Catering Co., Ltd.	Same ultimate holding company
Qingdao Eastern Air Catering Co., Ltd.	Same ultimate holding company
Yantai Eastern Air Catering Co., Ltd.	Same ultimate holding company
Xi'an Eastern Air Catering Co., Ltd.	Same ultimate holding company
Yunnan Eastern Air Catering Co., Ltd.	Same ultimate holding company
Shanghai Technologies Aerospace Co., Ltd.	Subsidiary
Shanghai Eastern Union Aviation Wheels & Brakes Overhaul Engineering Co.	Subsidiary
China Eastern Airlines Wuhan Co., Ltd.	Subsidiary
Jiangsu Eastern Airlines International Travel Agency Co., Ltd.	Subsidiary
Yunnan Kaiya Information Co., Ltd.	Subsidiary

Notes to the Financial Statements

(Prepared in accordance with PRC Accounting Regulations)

Year ended 31 December 2005

6. Related Party Relationships and Transactions (Cont'd)

6.2 Related Parties without Control Relationship but have Transactions with the Company (Unit: RMB'000) (Cont'd)

6.2.2 Amount of Related Party Transactions

6.2.2.1 Purchase

The breakdown of purchase of fixed assets, aviation equipment or food and beverage by the Company from related parties is as follows:

Company	Year 2005	Year 2004
Shanghai Eastern Aviation Equipment Manufacturing Corporation	8,987	14,850
China Eastern Airlines Import and Export Co. Ltd	7,228,190	5,328,000
Shanghai Eastern Air Catering Co., Ltd.	184,306	165,643
Qi Lu Eastern Airlines Catering Co., Ltd.	6,436	8,472
Qingdao Eastern Air Catering Co., Ltd.	15,055	14,291
Yantai Eastern Air Catering Co., Ltd.	6,536	6,839
Xi'an Eastern Air Catering Co., Ltd.	15,079	50
Yunnan Eastern Air Catering Co., Ltd.	17,451	244

6.2.2.2 Purchase of Service

The services provided by related parties are as follows:

Company	Year 2005	Year 2004
China Eastern Airlines Import and Export Co. Ltd	40,590	34,270
Shanghai Eastern Union Aviation Wheels & Brakes Overhaul Engineering Co.	1,216	1,241
Eastern Aviation Advertising Service Co.	63,972	25,445
Shanghai Dongmei Aviation Travel Co., Ltd.	8,611	5,629
China Eastern Airlines Wuhan Co., Ltd.	7,402	8,228
China Eastern Airline North West Co., Ltd.	9,550	32,396
China Eastern Airlines Import and Export Co. Ltd	2,374	14,181
Shanghai Eastern Aviation Equipment Manufacturing Corporation	6,238	22,494
Shanghai Technologies Aerospace Co., Ltd.	104,853	—

Notes to the Financial Statements

(Prepared in accordance with PRC Accounting Regulations)

Year ended 31 December 2005

6. Related Party Relationships and Transactions (Cont'd)

6.2 Related Parties without Control Relationship but have Transactions with the Company (Unit: RMB'000) (Cont'd)

6.2.2 Amount of Related Party Transactions (Cont'd)

6.2.2.3 Supply of Service

The labor provided to related parties are as follows.

Company	Year 2005	Year 2004
China Eastern Airlines Wuhan Co., Ltd.	46,412	32,396
China Eastern Airline Northwest Co., Ltd.	39,247	87,883
China Eastern Airline Yunnan Co., Ltd.	38,817	81,517
Nanjing Aviation Co.	–	5,156

6.2.2.4 Supply of fund

The placement of deposit by the Company in Eastern Air Group Finance Co., Ltd. generated an interest income of 5,341 thousand in 2005.

6.2.2.5 Finance

The Company paid an interest of 14,855 thousand for borrowings from Eastern Air Group Finance Co., Ltd.

6.2.2.6 Lease

6.2.2.6.1 The Company received rental income of RMB 41,327 thousand for the lease of two B737-300 aircrafts to China Eastern Airlines Wuhan Co., Ltd during 2005.

