中國東方航空股份有限公司
CHINA EASTERN AIRLINES CORPORATION LIMITED

(a joint stock limited company incorporated in the People's Republic of China with limited liability)

(Stock code: 670)

2006 INTERIM RESULTS

The Board of Directors of China Eastern Airlines Corporation Limited (the "Company" or "CEA") is pleased to announce the unaudited consolidated financial results of the Company and its subsidiaries (collectively, the "Group") for the six months ended 30th June 2006 (which were approved by the Board of Directors of the Company on 28th August 2006), with comparative figures for the corresponding financial information in 2005.

The interim financial report of the Group for the six months ended 30th June 2006 is unaudited and does not necessarily indicate the annual or future results. The Audit Committee of the Company has reviewed the accounting principles and methods adopted by the Group with the management of the Company, and has had discussions with the Board of Directors of the Company regarding internal controls and financial reporting issues, including a review of the unaudited interim financial statements for the six months ended 30th June 2006. The Audit Committee of the Company has no disagreement regarding the accounting principles and methods adopted by the Group.

INTERIM FINANCIAL INFORMATION

A. Prepared in accordance with International Financial Reporting Standards ("IFRS")

Condensed Consolidated Income Statement
For the six months ended 30 June 2006

		(Unaudited) Six months ended 30 June			2006 vs 2005
	Note	2006 RMB'000	Restated 2005 RMB'000 (note 2)	2006 US$'000 (note 12)	Increase/ (Decrease) %
Revenues	3	**16,961,037**	10,627,085	**2,121,296**	59.6
Other operating income	4	**157,883**	127,981	**19,746**	23.4
Operating expenses					
Commissions		**(591,188)**	(489,638)	**(73,939)**	20.7
Aircraft fuel		**(6,176,056)**	(3,324,323)	**(772,432)**	85.8
Take-off and landing charges		**(2,433,116)**	(1,561,415)	**(304,307)**	55.8
Ground services and other charges		**(62,647)**	(57,707)	**(7,835)**	8.6
Civil aviation infrastructure levies		**(332,405)**	(169,565)	**(41,573)**	96.0
Food and beverages		**(584,139)**	(383,240)	**(73,058)**	52.4
Wages, salaries and benefits		**(1,561,031)**	(747,912)	**(195,236)**	108.7
Aircraft maintenance		**(1,259,041)**	(528,187)	**(157,467)**	138.4
Aircraft depreciation and operating lease rentals		**(3,360,457)**	(2,078,274)	**(420,288)**	61.7
Other depreciation, amortisation and operating lease rentals		**(366,735)**	(268,699)	**(45,867)**	36.5
Ticket reservation fee		**(181,394)**	(87,145)	**(22,687)**	108.2
Insurance costs		**(60,428)**	(42,678)	**(7,558)**	41.6
Office, administrative and other expenses		**(1,414,289)**	(1,127,462)	**(176,883)**	25.4
Total operating expenses		**(18,382,926)**	(10,866,245)	**(2,299,130)**	69.2
Operating loss		**(1,264,006)**	(111,179)	**(158,088)**	1,036.9
Interest income		**62,710**	62,813	**7,843**	(0.2)
Finance costs		**(671,997)**	(512,444)	**(84,046)**	31.1
Share of results of associates		**4,451**	(4,137)	**557**	207.6
Share of results of jointly controlled entities		**4,394**	(8,550)	**550**	151.4
Loss before income tax		**(1,864,448)**	(573,497)	**(233,184)**	225.1
Taxation	5	**20,660**	(11,866)	**2,584**	(274.1)
Loss for the period		**(1,843,788)**	(585,363)	**(230,600)**	215.0
Attributable to:					
Equity holders of the Company		**(1,715,678)**	(580,567)	**(214,578)**	195.5
Minority interests		**(128,110)**	(4,796)	**(16,022)**	2,571.2
		(1,843,788)	(585,363)	**(230,600)**	215.0
Basic loss per share for loss attributable to equity holders of the Company during the period	6	**(RMB0.353)**	(RMB0.119)	**(US$0.044)**	

Condensed Consolidated Balance Sheet
As at 30 June 2006

	Note	(Unaudited) 30 June 2006 RMB'000	(Audited) 31 December 2005 RMB'000	(Unaudited) 30 June 2006 US$'000 (note 12)
Non-current assets				
Intangible assets		**993,143**	688,311	**124,211**
Property, plant and equipment		**43,117,873**	38,588,400	**5,392,701**
Lease Prepayment		**1,057,169**	972,771	**132,219**
Advance payments on acquisition of aircraft		**8,446,409**	9,072,673	**1,056,382**
Investments in associates		**584,716**	629,746	**73,130**
Investments in jointly controlled entities		**105,074**	100,520	**13,141**
Available-for-sale financial assets		**40,411**	40,802	**5,054**
Other long-term assets		**2,275,976**	2,705,558	**284,654**
Deferred tax assets		**452,872**	434,839	**56,640**
Derivative assets		**219,209**	70,886	**27,416**
		57,292,852	53,304,506	**7,165,548**
Current assets				
Flight equipment spare parts		**1,133,816**	978,922	**141,805**
Trade receivables	9	**2,164,913**	1,918,409	**270,763**
Amounts due from related companies		**144,268**	205,712	**18,043**
Prepayments, deposits and other receivables		**1,734,915**	997,271	**216,984**
Cash and cash equivalents		**1,861,033**	1,864,001	**232,757**
Derivative assets		**60,063**	53,036	**7,512**
		7,099,008	6,017,351	**887,864**
Current liabilities				
Sales in advance of carriage		**1,051,966**	823,149	**131,568**
Trade payables and notes payable	10	**5,191,093**	3,394,898	**649,244**
Amounts due to related companies		**378,108**	295,030	**47,290**
Other payables and accrued expenses		**6,619,416**	6,021,481	**827,882**
Current portion of obligations under finance leases		**2,720,102**	2,428,037	**340,200**
Current portion of borrowings		**18,044,696**	18,554,630	**2,256,828**
Tax payable		**59,672**	47,259	**7,463**
Current portion of provision for aircraft overhaul expenses		**12,000**	15,589	**1,501**
Derivative liabilities		**16,017**	34,844	**2,003**
		34,093,070	31,614,917	**4,263,979**
Net current liabilities		**(26,994,062)**	(25,597,566)	**(3,376,115)**
Total assets less current liabilities		**30,298,790**	27,706,940	**3,789,433**
Non-current liabilities				
Obligations under finance leases		**11,721,524**	8,180,460	**1,465,997**
Borrowings		**10,315,940**	9,790,116	**1,290,202**
Other long-term liabilities		**319,904**	155,229	**40,010**
Provision for aircraft overhaul expenses		**438,859**	388,410	**54,888**
Deferred tax liabilities		**614,339**	601,340	**76,835**
Post-retirement benefit obligations		**1,252,231**	1,202,877	**156,615**
Long-term portion of staff housing allowances		**452,358**	444,196	**56,576**
Derivative liabilities		**72,624**	25,770	**9,083**
		25,187,779	20,788,398	**3,150,206**
Net assets		**5,111,011**	6,918,542	**639,227**
Equity				
Capital and reserves attributable to the equity holders of the Company				
Share capital		**4,866,950**	4,866,950	**608,704**
Reserves		**(415,812)**	1,229,115	**(52,006)**
		4,451,138	6,096,065	**556,698**
Minority interests		**659,873**	822,477	**82,529**
Total equity		**5,111,011**	6,918,542	**639,227**

