



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 (the "PRC") with limited liability)
(Stock code: 670)

THIRD QUARTERLY REPORT 2006

This announcement is made by China Eastern Airlines Corporation Limited (the "Company") pursuant to the disclosure requirement under Rule 13.09(2) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The financial statements of the Company for the third quarter of 2006 were not audited, and were prepared in accordance with the PRC Accounting Regulations.

1. IMPORTANT NOTICE

This announcement is made by the Company pursuant to the disclosure requirement under Rule 13.09(2) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (which requires any issuer listed on The Stock Exchange of Hong Kong Limited whose securities are also listed on other stock exchange(s) to simultaneously inform The Stock Exchange of Hong Kong Limited of any information released to any of such other exchange(s) and to ensure that such information is released to the market in Hong Kong at the same time as it is released to the other market(s)). A similar announcement of the even date is being made by the Company in Shanghai pursuant to the relevant provisions of the Shanghai listing rules and regulations.

This quarterly report was prepared in accordance with the regulations as prescribed by the China Securities Regulatory Commission in relation to disclosure of information in quarterly reports for listed companies, and is published simultaneously in Shanghai and Hong Kong. The financial statements of the Company for the third quarter of 2006 were not audited, and were prepared in accordance with the PRC Accounting Regulations.

The board of directors of the Company (the "Board") hereby confirms that the information set out in this report does not contain any false information, misleading statement or material omission, and accepts joint and several responsibility for the truthfulness, accuracy and completeness of the contents of this report.

Mr. Luo Chaogeng, Director, unable to attend the meeting for some reason.

Mr. Zhong Xiong, Director, unable to attend the meeting for some reason, and has authorized Mr. Luo Zhuping, Director to vote on his behalf.

Mr. Peter Lok, Independent non-executive Director, unable to attend the meeting for some reason, has authorized Mr. Zhou Ruijin, Independent non-executive Director to vote on his behalf.

Mr. Hu Honggao, Independent non-executive Director, unable to attend the meeting for some reason, has authorized Mr. Xie Rong, Independent non-executive Director to vote on his behalf.

Mr. Li Fenghua, Chairman of the Board, Mr. Cao Jianxiong, President of the Company and officer-in-charge of accounting, Mr. Luo Weide, Chief Financial Officer, Mr. Wu Longxue, General Manager of the Accounting Department and officer-in-charge of the accounting department (accounting officer), hereby represent that the financial report forming part of this quarterly report is true and complete.

2. BASIC PARTICULARS OF THE COMPANY

2.1 Basic Company information

Abbreviation:	S. CEA	Former abbreviation: Eastern Airlines
Code:	600115 (A Share) 670 (H Share)	
Secretary of the Board:	Luo Zhuping	
Telephone:	8621-62686268	
Securities representative:	Lu Shaojun	
Telephone:	8621-62686268	
Contact address:	2550, Hongqiao Road Shanghai The People's Republic of China	
Facsimile:	8621-62686116	
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2.2 Financial information

2.2.1 Main accounting data and financial indicators

	End of reporting period	End of last year	Increase/decrease between end of reporting period and end of last year (%)
Total assets (RMB 100 million)	615.03	575.59	6.85
Shareholder equity (excluding that of minority shareholders) (RMB 100 million)	48.64	58.15	-16.35
Net assets per share (RMB)	0.9993	1.1947	-16.35
Adjusted net assets per share (RMB)	0.8713	1.0641	-18.12
	Reporting period (July - September)	Beginning of year to end of reporting period (January - September)	Increase/decrease between this reporting period and the same period last year (%)
Net cash flow from operating activities (RMB 100 million)		55.22	
Earnings per share (RMB)	0.1010	-0.1994	-26.98
Yield on net assets	10.11%	-19.95%	decreased 1.47 point
Yield on net assets net of non-recurring loss or gain	11.95%	-22.88%	Increased 1.99 point
Non-recurring loss gain items (January - September)			Amount (RMB'000)
Government subsidies			106,175
Non-operating revenue and expenditure after provision for impairment in value of assets in accordance with the normal corporate accounting system of the Company			37,500
Total			143,675

2.2.2 Profit statement

Profit statement (July - September)