6.2.2.6.2 The Company paid a rent of RMB 4,909 thousand to Shanghai Eastern Aviation Equipment Manufacturing Corporation for the lease of buildings and equipment during 2005.

6.3 Amounts Due to or From the Related Parties

6.3.1 Dividends Receivable

Company	Ending Balance	Beginning Balance
China Eastern Airlines Import and Export Co. Ltd	486	–
Shanghai Eastern Union Aviation Wheels & Brakes Overhaul Engineering Co.	3,000	6,000
Yunnan Kaiya Information Co., Ltd.	490	–

Notes to the Financial Statements

(Prepared in accordance with PRC Accounting Regulations)

Year ended 31 December 2005

6. Related Party Relationships and Transactions (Cont'd)

6.3 Amounts Due to or From the Related Parties (Cont'd)

6.3.2 Accounts Receivable

Company	Ending Balance	Beginning Balance
Shanghai Tourism (Hong Kong) Co., Ltd.	23,177	111,132
Shanghai Dongmei Aviation Travel Co., Ltd.	43,223	40,228
Eastern International Tourism Transportation Co., Ltd.	11,012	11,012
Eastern (Zhoushan) Tourism Industrial Development Co.	5,162	5,162
Shanghai Travel Service (Hong Kong) Co., Ltd.	66,457	90,153
China Eastern Airlines Wuhan Co., Ltd.	2,005	274
China Eastern Airline Yunnan Co., Ltd.	–	52,128
China Eastern Airline Northwest Co., Ltd.	–	7,176

6.3.3 Accounts Payable

Company	Ending Balance	Beginning Balance
China Eastern Airlines Import and Export Co.	75,139	81,859
China Eastern Airlines Wuhan Co., Ltd.	78,163	25,257
China Eastern Airline Northwest Co., Ltd.	–	150,003
Nanjing Aviation Co.	–	1,547

6.3.4 Other Receivables

Company	Ending Balance	Beginning Balance
China Eastern Airlines Import and Export Co.	7,935	14,120
Eastern Aviation Advertising Service Co.	1,392	1,392
Shanghai Eastern Air Catering Co., Ltd.	1,722	1,268
Yunnan Eastern Air Catering Co., Ltd.	1,524	–
China Eastern Airline Northwest Co., Ltd.	2,194	38,466
China Eastern Airlines Wuhan Co., Ltd.	2,462	5,822
China Eastern Airline Yunnan Co., Ltd.	24	18,416
Nanjing Aviation Co.	–	54,230
Jiangsu Eastern Airlines International Travel Agency Co., Ltd.	6,500	6,320
Shanghai Technologies Aerospace Co., Ltd.	4,927	–

Notes to the Financial Statements

(Prepared in accordance with PRC Accounting Regulations)

Year ended 31 December 2005

6. Related Party Relationships and Transactions (Cont'd)

6.3 Amounts Due to or From the Related Parties (Cont'd)

6.3.5 Prepayments

Company	Ending Balance	Beginning Balance
China Eastern Airlines Import and Export Co.	10,970	511

6.3.6 Other Payables

Company	Ending Balance	Beginning Balance
China Eastern Airlines Import and Export Co.	45,483	18,129
Eastern Aviation Advertising Service Co.	2,285	–
China Eastern Airline North West Co., Ltd.	2,467	–
China Eastern Airline Yunnan Co., Ltd.	16,796	–
Jiangsu Eastern Airlines Traveling Agency Co., Ltd	5,210	8,319
Shanghai Technologies Aerospace Co., Ltd.	8,491	–
China Eastern Airlines Wuhan Co. Ltd.	807	–

6.3.7 Advance from Customers

Company	Ending Balance	Beginning Balance
Jiangsu Eastern Airlines Traveling Agency Co., Ltd	–	2,011

6.3.8 Short term Borrowing

Company	Ending Balance	Beginning Balance
Eastern Air Group Finance Co., Ltd.	180,702	140,765

Notes to the Financial Statements

(Prepared in accordance with PRC Accounting Regulations)