NOTES

1. Basis of preparation and principal accounting policies

The unaudited condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard ("IAS") 34 "Interim Financial Reporting". This basis of accounting differs in certain material respects from that used in the preparation of the Group's interim financial statements in the PRC, which are prepared in accordance with the accounting and the relevant regulations applicable in the PRC ("PRC Accounting Regulations"). Differences between PRC Accounting Regulations and International Financial Reporting Standards ("IFRS") on the unaudited consolidated loss attributable to equity holders of the Company for the six months ended 30 June 2006 and on the unaudited condensed consolidated net assets at 30 June 2006 are set out in Section C. The unaudited condensed consolidated interim financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2005.

The accounting policies adopted are consistent with those of the annual financial statements for the year ended 31 December 2005, as described in the annual financial statements for the year ended 31 December 2005, except that the Group adopted all the new standards, amendments to standards and interpretations which are effective for the financial year commencing on 1 January 2006. The adoption of these new standards, amendments to standards and interpretations did not have significant financial impact to the results of the Group.

2. Comparatives

The presentation of the condensed consolidated income statement for the six months ended 30 June 2005 was revised to bring it in line with the annual financial statements for the year ended 31 December 2005. Certain comparative figures have been reclassified or restated to conform with the presentation in the current period, particularly IAS 16 (amended 2004) "Property, Plant and Equipment" which replaces IAS 16 (revised 1998). For the year ended 31 December 2005, the Group adopted the revised IAS 16 and has amended its accounting policy to capitalise overhaul costs of owned and finance leased aircraft and engines as a separate component of property, plant and equipment, which are subject to depreciation over the appropriate maintenance cycles. In prior years, the costs of overhaul for owned and finance leased aircraft and engines were expensed in the income statement when incurred.

The effect of the adoption of IAS 16 (amended 2004) on the income statement for the six months ended 30 June 2005 is set out below:

	RMB'000
Decrease in aircraft maintenance	(242,931)
Increase in aircraft depreciation and other lease rentals	375,541
Decrease in taxation	(22,553)
Increase in loss for the period	110,057

3. Revenues and segment information

(a) Revenues

The Group is principally engaged in the provision of domestic, Hong Kong Special Administrative Region ("Hong Kong") and international passenger, cargo and mail airline services. Revenues comprise revenues from airline and related services net of sales tax. The revenues and segment results by geographical segments are analysed as follows:

(Unaudited)	Six months ended 30 June 2006				
	Domestic(#) RMB'000	Hong Kong RMB'000	Japan RMB'000	Other countries(*) RMB'000	Total RMB'000
Traffic revenues					
– Passenger	**8,621,734**	**1,187,711**	**1,314,230**	**2,627,424**	**13,751,099**
– Cargo and mail	**274,397**	**337,097**	**376,380**	**1,515,064**	**2,502,938**
	8,896,131	**1,524,808**	**1,690,610**	**4,142,488**	**16,254,037**
Commission income	**26,299**	**6,904**	**7,654**	**18,755**	**59,612**
Ground services income	**336,123**	**–**	**–**	**–**	**336,123**
Cargo handling income	**135,058**	**–**	**–**	**–**	**135,058**
Rental income from operating sublease of aircraft	**–**	**–**	**–**	**–**	**–**
Other operating revenues	**176,207**	**–**	**–**	**–**	**176,207**
	9,569,818	**1,531,712**	**1,698,264**	**4,161,243**	**16,961,037**
Other operating income	**123,926**	**5,641**	**3,986**	**24,330**	**157,883**
Segment results – (loss)/profit	**570,887**	**59,377**	**548,303**	**(949,276)**	**229,291**
Unallocated expenses					**(1,493,297)**
Operating loss					**(1,264,006)**

(Unaudited)	Six months ended 30 June 2005				
	Domestic(#) RMB'000	Hong Kong RMB'000	Japan RMB'000	Other countries(*) RMB'000	Total RMB'000
Traffic revenues					
– Passenger	3,659,559	1,134,546	674,601	2,097,054	7,565,760
– Cargo and mail	111,628	295,613	320,658	1,532,742	2,260,641
	3,771,187	1,430,159	995,259	3,629,796	9,826,401
Commission income	106,097	8,008	5,573	20,325	140,003
Ground services income	330,878	–	–	–	330,878
Cargo handling income	107,777	–	–	–	107,777
Rental income from operating sublease of aircraft	36,693	–	–	–	36,693
Other operating revenues	185,333	–	–	–	185,333
	4,537,965	1,438,167	1,000,832	3,650,121	10,627,085
Other operating income	110,617	3,804	1,316	12,244	127,981
Segment results – profit	189,526	83,046	393,533	273,321	939,426
Unallocated expenses					(1,050,605)
Operating loss					(111,179)

\# The PRC, excluding Hong Kong.
* including the United States of America, Europe and Asian countries other than Japan.

