



Li Fenghua, Chairman
李豐華，主席

Chairman's Statement

董事長報告書

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Dear shareholders,

I am pleased to present the report on the operating results of China Eastern Airlines Corporation Limited (the "Company") and its subsidiaries (collectively, the "Group") for the year ended 31 December 2006. On behalf of all the staff of the Group, I would like to extend my sincere thanks to the shareholders for their support of the Group.

致各位股東：

本人謹此提呈中國東方航空股份有限公司（「本公司」）及其子公司（「本集團」）截至二零零六年十二月三十一日止年度報告，並代表本集團全體員工向各位股東致意。

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In 2006, the world economy grew continuously. However, the prices of international crude oil and aviation fuel experienced lengthy fluctuations at the peak level, which brought about a substantial increase in costs for the international air transportation industry. As a result, the results of the Group have been significantly affected.

The economy of the People's Republic of China (the "PRC", or China) maintained a rapid pace of growth, resulting in a steady growth in the air transportation market in the PRC. However, the transport capacity in the whole industry increased rapidly and the Government implemented an open skies policy of allowing more competitors to enter the market, resulting in a significant increase in the competition in the air transportation market in the PRC.

In 2006, according to statistics on the flight schedule market share, the Group's flights accounted for 38.6% and 31.1% of all flights at Hongqiao Airport and Pudong Airport, respectively. The daily average utilisation rate reached 9.4 hours, which approximates with that in 2005.

In terms of marketing, the Group in 2006 gradually introduced passenger traffic routes such as "Shanghai - Frankfurt", "Shanghai - New York", "Beijing - Seoul", "Hangzhou - Qingzhou" and "Weihai - Seoul", thus further improving the Group's route network. The transit business is now established and has special passenger transit arrangements such as "內部代碼共享" ("Internal Code-sharing"), "聯程值機、行李直掛" ("Single Check-in for Transit Passengers and Luggage") and "分段值機、行李直掛" ("Double Check-in for Transit Passengers and Single Check-in for Luggage") in place. The business reinforced the communication and cooperation with each joint inspection unit, thus reforming the cross-border lobby in the Pudong Airport so that transit procedures for passengers were simplified and the transit time was shortened. As such, the number of passengers using the transit service exceeded 1,120,000 persons. The "東方萬里

二零零六年，全球經濟持續增長。但國際原油及航空燃油價格長時間在高位巨幅震蕩徘徊，導致世界航空運輸行業成本持續大幅上升，本集團業績因此受到較大影響。

在中華人民共和國（「中國」）經濟保持高速增長態勢刺激下，中國航空運輸市場需求增長穩定，但整個業界運力快速提升以及政府採取開放的行業準入政策帶來的新競爭者的加入，導致中國航空運輸市場競爭日益激烈。

二零零六年，以航班班次佔有率統計，本集團分別佔虹橋與浦東機場的38.6%與31.1%，飛機平均日利用率達到9.4小時，與二零零五年持平。

市場營銷方面，二零零六年本集團陸續開闢了「上海－法蘭克福」、「上海－紐約」、「北京－首爾」、「杭州－青州」、「威海－首爾」等客運航線，進一步完善了本集團航線網絡；中轉業務發展初具規模，擁有「內部代碼共享」、「聯程值機、行李直掛」、「分段值機、行李直掛」等轉機模式，同各聯檢單位加強溝通合作，改造了浦東機場過境廳，簡化了旅客中轉流程，縮短了轉機時間，全年中轉服務的旅客已超過112萬人次；

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行” (“Eastern Miles”) frequent flyers programme was expanded, and the number of members of the frequent flyers programme has now exceeded 5,590,000. The marketing of the electronic ticketing business has made good progress and has been well-received in the market, and “ET.CE-AIR.COM”, the electronic ticketing website of the Group, has also become increasingly well-known. As a result, the sales of electronic tickets accounted for over 80% of the Group's total domestic ticket sales.

In terms of service, in 2006, the Group became one of the joint venture partners in the passenger air traffic business of the World Expo 2010 Shanghai. It is believed that the Group can capitalise on this to share the business opportunities brought to the district's air transport market by this World Expo. According to the statistics published by the Civil Aviation Administration of China (“CAAC”), the flight on-time rate of the Group has been leading among industrial players in the PRC, and the Group again won the “customer satisfaction” award for another year from the CAAC in the “旅客話民航” (“Passengers' Rating of Civil Aviation Award”) category.

OUTLOOK FOR 2007

The Group would like to caution readers of this report that the operations of the Group as an air transport enterprise which performs public service functions, is linked closely to political and economic situations, both internationally and locally. As such, the operation of the Group and of the whole sector is, to a substantial extent, subject to the risks associated with geopolitics and the outbreak of unexpected events. The 2006 annual report of the Group contains (but not limited to) certain forward-looking statements, such as those on the economies of Asia including the PRC, and the aviation market. Such forward-looking statements are subject to many uncertainties and risks.