Year ended 31 December 2005

6. Related Party Relationships and Transactions (Cont'd)

6.3 Amounts Due to or From the Related Parties (Cont'd)

6.3.9 Notes Payable

Company	Ending Balance	Beginning Balance
China Eastern Airlines Import and Export Co.	470,130	96,921
Shanghai Eastern Air Catering Co., Ltd.	93,190	14,648

6.4 Other Related Party Transactions

Remuneration of key management personnel:

Company	Year 2005	Year 2004
Number of key executives	13	13
Remuneration	1,507	2,285

7. Commitment

7.1 Financial Lease Commitment

Pursuant to the irrevocable financial lease contract, the least financial lease commitment as of Dec. 31, 2005 is equivalent to RMB 13.208 billion. The lease payable in 2006, 2007 and 2008 is about RMB 3.485 billion, RMB 3.330 billion and RMB 2.325 billion respectively.

7.2 Operating Lease Commitment

According to the irrevocable operating lease contract, the least lease commitment as of Dec. 31, 2005 is RMB 8.710 billion. The lease payable in 2006, 2007 and 2008 is RMB 1.657 billion, RMB 1.546 billion and RMB 1.545 billion respectively.

7.3 Capital Expenditure Commitment

The Company signed an agreement with an independent third party to purchase five CFM56 engines. Of the five engines, two have been delivered in 2003 and 2004 respectively, one is to be delivered in 2007 and two are to be delivered in 2008.

The Company signed an agreement with an independent third party to purchase six B737-700 aircrafts. All of them are to be delivered in 2006.

Notes to the Financial Statements

(Prepared in accordance with PRC Accounting Regulations)

Year ended 31 December 2005

7. Commitment (Cont'd)

7.3 Capital Expenditure Commitment (Cont'd)

The Company signed an agreement with an independent third party to purchase twenty A330 aircrafts. Of the twenty aircrafts, ten are to be delivered in 2006, six are to be delivered in 2007 and four are to be delivered in 2008.

The Company signed an agreement with an independent third party to purchase five A319 aircrafts. Of the five aircrafts, three are to be delivered in 2006 and two are to be delivered in 2007.

The Company signed an agreement with an independent third party for the purchase of fifteen Airbus A320 aircraft, which will be delivered in succession from the year of 2006.

The Company signed an agreement with an independent third party for the purchase of fifteen B787 aircrafts, which will be delivered in succession since the year of 2008.

The Company signed an agreement with an independent third party for the purchase of four B737NG aircrafts, which will be delivered in succession since the year of 2007.

A holding subsidiary included in consolidation scope signed an agreement with an independent third party for the purchase of two B747 aircrafts, which will be delivered in succession from July 2006.

A holding subsidiary included in consolidation scope signed an agreement with an independent third party for the purchase of five EMB145 aircrafts. Three of them have been delivered in 2005 and the remaining two aircrafts are to be delivered in 2006.

8. Contingent Events

8.1 The Company estimates that there will still be foreign exchange reserve from the sale of air tickets even after repayment of foreign debts such as financial lease commitment and aircraft payment. In order to lower the foreign currency risk, the Company signed certain foreign exchange/interest rate swap contracts, forward contracts and interest limits contracts with domestic banks. By Dec. 31, 2005, the Company still has the following contracts which have been signed but not yet implemented:

Notes to the Financial Statements

(Prepared in accordance with PRC Accounting Regulations)

Year ended 31 December 2005

8. Contingent Events (Cont'd)

Type	Tenor	Nominal Principal (USD'000)	Market Value as of Dec. 31st, 2005 (USD'000)
Interest Rate Swap	1995-2016	802,137.78	5,404.12
Foreign Exchange Swap	2002-2010	34,525.24	(679.41)
Foreign Exchange Forward	2004-2008	174,159.77	(253.14)
Interest limits contract	2005-2008	10,000.00	3.97
Total			4,475.54

8.2 There is high risk of fuel price fluctuation in the aircraft fuel market recently and the fuel price is on the continuing rise. The Company estimates that the dramatic fluctuation will not relax very soon. Considering the significant influence of fuel price on operating cost, the Company signed option contracts on aircraft fuel with overseas banks to control the price risk of aircraft fuel. As of December 31, 2005, the market value of signed option contracts for aircraft fuel is USD 3,371.38 thousand.