In the prior year's financial statements, the Group's corporate general and administrative expenses (the "Corporate Expenses") were allocated to respective segments. In order to better reflect the impact of recent business acquisitions and a rapid increase in business volumes, the Directors have decided not to allocate of the Corporate Expenses on a geographical basis because they believe the basis of such an allocation is subjective. Accordingly, the analysis of segment results for both 2006 and 2005 have been presented on this basis.

To conform with the current period's presentation, (i) the segment expenses of domestic, Hong Kong, Japan and other countries for the six months ended 30 June 2005 were decreased by RMB291,602,000, RMB106,138,000, RMB58,925,000 and RMB593,940,000 respectively, resulting in an increase in the respective segment results by the same amount; and (ii) the unallocated expenses was increased by HK$1,050,605,000.

4. Other operating income

	(Unaudited) six months ended 30 June 2006 RMB'000	Restated 2005 RMB'000 (note 2)
Government subsidies (note)	**70,091**	63,039
Net fair value gains on financial instruments		
– forward foreign exchange contracts	**13,130**	26,570
– fuel hedging income	**74,662**	38,372
	157,883	127,981

Note:

The government subsidies represent subsidies granted (i) by local government to the Company in consideration of the relocation of the Company's international flights and related facilities from Hongqiao Airport to Pudong International Airport and (ii) by various local municipalities to encourage the Group to operate certain routes with lower profitability.

5. Taxation

Taxation is charged to the consolidated income statement as follows:

	(Unaudited) six months ended 30 June 2006 RMB'000	Restated 2005 RMB'000 (note 2)
Provision for PRC income tax – current period	**21,877**	26,857
Deferred taxation	**(42,537)**	(14,991)
	(20,660)	11,866

Note:

The standard PRC income tax rate is 33% (2005: 33%). Except for certain subsidiaries, the Group is entitled to a preferential income tax rate of 15% (2005: 15%) pursuant to certain circulars issued by the relevant local tax authorities. In 2005, one of the Group's subsidiary, Shanghai Eastern Logistics Co., Ltd, was exempted from enterprise income tax pursuant to a circular issued by the local tax authority.

The Group operates international flights to certain overseas destinations. There was no material overseas taxation for the six months ended 30 June 2006 as there exists double tax relief between the PRC and the corresponding jurisdictions (including Hong Kong) (2005: Nil).

6. Basic loss per share

The calculation of basic loss per share is based on the unaudited consolidated loss attributable to equity holders of the Company of RMB1,715,678,000 (2005: RMB580,567,000, as restated) and 4,866,950,000 (2005: 4,866,950,000) shares in issue during the period. The Company has no potentially dilutive ordinary shares.

7. Dividend

The Board of Directors of the Company did not recommend the payment of an interim dividend for the six months ended 30 June 2006 (2005: Nil).

8. Profit appropriation

No appropriations from retained profits were made to the statutory reserves during the six months ended 30 June 2006. Such appropriations will be made at the year end in accordance with the PRC regulations and the Company's Articles of Association.

9. Trade receivables

The credit terms given to trade customers are determined on individual basis, with credit periods within three months.

As at 30 June 2006, the aging of trade receivables as follows:

	(Unaudited) 30 June 2006 RMB'000	(Audited) 31 December 2005 RMB'000
Less than 31 days	**1,212,328**	1,580,082
31 to 60 days	**294,564**	134,095
61 to 90 days	**432,077**	122,377
91 to 180 days	**32,059**	34,097
181 to 365 days	**160,788**	13,302
Over 365 days	**144,227**	127,466
	2,276,043	2,011,419
Less: Provision for impairment of receivables	**(111,130)**	(93,010)
Trade receivables, net	**2,164,913**	1,918,409

10. Trade payables and notes payable

The aging of trade payables and notes payable as follows:

	(Unaudited) 30 June 2006 RMB'000	(Audited) 31 December 2005 RMB'000
Less than 31 days	**2,145,608**	1,697,293
31 to 60 days	**642,511**	397,187
61 to 90 days	**848,493**	195,869
91 to 180 days	**1,383,501**	846,775
181 to 365 days	**110,541**	212,025
Over 365 days	**60,439**	45,749
	5,191,093	3,394,898

As at 30 June 2006, all notes payable totaling RMB3,168,468,000 were unsecured, repayable within six months and interest bearing at a prevailing market interest rate.

11. Business combinations

On 8 December 2005, the Company entered into agreements with each of Wuhan Municipality State-owned Assets Supervision and Administration Commission ("Wuhan SASAC") and Shanghai Junyao Aviation Investment Company Limited ("Shanghai Junyao") to acquire (i) equity interests of 38% in CEA Wuhan from Wuhan SASAC for a consideration of RMB278,000,000, and (ii) equity interests of 18% in CEA Wuhan from Shanghai Junyao for a consideration of RMB140,000,000, totaling RMB418,000,000, respectively. The acquisition was completed in January 2006. Proforma financial information to reflect the acquisition as if it had occurred on 1 January 2006 is not presented as the impact would not have been material to the interim condensed consolidated financial statements.

Details of the net assets acquired in respect of the acquisition of additional equity interests of 56% in CEA Wuhan and related goodwill are as follows:

	RMB'000
Purchase consideration	418,000
Less: Fair value of net assets acquired – shown as below	(160,229)
Goodwill	257,771

The goodwill is attributable to an increase in the Company's competitiveness as a result of its increased size and the extension of the business scope geographically to the central regions of the PRC.