Unit: RMB

Item	This period (July - September)		Corresponding period of last year (July - September)	
	Consolidated	Parent company	Consolidated	Parent company
1. Revenue from main operations	10,341,177,906.47	8,481,869,029.36	8,288,406,438.96	7,061,919,428.15
Less: Main operation cost	8,713,926,813.43	7,101,687,399.50	6,866,482,094.65	5,853,663,423.93
Business taxes and additional	267,555,347.57	212,351,757.78	211,876,111.96	175,885,927.53
2. Profit from main operations (deficit shown in negative)	1,359,695,745.47	1,167,829,872.08	1,210,048,232.35	1,032,370,076.69
Add: Other operating profit (deficit shown in negative)	172,010,249.23	53,558,058.45	163,061,406.71	84,847,661.33
Less: Operating expenses	647,131,785.47	549,282,599.68	550,175,593.57	496,051,574.07
General and administration expenses	429,455,694.87	330,761,522.13	348,428,456.14	289,060,969.13
Financial expenses	77,147,789.85	27,656,619.83	-150,340,704.52	-203,851,496.26
3. Profit from operations (deficit shown in negative)	377,970,724.51	313,687,188.89	624,846,293.87	535,956,691.08
Add: Investment income (deficit shown in negative)	23,709,158.29	66,657,917.52	21,116,465.66	57,576,779.03
Subsidy income	106,174,780.33	82,643,688.70	5,417,903.97	4,872,000.00
Non-operating income	49,133,004.35	48,712,257.73	84,152,558.24	83,687,261.71
Less: Non-operating expenses	11,632,543.18	11,440,757.54	-809,096.37	4,285,758.73
4. Total profit (deficit shown in negative)	545,355,124.30	500,260,295.30	736,342,318.11	677,806,973.09
Less: Income tax	29,764,077.93	15,809,464.61	43,908,807.27	16,588,008.42
Gain or loss of minority shareholders	24,058,952.31	-	19,257,842.93	-
Add: Unrecognized investment loss (in the combined statement)	-	-	-	-
5. Net profit (deficit shown in negative)	491,532,094.06	484,450,830.69	673,175,667.91	661,218,964.67

Profit statement (January - September)

Unit: RMB

Item	Beginning of year to reporting period (January - September)		Corresponding period of last year (January - September)	
	Consolidated	Parent company	Consolidated	Parent company
1. Revenue from main operations	26,714,519,298.99	22,234,183,396.47	18,328,833,085.97	14,973,892,511.85
Less: Main operation cost	24,126,953,029.01	19,867,132,848.82	15,645,155,214.73	12,721,700,133.83
Business taxes and additional	699,531,896.85	560,769,808.85	438,723,646.27	340,811,393.14
2. Profit from main operations (deficit shown in negative)	1,888,034,373.13	1,806,280,738.80	2,244,954,224.97	1,911,380,984.88
Add: Other operating profit (deficit shown in negative)	522,791,563.14	221,994,628.04	488,239,733.41	237,527,641.39
Less: Operating expenses	1,753,272,178.12	1,508,681,983.69	1,297,883,784.71	1,157,294,499.93
General and administration expenses	1,211,068,737.34	1,026,173,343.12	934,155,862.78	733,466,428.99
Financial expenses	663,122,422.10	535,782,510.49	277,171,677.10	174,926,789.73

3. Profit from operations (deficit shown in negative)	-1,216,637,401.29	-1,042,362,470.46	223,982,633.79	83,220,907.62
Add: Investment income (deficit shown in negative)	25,042,128.85	-108,659,973.84	7,626,139.77	53,242,257.90
Subsidy income	173,727,125.10	149,166,406.33	67,009,308.17	66,330,800.02
Non-operating income	128,405,757.42	116,795,061.87	100,759,895.66	89,765,969.87
Less: Non-operating expenses	56,929,547.04	55,693,153.79	-6,417,867.12	-902,411.55
4. Total profit (deficit shown in negative)	-946,391,936.96	-940,754,129.89	405,795,844.51	293,462,346.96
Less: Income tax	90,312,949.34	54,386,773.51	122,416,084.11	70,734,419.70
Less: Gain or loss of minority shareholders	-66,469,051.01	-	20,658,565.06	-
Add: Unrecognized investment loss (in the combined statement)	-	-	-	-
5. Net profit (deficit shown in negative)	-970,235,835.29	-995,140,903.40	262,721,195.34	222,727,927.26

2.3 The total number of the Company's shareholders as at the end of the reporting period and the shareholdings of the 10 largest holders of listed shares outstanding

Name of shareholders (in full)	Number of listed shares outstanding held at the end of the period	Class (A, B, H Shares or other classes)
1 HKSCC NOMINEES LIMITED	1,491,921,163	H Shares
2 中國銀行－嘉實主題精選混合型證券投資基金	9,796,292	A Shares
3 嚴洪超	8,071,300	A Shares
4 國泰君安證券股份有限公司	5,992,918	A Shares
5 HSBC NOMINEES (HONG KONG) LIMITED	4,404,000	H Shares
6 招商證券－渣打－ING BANK N.V.	4,074,827	A Shares
7 HSBC NOMINEES (HONG KONG) LIMITED <A/C BR-9>	3,000,000	H Shares
8 申銀萬國－花旗－UBS LIMITED	2,763,648	A Shares
9 HSBC NOMINEES (HONG KONG) LIMITED <A/C BR-43>	2,256,000	H Shares
10 HSBC NOMINEES (HONG KONG) LIMITED <A/C BR-41>	2,122,000	H Shares