9. Unadjusted Events after Balance Sheet Date

On 8th December, 2005, the Company entered into agreements with Wuhan Municipality State-owned Assets Supervision and Administration Commission ("Wuhan SASAC") and Shanghai Junyao Aviation Investment Company Limited ("Shanghai Junyao") respectively acquire (i) 38% equity interest in CEA Wuhan from Wuhan SASAC for a consideration of RMB278,000,000 and (ii) 18% equity interest in CEA Wuhan from Shanghai Junyao for a consideration of RMB140,000,000 (the "Agreements"). After the acquisition, the Company will hold 96% equity interest of CEA Wuhan. On February 28, 2005, CEA Wuhan changed its registration at Wuhan Municipal Administration for Industry and Commerce. As of March 3, 2006, the Company has paid total consideration of RMB278 million and 140 million to Wuhan SASAC and Shanghai Junyao respectively regarding the stock acquisition.

Under the agreement, Wuhan SASAC agrees to pay entailed operating loss of RMB 152 million incurred from January to July of 2002 to CEA Wuhan within 5 working days subsequent to the receipt of total consideration of stock acquisition. CEA Wuhan received the payment on Mar. 23, 2006.

Up to the issuance date (April 10, 2006) of the report, except the above event, there is no material unadjusted events after balance sheet date which will affect the understanding of the financial statements.

Notes to the Financial Statements

(Prepared in accordance with PRC Accounting Regulations)

Year ended 31 December 2005

10. Other Significant Events

10.1 Acquisition of Airline Business

On May 20, 2005 the Company, China Eastern Air Group Company (referred to as “Eastern Air Group”), China Eastern Airlines Northwest Co., Ltd (referred to as “Northwest Airline”), and China Eastern Airlines Yunnan Co., Ltd (referred to as “Yunnan Airline”) signed “Asset Transfer Agreement” regarding the acquisition of aviation business and relevant assets of Northwest Airline and Yunnan Airline by the Company. Upon approval by the Company’s shareholders in General Meeting on June 30, 2006, the Company acquired certain assets and liabilities relating to the aviation business of Northwest Airline and Yunnan Airline. Pursuant to the clause related to consideration in the agreement, the initial acquisition price was based upon “Assets Appraisal Report on the Transfer of Assets and Liabilities of Northwest Airlines Related to Aviation Business by Eastern Air Group” and “Assets Appraisal Report on the Transfer of Assets and Liabilities of Yunnan Airlines Related to Aviation Business by Eastern Air Group”, both of which issued by Zhonghua Financial Consultation Co., Ltd. on April 18, 2005. The appraisal date of the reports was Dec 31, 2004. The total assets of aviation business and related assets were RMB 9,541,892.4 thousand, the total liabilities were RMB8,556,199.6 thousand, and the net amount was RMB 985,692.8 thousand. The final price was a combination of initial price and any profit and loss recognized by China Accounting Standard for the period from evaluation date to effective date. Agreed by the Company and Air Group, the profit and loss incurred by aviation business service and related assets of Northwest Airline and Yunnan Airline was based on historical cost method. After audit of the financial statements of Northwest Airline and Yunnan Airline prepared in accordance with PRC Accounting Standards and Accounting Regulations for Business Enterprises, the net change of aviation business between evaluation date (Dec 31, 2004) and effective date (Jun 30, 2005) was RMB -345,943.7 thousand, among which operating loss of aviation business is RMB 270,142.8 thousand. The final consideration to be paid for the acquisition of aviation business and its related assets is as follows: the total amount of assets is RMB 9,466,892.7 thousand and the amount of liabilities is RMB 8,827,143.6 thousand, the net amount therefore is RMB 639,749.1 thousand. The Company paid RMB 689,985 thousand in 5 days after the effective date of the agreement and the excess payment of 50,235.9 thousand has been paid back on March 21, 2006.