The assets and liabilities arising from the acquisition are as follows:

	Fair value RMB'000	Acquirees' carrying amount RMB'000
Property, plant and equipment	677,465	588,599
Lease prepayment	75,302	75,302
Investments in associates and available-for-sale financial assets	10,446	10,446
Other long term assets	103,838	103,838
Flight equipment spare parts	32,718	32,718
Trade receivables, prepayments, deposits and other receivables	299,261	147,261
Cash and cash equivalents	19,266	19,266
Trade payables, notes payable, other payables and accrued expenses	(551,051)	(551,051)
Obligations under finance leases	(101,007)	(101,007)
Borrowings	(220,000)	(220,000)
Other long-term liabilities	(20,733)	(20,733)
Deferred tax liabilities	(29,326)	–
Net assets	296,179	84,639
Less: Interests attributable to the Group's original equity interests of 40% and other minority investors	(135,950)	(42,873)
Net assets acquired	160,229	41,766
Purchase consideration settled in cash		418,000
Less: Cash and cash equivalents acquired		(19,266)
Purchase consideration paid in prior year		(28,000)
Cash outflow on acquisition		370,734

12. Convenience translation

The unaudited condensed consolidated interim financial statements have been prepared in Renminbi ("RMB"), the national currency of the PRC. Translations of amounts from RMB into United States dollars ("US$") solely for convenience have been made at the rate of US$1.00 to RMB7.9956 being the average of the buying and selling rates as quoted by People's Bank of China at the close of business on 30 June 2006. No representation is made that the RMB amounts could have been or could be converted into US$ at that rate or at any other rate on 30 June 2006 or any other date.

13. Seasonality

The civil aviation industry is subject to seasonal fluctuations, with peak demand during the summer and October holiday season in the second half of the year. As such, the revenues and results of the Group in the first half of the year are normally lower than those in the second half of the year.

14. Working capital

The Group's primary cash requirements have been for additions of and upgrades to aircraft and flight equipment and payments for debt related to such additions and upgrades. The Group finances its working capital requirements through a combination of funds generated from operations and short and longer-term bank borrowings.

The Group generally operates with a working capital deficit. The Directors believe that cash from operations and shorter and longer term bank borrowings will be sufficient to meet the Group's operating cash flow needs for the foreseeable future. The Group's treasury department aims to maintain flexibility in funding by keeping credit lines available. The Directors believe that the Group has obtained sufficient general credit facilities from PRC banks for financing future capital commitments and for working capital purposes.

B. Prepared in accordance with the People's Republic of China Accounting Regulations

Condensed Consolidated Balance Sheet
As at 30 June 2006

	(Unaudited) 30 June 2006 RMB'000	(Audited) 31 December 2005 RMB'000
Assets		
Total current assets	**10,273,380**	9,395,287
Net long-term investments	**1,161,271**	761,722
Total fixed assets	**45,981,111**	45,543,930
Total intangible assets and other assets	**1,773,479**	1,729,253
Deferred tax assets	**126,304**	128,481
Total assets	**59,315,545**	57,558,673
Liabilities and shareholders' equity		
Total current liabilities	**35,171,498**	31,529,253
Total long-term liabilities	**18,598,656**	18,932,974
Deferred tax liabilities	**453,519**	417,049
Total liabilities	**54,223,673**	50,879,276
Minority interests	**738,747**	864,827
Total shareholders' equity	**4,353,125**	5,814,570
Total liabilities and shareholders' equity	**59,315,545**	57,558,673

Condensed Consolidated Income Statement
For the six months ended 30 June 2006

		(Unaudited) six months ended 30 June 2006 RMB'000	2005 RMB'000
Revenue from main operations		**16,373,341**	10,040,427
Less:	Main operating cost	**15,413,026**	8,778,673
	Business taxes and surcharges	**431,976**	226,848
Profit from main operations		**528,339**	1,034,906
Add:	Revenue from other operations	**350,781**	325,178
Less:	Operating expenses	**1,106,140**	747,708
	General and administrative expenses	**781,613**	585,727
	Financial expenses	**585,975**	427,513
Loss from operations		**(1,594,608)**	(400,864)
Add:	Income from investments	**1,333**	(13,490)
	Subsidy income	**67,552**	61,591
	Non-operating income	**79,273**	16,607
Less:	Non-operating expenses	**45,297**	(5,610)
Total loss		**(1,491,747)**	(330,546)
Less:	Income tax	**60,549**	78,507
	Minority interests	**(90,528)**	1,401
Net loss		**(1,461,768)**	(410,454)

C. Significant differences between IFRS and PRC Accounting Regulations

The Group's accounting policies, which conform with IFRS, differ in certain respects from PRC Accounting Regulations. Differences between IFRS and PRC Accounting Regulations which have significant effects on the unaudited consolidated loss attributable to equity holders and the unaudited consolidated net assets are summarised as follows:

Consolidated loss attributable to equity holders of the Company

	(Unaudited) six months ended 30 June	
	2006	Restated 2005
	RMB'000	RMB'000
As stated in accordance with PRC Accounting Regulations	**(1,461,768)**	(410,454)
Impact of IFRS and other adjustments:		
Difference in flight equipment depreciation charges arising from different depreciation lives	**125,851**	41,862
Difference in aircraft depreciation charges arising from different depreciation lives and revaluation	**(443,859)**	(219,867)
Provision for overhaul expenses	**(44,769)**	(117,913)
Provision for post-retirement benefits	**(49,433)**	(7,778)
Time value on provision for staff housing benefits	**3,746**	7,837
Notional interest on non-current purchase consideration payable for acquisition of an airline business	**(3,555)**	(3,786)
Reversal of revaluation surplus relating to lease prepayments	**4,210**	5,531
Net fair value gains on financial instruments	**69,553**	38,372
Others	**14,331**	18,981
Tax adjustments	**70,015**	66,648
As stated in accordance with IFRS	**(1,715,678)**	(580,567)