3. DISCUSSION AND ANALYSIS OF MANAGEMENT

3.1 Brief analysis of the Company's overall operational activities during the reporting period

For the third quarter of 2006, the Group (the Company and its subsidiaries) completed an aggregate of 1,852 million tonne-kilometres in traffic-turnover, an increase of 15% over the same period of last year; the number of passengers carried was 9,478 thousand persons, an increase of 19% over the same period of last year; the passenger load factor was 74.65%, an increase of 1 percentage points over the same period of last year; the total quantity of cargoes and mails carried was 232.7 thousand tonnes, an increase of 11% over the same period of last year; the total flying hours were 177.0 thousand hours, an increase of 21% over the same period of last year. In the third quarter, revenue from the Company's main operations was approximately RMB10,341 million, the Company's main operations cost was approximately RMB8,714 million and net profit was approximately RMB492 million, which financial results were mainly attributable to the increase in traffic, increase in revenue and increase in fuel surcharge income, so that revenue from main operations recorded an increase of 25% over the same period of last year; increase in traffic and rise in fuel price resulted in increase in cost of the main operations by 27%.

3.2 Information on the principal industry or products which accounted for more than 10% of the total revenue or profit from the Company's main operations

Industry	Revenue from main operations (RMB100 million) unaudited	Cost of main operations (RMB100 million) unaudited	Gross margin (%)
Air transport	103.41	87.14	18.67
Of which: connected transactions	-	0.55	-

3.3 Composition of profit during the reporting period (material changes in the proportions of profit from main operations, profit from other operations, expenses for the period, investment gain, subsidy income and net non-operating income to total profit between this reporting period and the previous reporting period, and explanations)

Profit from main operations saw a significant increase over the previous reporting period as the third quarter is traditionally the peak season of the airlines industry, and the increase in revenue from traffic exceeded the increase in traffic cost. Financing expenses during the period decreased substantially because of the significant increase in exchange gains, which offset the financing expenses. Subsidy income increased sharply over the previous reporting period as a result of the increase in financial subsidies.

3.4 Explanations for the material changes had occurred in the profitability of our main operations (gross profit) compared with the previous reporting period

Gross profit margin increased substantially over the previous reporting period because the third quarter is traditionally the peak season of the airlines industry, and the increase in revenue from traffic exceeded the increase in traffic cost.

3.5 Connected transactions in the ordinary course of operation

(1) Material connected transactions regarding the purchase of commodities and acceptance of service

Name of connected party	Description of connected transaction	Pricing principle of the connected transaction	Amount of the connected transaction (RMB'000)	Percentage to similar transactions (%)	Settlement
Eastern Aviation Import & Export Co., Ltd	Purchase of aircraft, engines and aviation materials	Market price/agreed price	3,674,528	100	Bank transfers
Shanghai Eastern Air Catering Co., Ltd	Purchase of foods for flights	Market price/agreed price	108,468	65.42	Bank transfers

The Company purchases aircraft, engines and aviation materials from Eastern Aviation Import & Export Co., Ltd, a subsidiary of China Eastern Air Holding Company.

The Company purchases foods for flights from Shanghai Eastern Air Catering Co., Ltd, a subsidiary of China Eastern Air Holding Company.

3.6 Explanations and warning in respect of potential loss or significant changes in the forecast of accumulated net profit from the beginning of the year up to the end of the next reporting period

Since the accumulated loss of the Company from January to September was RMB970 million, and the fourth quarter is traditionally the low season of the sector, the Company expects that loss is possible for the accumulated net profit from the beginning of the year to the next reporting period.

3.7 As at the date of this quarterly report, explanations for the positions of the schedules for the Company where the shareholding restructuring has not been initiated

The preparation for which has been actively underway. Our target is to commence the procedures of shareholding restructuring by the end of the year.

3.8 As at the date of this quarterly report, explanations for the positions of the Company for which the shareholding restructuring has not been initiated

Detailed reasons for not initiated the shareholding re-structuring are the shareholding restructuring proposal of the Company is required to be submitted to the SASAC for approval, and the legal and regulatory issues of being listed in three places both inside or outside China needed to be considered fully.

By order of the Board
CHINA EASTERN AIRLINES CORPORATION LIMITED
Li Fenghua
Chairman of the Board

The Board as at the date hereof comprises:

Li Fenghua (Chairman, Executive Director)
Cao Jianxiong (President, Executive Director)
Luo Chaogeng (Executive Director)
Wan Mingwu (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)
Shanghai, the People's Republic of China
26 October 2006