「東方萬里行」常旅客計劃持續擴大，目前常旅客計劃會員已突破559萬人；電子客票業務推廣良好，市場對其廣為接受，本集團電子客票銷售網站“ET.CE-AIR.COM”知名度也逐漸提高，電子客票銷售額已佔本集團國內機票銷售總量的80%以上。

服務方面，二零零六年，本集團成為二零一零年上海世博會航空客運合作夥伴，相信能以此為契機分享此次世博會為區域航空運輸市場帶來的機會。據中國民航總局統計，全年本集團航班正點率領先國內行業平均水平，蟬聯了中國民航總局「旅客話民航」活動「用戶滿意優質獎」。

二零零七年展望

本集團在此提醒各位讀者，作為一家承擔公眾服務職能的航空運輸企業，公司的經營與國際及本地區政治、經濟局勢的發展密切相關，因此地緣政治的風險、突發事件的爆發等不利因素仍會對本集團乃至全行業經營形成重大影響。本集團二零零六年度報告包括(但不限於)一些預期性描述，如對亞洲和中國的經濟和航空市場的某些預期性描述。這些預期性描述受限於很多不確定因素和風險。

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The Group expects that the global economy will continue to grow in 2007. The economic growth in the PRC continues, and at the same time the opening up of the sky for aviation in Shanghai, will further help to build Shanghai as an aviation hub. The 2008 Olympic Games and 2010 World Expo are drawing closer and demand in the domestic air transportation market is expected to maintain steady growth. The Group will seize upon the opportunity and make timely adjustments to its capacity, thereby increasing its turnover volume in every aspect, hence its revenue in air-transport. The Group plans to continue to expand its scale in 2007 and to adjust and optimize its route network, thereby increasing its competitiveness and its ability to create more attractive products and services to meet the needs of the market. The Group has continued to build its fleet and has introduced two A319 aircraft, two A320 aircraft, four A321 aircraft, one A330-200 aircraft, five A330-300 aircraft, two B737-700 aircraft, three EMB145 aircraft and one B747F aircraft, which were delivered to the Group and commissioned into service this year. It is believed that the Group will benefit from increasing demand for air transport in the region.

In view of the operating environment and the Group's actual position, its overall working objectives in 2007 are: "ensuring safety, ensuring profit, enhancing services and creating harmony". Regarding these objectives, the Group will focus on the following aspects:

1. The Group shall strengthen safety supervision and safety education and enhance the standard of safety management, in order to ensure flight safety.
2. The Group shall improve the service-providing concepts, innovate servicing ideas, unify service standards, standardize the procedures of servicing, establish a swift response mechanism, enhance the standard of both ground and air traffic services, and provide diversified and customized air transportation services to passengers.

本集團認為，二零零七年世界經濟有望繼續保持增長勢頭。中國經濟仍處在增長期，同時，隨著上海天空深度開放，樞紐港建設深入推進和二零零八年奧運會、二零一零年世博會的日趨臨近，本地區航空運輸市場的需求有望繼續保持穩定增長。本集團將抓住需求不斷增長的契機，調整運力安排，全面提高本集團的運輸周轉量，促進運輸收入的增長。二零零七年本集團計劃繼續擴大規模，調整優化航線網絡，增強競爭力，打造更具吸引力的服務產品以滿足市場需求。本集團將繼續擴大機隊，並引進2架A319型飛機、2架A320型飛機、4架A321型飛機、1架A330-200型飛機、5架A330-300型飛機、2架B737-700型飛機、3架EMB145型飛機、1架B747F型飛機，計劃於本年接收並投入使用，相信將會因本地區運輸市場需求的不斷增長而受益。

針對當前所面臨的市場經營環境及本集團的實際情況，本集團二零零七年總體工作目標是：「確保安全，確保盈利，提升服務，共建和諧」，為此將做好以下幾方面工作：

- 一、 加強安全監督，安全教育，提高安全管理水平，確保飛行安全。
- 二、 完善服務意識，創新服務理念，統一服務標準，規範服務流程，建立快速反應機制，提升地面與空中服務水平，為旅客提供多樣化和個性化的航空運輸服務。

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3. In terms of marketing, the Group shall change the mode of business expansion which was largely focused on acquiring additional aircraft, updating aircraft models and penetrating the intensely competitive markets by investing heavily in transport capacity. Instead, the Group shall design products in line with the requirements of passengers and enhance the profitability of aviation routes through formulating marketing concepts and innovating marketing strategies. The Group shall continue to build up Shanghai as an aviation hub, optimize the strategic planning of the route network and open up profitable routes on the basis of a prudent analysis based on market research, so as to enlarge market share step by step and to increase total income by enhancing profitability.
4. The Group shall continue to manage strictly the overall budget, strengthen cost control, establish a reasonable capital structure in order to lower financing costs, step up efforts on risk management, and avoid financial and operation risks.
5. The Group shall implement standardized management, strengthen the training of management and front line staff and increase its ability to execute strategy. The Group shall step up efforts on IT investment and integration, so as to enhance information security and the effectiveness of applications.
6. The Group shall vigorously promote the building of its corporate culture, create a harmonic corporate environment and enhance the corporate brand image.

On behalf of the board of directors (the "Board") of the Company, I would like to express my gratitude to all of the shareholders.

Li Fenghua
Chairman

Shanghai, China
19 April 2007

- 三、市場營銷方面，改變主要依靠增加飛機、更新機型、大量投入運力搶佔熱點市場的規模擴張方式，通過樹立營銷理念，創新營銷手段，設計出符合旅客需求的產品，提高航線收益水平，繼續推進上海樞紐建設，優化航線網絡布局，在認真做好市場調研分析的基礎上，開闢盈利航線，逐步擴大市場份額，在提升收益水平的前提下，提升收入總量。
- 四、繼續嚴格全面預算管理，加強成本控制，構建合理資金結構降低財務成本，加大風險管理力度，規避轉移財務風險和經營風險。
- 五、推行規範化管理，加強管理人員和一線員工培訓，提高執行力。加大IT投資和整合力度提高信息安全性和應用有效性。
- 六、深入推進企業文化建設，構建和諧企業，提升企業品牌形象。

最後，本人謹代表本公司董事會（「董事會」）向諸位股東表示誠摯的謝意。

李豐華
董事長

中國上海
二零零七年四月十九日