Consolidated net assets

	30 June 2006	31 December 2005
	RMB'000	RMB'000
As stated in accordance with PRC Accounting Regulations	**5,091,872**	6,679,397
Impact of IFRS and other adjustments:		
Difference in flight equipment depreciation charges arising from different depreciation lives	**1,423,011**	1,297,160
Difference in aircraft depreciation charges arising from different depreciation lives and revaluation	**497,637**	881,956
Provision for overhaul expenses	**(1,247,736)**	(1,202,967)
Provision for post-retirement benefits	**(1,289,809)**	(1,240,376)
Time value on provision for staff housing benefits	**41,295**	37,549
Net fair value gains on financial instruments	**188,993**	72,505
Notional interest on non-current purchase consideration payable for acquisition of an airline business	**9,242**	12,797
Reversal of revaluation surplus relating to lease prepayments	**(345,141)**	(349,351)
Goodwill and negative goodwill	**569,849**	688,311
Others	**(35,706)**	(95,928)
Tax adjustments	**207,504**	137,489
As stated in accordance with IFRS	**5,111,011**	6,918,542

SELECTED AIRLINE OPERATING DATA

	For the six months ended 30th June		
	2006	2005	Change
Capacity			
ATK (available tonne-kilometres) (millions)	**5,206.49**	3,699.27	40.74%
– Domestic routes	**2,350.50**	1,096.87	114.29%
– International routes	**2,423.38**	2,228.94	8.72%
– Hong Kong routes	**432.56**	373.46	15.82%
ASK (available seat-kilometres) (millions)	**33,590.50**	20,918.83	60.58%
– Domestic routes	**20,523.35**	9,329.84	119.98%
– International routes	**10,261.32**	9,059.40	13.27%
– Hong Kong routes	**2,805.84**	2,529.59	10.92%
AFTK (available freight tonne-kilometres) (millions)	**2,183.34**	1,816.58	20.19%
– Domestic routes	**503.45**	257.18	95.76%
– International routes	**1,499.86**	1,413.59	6.10%
– Hong Kong routes	**180.84**	145.80	24.03%
Hours flown (thousands)	**322.23**	179.99	79.03%
Traffic			
RTK (revenue tonne-kilometres) (millions)	**3,243.51**	2,165.44	49.79%
– Domestic routes	**1,619.54**	719.64	125.05%
– International routes	**1,410.27**	1,239.06	13.82%
– Hong Kong routes	**213.71**	206.74	3.37%
RPK (revenue passenger-kilometres) (millions)	**23,686.16**	13,586.73	74.33%
– Domestic routes	**15,057.48**	6,514.29	131.15%
– International routes	**6,958.86**	5,451.77	27.64%
– Hong Kong routes	**1,669.82**	1,620.67	3.03%
RFTK (revenue freight tonne-kilometres) (millions)	**1,127.13**	953.10	18.26%
– Domestic routes	**272.51**	136.78	99.23%
– International routes	**789.82**	754.29	4.71%
– Hong Kong routes	**64.79**	62.03	4.45%
Number of passengers carried (thousands)	**16,787.11**	8,753.15	91.78%
– Domestic routes	**13,385.18**	6,015.14	122.52%
– International routes	**2,216.89**	1,584.98	39.87%
– Hong Kong routes	**1,185.04**	1,153.03	2.78%
Weight of freights carried (kg) (millions)	**419.35**	318.99	31.46%
– Domestic routes	**209.23**	111.40	87.82%
– International routes	**166.13**	165.00	0.68%
– Hong Kong routes	**43.90**	42.59	3.08%
Load factor			
Overall load factor (%)	**62.30**	58.54	3.76
– Domestic routes	**68.90**	65.61	3.29
– International routes	**58.19**	55.59	2.60
– Hong Kong routes	**49.41**	55.36	-5.95
Passenger load factor (%)	**70.51**	64.95	5.56
– Domestic routes	**73.37**	69.82	3.55
– International routes	**67.82**	60.18	7.64
– Hong Kong routes	**59.51**	64.07	-4.56
Freight load factor (%)	**51.62**	52.47	-0.85
– Domestic routes	**54.13**	53.18	0.95
– International routes	**52.66**	53.36	-0.70
– Hong Kong routes	**35.99**	42.54	-6.55
Break-even load factor (%)	**70.66**	65.33	5.33
Yield and costs			
Revenue tonne-kilometers yield (RMB)	**5.01**	4.50	11.33%
– Domestic routes	**5.47**	5.24	4.39%
– International routes	**4.19**	3.66	14.48%
– Hong Kong routes	**6.98**	6.92	0.87%
Passenger-kilometers yield (RMB)	**0.58**	0.55	5.45%
– Domestic routes	**0.57**	0.56	1.79%
– International routes	**0.57**	0.49	16.32%
– Hong Kong routes	**0.70**	0.70	0.00%
Freight tonne-kilometers yield (RMB)	**2.22**	2.37	-6.33%
– Domestic routes	**0.87**	0.82	6.10%
– International routes	**2.46**	2.46	0.00%
– Hong Kong routes	**5.02**	4.77	5.24%
Available tonne-kilometers unit cost (RMB)	**3.54**	2.94	20.41%

MANAGEMENT DISCUSSION AND ANALYSIS

Review of operations

As at 30th June, 2006, the Group operated a total of 370 routes, of which 264 were domestic routes, 18 were Hong Kong routes, and 88 were international routes (including 22 international cargo routes). The Group operated approximately 5,637 scheduled flights per week, serving 127 domestic and foreign cities. At present, the Group owns or operates a total of 195 aircraft, including 176 passenger jet aircraft each with a capacity of over 100 seats, 9 passenger jet aircraft each with a capacity of 50 seats and 10 jet freighters.

During the first half of 2006, the world economy maintained a steady pace of growth, and China's national economy experienced stable and rapid growth, underpinning the Group's sound economic prospects. The market demand for air transport in China grew steadily. However, the price of international crude oil and aviation fuel has experienced lengthy peak-level fluctuations and has achieved repeated historical highs, which has brought about a significant increase in costs for the air transport industry. As a result, the results of the Group have been affected significantly.