Subsequent to the acquisition, the Company has set up Gansu Branch, Northwest Branch and Yunnan Branch.

As of the issuance date of the report (April 10, 2006), the titles of assets and liabilities acquired have been officially changed in the name of the Company, except: (1) Some bank deposit account; (2) Some real estate properties. Additionally, in terms of three aircrafts obtained by financial lease which I have come due or to be due in the near future (the lease contract for two aircrafts has come to maturity in 2005 and another is at maturity in February 2006), there are still some problems associated with transferring of property right because the lessor is under reorganization. However, the Company believes that this situation will not affect the occupation and utilization of these assets.

Notes to the Financial Statements

(Prepared in accordance with PRC Accounting Regulations)

Year ended 31 December 2005

10. Other Significant Events (Cont'd)

10.2 Debt Restructure

As of December 31, 2005, there was a pending amount of RMB 100.07 million due from a sales agency of China Cargo Airline Co. Ltd. ("China Cargo"), a 70% held subsidiary. The account was not paid on time due to the financial difficulty of the sales agency. In order to settle this debt as soon as possible, China cargo, sales agency and a third party signed a "repayment guarantee" regarding repayment by installment and guarantee. The sales agency will repay the debt in three years (from 2006 to 2008) and the third party will provide relevant guarantee. The sales agency should repay RMB 8 million before April 15, 2006. (On April 10, 2006, China Cargo received RMB 7.95million.)

Except the above event, there are no material unadjusted events after balance sheet date which will affect the understanding of the financial statements.

11. Approval of Financial Statements

The financial statements were approved by Board of Directors on April 10, 2006.

12. Comparison

To conform to the principle of consistency, some beginning balances and figures of last year have been reclassified or restated.

Notes to the Financial Statements

(Prepared in accordance with PRC Accounting Regulations)

Year ended 31 December 2005

13. Supplementary Information

Significant differences between International Financial Reporting Standards (“IFRS”) and PRC Accounting Regulations
(Unit:RMB’000)

Net Assets:

	Ending Balance	Beginning Balance
As stated in accordance with PRC audited statutory accounts	6,679,397	6,512,988
Difference in depreciation of other flight equipment due to different useful lives	1,297,160	1,361,373
Difference in depreciation of aircraft and deferred income of sales of aircraft and engine due to different useful life	881,956	983,264
Provision for overhaul expenses	(1,202,967)	(801,034)
Provision for post-retirement benefits	(1,240,376)	(588,394)
Goodwill	688,311	79,176
Negative goodwill	–	(42,873)
Unrealized gains on foreign exchange hedges	72,505	(91,861)
Reversal of revalued amount of land use right	(349,351)	(357,771)
Staff housing allowance	37,549	25,986
Time value on installments payable for acquisition of a passenger carriage business	12,797	19,796
Others	(95,927)	212,197
Tax adjustments	137,489	(10,761)
As stated in accordance with IFRS	6,918,543	7,302,086

Notes to the Financial Statements

(Prepared in accordance with PRC Accounting Regulations)

Year ended 31 December 2005

13. Supplementary Information (Cont'd)

Net Profit:

	Current Year	Previous Year
As stated in accordance with PRC audited statutory accounts	60,474	536,342
Difference in depreciation charges of other flight equipment due to different useful lives	115,086	145,938
Difference in depreciation charges of aircraft and deferred income of sales of aircraft and engine due to different useful life	(356,196)	(478,636)
Provision for overhaul expenses	(255,172)	(18,734)
Provision for post-retirement benefits	(133,417)	(24,611)
Amortization of goodwill and negative goodwill	–	(2,202)
Unrealized gains on foreign exchange hedges	27,779	–
Reversal of revalued amount for land use rights	8,420	8,498
Staff housing allowance	11,563	5,259
Time value on installments payable for acquisition of a passenger carriage business	(6,999)	(8,344)
Others	(87,095)	62,848
Tax adjustments	148,250	94,333
As stated in accordance with IFRS	(467,307)	320,691