During the first half of the year, in the face of intensifying market competition, the Group continued to build an air transport network centered in Shanghai through a reasonable reallocation of its transport capacity. For the first half of the year, the Group's flights accounted for 40.64% and 34.73% of all flights at Hongqiao Airport and Pudong Airport, respectively. The daily average utilization rate reached 9.3 hours.

In terms of passenger traffic, during the first half of 2006, the Group had established a passenger traffic marketing committee to enhance marketing management, and successfully introduced several new international routes for scheduled flights, including Shanghai – Frankfurt, Changsha/Wuhan/Huangshan/Ningbo – Seoul, Huangshan – Pusan, thus further improving our international route network. The Group also took an active part in promoting internal code-sharing and enhancing external code cooperation. The Group has expanded its code-sharing arrangements with Air France and American Airlines and has established code-sharing cooperation with Shanghai Airlines Co., Ltd. regarding certain shared routes. The Group vigorously expanded its "Eastern Miles" frequent flyers and electronic air ticketing value-added service. At present, the number of frequent flyers members has surpassed 5.59 million. The Group's electronic ticketing sales network has expanded to 66 cities across the country, and the sales of electronic tickets accounted for 20% of the Company's total sales for the first half of 2006. The Group, has also cooperated with China Construction Bank and launched the China Eastern Airlines Long Credit Card（東航龍卡）, which effectively expanded the Group's brand recognition.

In terms of freight transport, the Group continued to take advantage of Shanghai as an aviation hub and endeavoured to build a market-oriented freight logistic network through exploiting the resources of the Group's airline routes network. The Group has established a cargo traffic management committee to centralize sales management of cargo traffic, through which the freight management department of the Company will continue to work closely with China Cargo Airlines Co., Ltd.（中國貨運航空有限公司）and Shanghai Eastern Logistics Co., Ltd.（上海東方遠航物流有限公司）, two subsidiaries of the Company, to actively open up new cargo sources and enhance both revenue and yield on freight services.

In terms of service, the Group has carefully designed a brand image for certain prestigious services offered by CEA, i.e. "tenderness, elegance, delicacy and fashion". The Group established a scientific management model and evaluation system for service quality to perfect its service standards and procedures. Based on internationally advanced service management models as a prototype and incorporating actual circumstances, the Group has actively explored the new model for service management which is in line with international standards. In addition, the Group has improved its customer complaint handling platform. The Group established a detailed customer information database and regularly communicated with its customers, and endeavoured to improve its services quality on a timely basis. According to statistics compiled by the General Administration of Civil Aviation of China, in the first half of 2006, the on-time rate of the Group's flights was above the average level in the domestic industry. Additionally, through utilizing the opportunities arising from becoming one of the joint venture partners of the World Expo 2010 Shanghai, the Group will place additional emphasis on devising service solutions and will launch a range of new services for the World Expo, aiming at establishing a first-class brand image based on prestigious services.

The above figures for the same period in 2005 do not include the results of the then China Eastern Air Northwest Company and China Eastern Air Yunnan Company the principal business of related assets of which were acquired by the Company on 30 June 2005.

As at 30th June, 2006, the traffic volume of the Group totalled 3.244 billion tonne-kilometres, representing an increase of 49.79% from the same period last year, while traffic revenues amounted to RMB16,254 million, representing an increase of 65.42% from the same period last year.

The Group's passenger traffic volume during the reporting period was 23,686 million passenger-kilometres, representing an increase of 74.33% from the same period last year. Compared to the same period last year, passenger revenues increased by 81.75% to RMB13,751 million, accounting for 84.60% of the Group's operating revenues.

The Group's passenger traffic volume on domestic routes during the reporting period was 15,057 million passenger-kilometres, representing an increase of 131.15% from the same period last year. Compared to the same period last year, the passenger load factor increased by 3.55 percentage points to 73.37% and the domestic passenger revenues increased by 135.59% to RMB8,622 million, accounting for 62.70% of the Group's total passenger revenues. Average yield per passenger-kilometre amounted to RMB0.57 during the reporting period, representing an increase of 1.79% compared to the same period last year.

The Group's passenger traffic volume of international routes during the reporting period was 6,959 million passenger-kilometres, representing an increase of 27.64% from the same period last year. Compared to the same period last year, the passenger load factor increased by 7.64 percentage points to 67.82% and the revenues increased by 42.21% to RMB3,942 million, accounting for 28.67% of the Group's total passenger revenues. Average yield per passenger-kilometre amounted to RMB0.57 during the period, representing an increase of 16.32% compared to the same period last year.

The Group's passenger traffic volume of its Hong Kong routes during the reporting period was 1,670 million passenger-kilometres, representing an increase of 3.03% from the same period last year. Compared to the same period last year, the passenger load factor decreased by 4.56 percentage points to 59.51% and, the revenues increased by 4.69% to RMB1,188 million, accounting for 8.64% of the Group's total passenger revenues. Average yield per passenger-kilometre amounted to RMB0.70 during the reporting period, representing the same level compared to the same period last year.

During the first half of 2006, the cargo traffic volume increased by 18.26% to 1,127 million tonne-kilometres. Compared to the first half of last year, the Group's freight revenues increased by 10.72% to RMB2,503 million for the same period this year, accounting for 15.40% of the Group's operating revenues. Average yield per freight tonne-kilometre of cargo and mail amounted to RMB2.22, representing an decrease of 6.33% compared to the same period last year.

Compared to the first half of last year, the Group's total operating costs increased by 69.18% to RMB18,383 million during the same period this year, which was principally due to the surged price of international aviation fuel, which maintained at a persistently high level.

During the first half of 2006, the price of international aviation fuel continued to fluctuate at peak level and made high records one after another. The drastic increase in aircraft fuel added immense pressure on the Group's operation. In addition, the fleet expansion enlarged the aircraft fuel consumption. During the reporting period, the Group's expenditure on aircraft fuel for the period was RMB6,176 million, representing an increase of 85.78% compared to the same period last year. The Group continued to use financial derivatives to assist in managing its risks over aircraft fuel.

The maintenance expenses on aircraft and engines increased by 138.37% to RMB1,259 million compared to the same period last year. This was principally due to the the increase in the number of aircraft under operating leases compared with the same period last year as a result of the Group's business expansion.

The office and administrative expenses increased by 25.44% to RMB1,414 million compared to the same period last year.

Commissions increased by 20.74% to RMB591 million compared to the same period last year.

The takeoff and landing charges were RMB2,433 million, representing an increase of 55.83% from the same period last year, which was principally a result of the increase in transport capacity and the number of takeoffs and landings.

The salary costs were RMB1,561 million, representing an increase of 108.72% compared to the same period last year, principally as a result of the Group's business expansion and the increase of staff of the Group.

The aircraft depreciation and operating lease expenses were RMB3,360 million, representing an increase of 61.69% compared to the same period last year, principally as a result of the Group's business expansion.

During the six months ended 30th June, 2006, the Group's losses attributable to shareholders as calculated under the IFRS were RMB1,716 million and the losses attributable to shareholders per share were RMB0.35.

Liquidity and capital resources

The Group finances its working capital requirements through a combination of funds generated from its business operations and short and longer-term bank loans. As at 30th June, 2006, the Group had cash and cash equivalents of RMB1,861 million, most of which were denominated in Renminbi. Net cash inflow generated by the Group's operating activities in the first half of 2006 was RMB195 million, representing a decrease of 73.21% compared to the same period last year.

The Group's primary cash requirements in the first half of 2006 were for acquisitions of, and improvements in, aircraft and flight equipment and for payment of related indebtedness. The Group's net cash outflow in investment activities was RMB71 million in the first half of 2006.

The Group's net cash inflow generated from financing activities was RMB126 million, primarily from long-term and short-term bank loans.

The Group generally operates with a working capital deficit. As at 30th June, 2006, the Group's current liabilities exceeded the Group's current assets by RMB26,994 million, and the long-term debt to equity ratio was 2.12:1. For years, the Group has arranged, and believes it will be able to continue to arrange, short-term loans through domestic banks in China or foreign-invested banks to meet its working capital requirements.

Pledges on assets and contingent liabilities

The Group generally finances its purchases of aircraft through leases secured by its assets. As at 30th June, 2006, the total value of the Group's mortgaged assets decreased by 2.81% from RMB9.844 million as at the end of 2005, to RMB9.567 million.

Employees

As at 30th June, 2006, the Group had about 34,741 employees, the majority of whom were working in mainland China. The wages of the Group's employees generally consist of basic salaries and bonuses. During the reporting period, the Group has never been involved in any major labour-related disputes with its employees, nor has it ever experienced a substantial reduction in the number of its employees nor has the Group ever encountered any difficulty in recruiting new employees during the period.

Outlook for the second half of 2006

The Group would like to caution readers of this report that the Group's 2006 interim results announcement contains certain forward-looking statements, such as descriptions of the Group's work plans for the second half of 2006 and beyond and for the future, and forward-looking statements on the global and Chinese economies and aviation markets. Such forward-looking statements are subject to numerous uncertainties and risks, and actual events may be materially different from those indicated in the Group's forward-looking statements.

Taking a global view, the global economy still remains in its cycle of economic growth. Benefiting from a sound international economic environment, China continues to maintain a steady and relatively fast pace of economic growth. In addition, the continued accelerating growth of international trade, coupled with persistently active global investments and acquisition and merger activities, are causing a steady increase in the passenger and cargo volumes in the domestic air transport sector.

Shanghai, where the Group's operation is mainly based, is also one of the leading contributors to the China economy and is the city centre in the region. It attracts economic activities from, and generates economic activities in the region. The hub function of its airports has become obviously prominent. Meanwhile, with the gradual opening up of the civil aviation industry in China, progress in "open skies" agreements is accelerating. The Group is faced with keen competition from Chinese and foreign aviation companies in its operations of passenger and cargo transport markets in the eastern area of China, particularly in Shanghai. To expand its business, increase its competitiveness, steadily increase its market share in the Shanghai region, adjust and optimize its route network, and create more attractive services and products to meet market demand, the Group has committed to introduce five A330-300, two A321, an A319, a B747F, four B737-700, and three ERJ145 passenger aircraft to its fleet. It is expected that the new aircraft will be delivered and put into operation in the second half of 2006. It is believed that the Group will benefit from the continuing growth in the local transport market in the region.

The continuous rise of crude oil prices has had a significant impact on the global aviation industry. To be confronted with the heavy cost pressure brought to the domestic air transport sector by the continuous rise in the international crude oil price and considering high aviation fuel prices, the "Aviation Fuel Surcharge Plan for the Domestic Civil Aviation Industry"（民航國內航空運輸燃油附加費方案）jointly promulgated by the General Administration of Civil Aviation of China and the National Development and Reform Commission in 2005 will continue to be implemented. This measure may serve to offset part of the increased cost of the Group caused by the escalating aviation fuel prices, thus reducing the Group's operating pressure.

In view of the current operating environment in the market and the Group's actual situation, the Group intends to undertake specific measures in the second half of 2006 as follows:

1. We will further endeavour to enhance flight safety. Based on the formulated contingency management manuals and contingency plans, we will further enrich and perfect such manuals and plans. We will continue improving the on-time rate of our scheduled flights, and enhance the brand image of the Company in respect of safety and service.

2. We will enhance internal management and commit to enhancing organisational transformation and systems innovation, with the aim of establishing an enterprise management system, an operational model and management procedures, based on well defined authorities and responsibilities, which are consistent with the management of a fast developing and modern air transport network.

3. In terms of passenger traffic, we will intensify our marketing efforts to increase total revenue and its quality. Through utilizing the platform provided by the World Expo, we will actively explore new markets. Specific measures include intensifying marketing efforts in respect of frequent flyers and major clients in order to increase our share in the market for high-end customers, with a view to gaining recognition from mainstream customers; making proactive efforts to boost the sales of electronic passenger tickets and speeding up the promotion of electronic passenger tickets; optimizing route network and the allocation of transport capacity; ensuring the effective implementation hub strategy; striving to ensure that limited manpower and capacity resources are focused on those routes with best profitability; proactively conducting research on the trend to normalise charter flights across the Taiwan Strait during holiday seasons and establishing a specialized team to study the Taiwan market, making strenuous effort to enhance our seat management, sales trend monitoring and overall control, and increasing our price levels and improving revenue quality.

4. In terms of freight transport, we will continue to reinforce marketing management of the Group's freight operations, make efforts to boost the sales of return cargo and belly holds of passenger aircraft. We are also committed to developing our transhipment business and expanding our air-and-land combined transport network, and increasing revenue from freight operations.

5. We will strive to control our costs and expenses in a stringent manner and continue to improve our budget preparation. We will also endeavour to improve the efficiency of capital utilization and explore additional financing channels. With the use of financial derivatives, we will effectively avoid the risks associated with aviation fuel and foreign exchange through the implementation of risk management regarding aviation fuel and foreign exchange risks.

6. Through utilizing the opportunity provided by our partnership in respect of the World Expo, we will commit to introducing innovative products and producing quality services, in an effort to enhance the brand value of CEA.

FLEET PLANNING

As at 30th June, 2006, the expected details of aircraft on order, which are scheduled to be delivered and put into service, are as follows:

Year to be delivered	**Type of aircraft**	**Number of aircraft**
Second half of 2006	A330-300	5
	A321	2
	A319	1
	B747F	1
	B737-700	4
	ERJ145	3
2007	A330-300	5
	A330-200	1
	A321	4
	A320	2
	A319	2
	B747F	1
	B737NG	2
	ERJ145	3
2008	A330-300	3
	A330-200	1
	A321	5
	A320	2
	B787	4
	B737NG	2

MATERIAL MATTERS

1. Dividends

The Board of Directors of the Company does not recommend payment of any interim dividend for the six months ended 30th June, 2006.

2. Share capital

There was no change in the Company's share capital since 31st December, 2005. As at 30th June, 2006, the Company's share capital structure was as follows:

	Total number of shares	**Approximate percentage of total share capital (%)**
(a) Unlisted State-owned legal person shares	3,000,000,000	61.64
(b) Listed shares		
(i) A Shares	300,000,000	6.17
(ii) H Shares	1,566,950,000	32.19
(c) Total number of shares	4,866,950,000	100.00

3. Purchase, sale or redemption of securities

During the six months ended 30th June, 2006, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of its issued listed securities ("securities" having the meaning ascribed thereto under paragraph 1 of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules")), without taking into account any issue of new securities.

4. Corporate governance practices

The Board of Directors has reviewed the relevant provisions and corporate governance practices under the codes of corporate governance practices adopted by the Company, and took the view that, save as disclosed below, the Company's corporate governance practices during the six months ended 30th June, 2006 (the "Period") met the requirements under most of the code provisions in the Code on Corporate Governance Practices (the "Code") set out in Appendix 14 to the Listing Rules:

- Paragraph A.5.4 requires that the Board of Directors should establish written guidelines on no less exacting terms than the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Listing Rules for relevant employees in respect of their dealings in the securities of the Company. Since the Company needs more time to seriously consider the details regarding such guidelines, it had not established such guidelines on a timely basis during the Period, but has commenced such work in accordance with the requirement and intends to provide such guidelines for the relevant employees during the second half of the year.

Meanwhile, the Company is working with consultants to enhance the Company's internal controls system.

5. Material litigation and arbitration

In 2005, the family members of certain victims in the aircraft accident occurred in Baotou on 21st November, 2004, sued the Company in a U.S. court for compensation, the amount of which is yet to be determined. As disclosed in the Company's announcement dated 22nd November, 2004, the aircraft crashed at the accident was then owned and operated by China Eastern Air Yunnan Company. The Group is actively collaborating with the General Administration of Civil Aviation of China, the relevant insurance company, the Company's U.S. counsel for this case and other aviation law experts in response to the claim.

Save as disclosed above, the Group was not involved in any other material litigation or arbitration during the six months ended 30th June, 2006.

6. Audit Committee

The Company's Audit Committee has reviewed the interim results of the Group for six months ended 30th June, 2006.

7. Miscellaneous

For the six months ended 30th June, 2006:

(a) on 10th April, 2006 the Company entered into an agreement with Boeing Company regarding the purchase of sixteen Boeing 737 NG series aircraft, of which details are set out in the Company's announcement dated 10th April, 2006 and the circular dated 30th May, 2006;

(b) on 26th June, 2006, the Company entered into an agreement with Airbus SAS regarding the purchase of thirty Airbus A320 series aircraft, details of which are set out in the Company's announcement dated 26th June, 2006 and the circular dated 31st July, 2006; and

(c) the Group has completed various preliminary preparations for the segmented share structure reform project in the China A-share market during the first half of 2006. Based on progress to date, our segmented share structure reform project is expected to be launched in the second half of this year. Subject to necessary approvals from the government and shareholders, we expect to complete the project by the end of the year.

By order of the Board of Directors
China Eastern Airlines Corporation Limited
Li Fenghua
Chairman

Shanghai, the People's Republic of China
28th August, 2006

As at the date of this announcement, the Directors of the Company are:

Li Fenghua (Chairman, Executive Director)
Luo Chaogeng (President, Executive Director)
Cao Jianxiong (Non-executive Director)
Wan Mingwu (Vice President, Executive Director)
Zhong Xiong (Non-executive Director)
Luo Zhuping (Executive Director)
Hu Honggao (Independent Non-executive Director)
Peter Lok (Independent Non-executive Director)
Wu Baiwang (Independent Non-executive Director)
Zhou Ruijin (Independent Non-executive Director)
Xie Rong (Independent Non-executive Director)