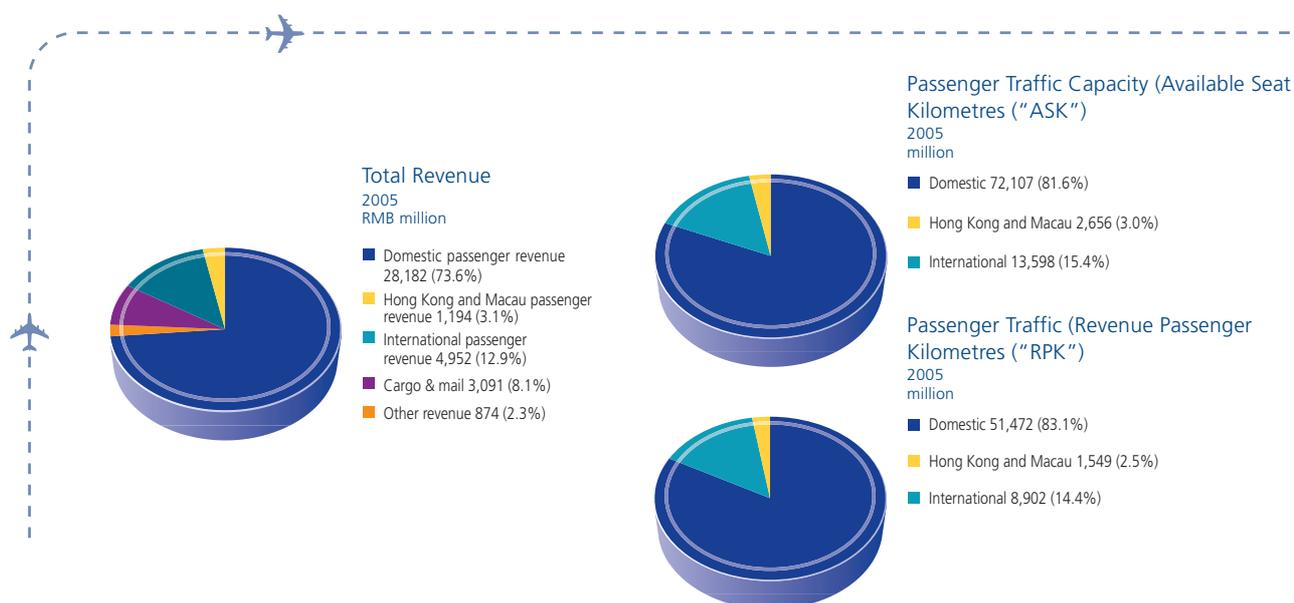


Financial Highlights

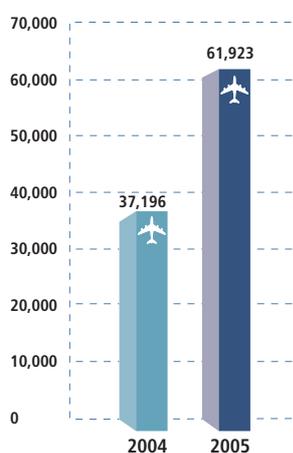
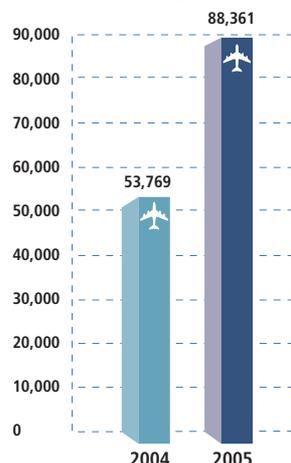
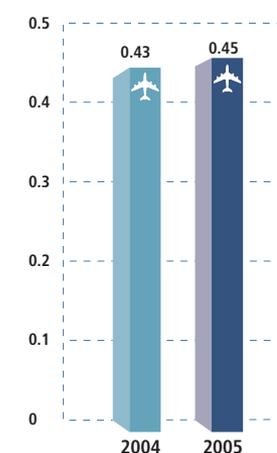


The board (the "Board") of directors (the "Directors") of the Company hereby presents below the consolidated results of the Group for the year ended 31 December 2005, prepared in accordance with International Financial Reporting Standards ("IFRSs"), together with the comparative figures for the corresponding period in 2004. The following consolidated results should be read in conjunction with the financial statements and the Report of the International Auditors contained in this annual report (the "Annual Report").

CONSOLIDATED INCOME STATEMENT

	For the year ended 31 December				2005 vs 2004
	2005	2004	2005	2005	Increase/ (decrease)
	RMB million	RMB million	HK\$ million	US\$ million	%
Traffic revenue:					
Passenger	34,328	21,100	32,987	4,254	62.7
Cargo and mail	3,091	2,244	2,970	383	37.7
	37,419	23,344	35,957	4,637	60.3
Other operating revenue	874	630	840	108	38.7
Total operating revenue	38,293	23,974	36,797	4,745	59.7
Operating expenses:					
Flight operations	19,394	10,418	18,636	2,403	86.2
Maintenance	4,589	3,459	4,410	569	32.7
Aircraft and traffic servicing	5,759	3,503	5,534	714	64.4
Promotion and sales	2,780	1,940	2,671	345	43.3
General and administrative	2,457	1,323	2,361	304	85.7
Depreciation and amortisation	4,440	2,413	4,267	550	84.0
Others	179	9	172	22	1,888.9
Total operating expenses	39,598	23,065	38,051	4,907	71.7
Operating (loss)/profit	(1,305)	909	(1,254)	(162)	(243.6)

Financial Highlights (Cont'd)

Passenger Traffic (RPK)
millionPassenger Capacity (ASK)
millionCost (Operating Cost Per ASK)
RMB

For the year ended 31 December

2005 vs 2004

Increase/
(decrease)
%

	2005 RMB million	2004 RMB million (restated, note 2)	2005 HK\$ million	2005 US\$ million	
Non-operating income/(expenses):					
Interest income	55	22	53	7	150.0
Interest expense	(1,616)	(691)	(1,553)	(200)	133.9
Share of associates' results	(285)	10	(274)	(35)	(2,950.0)
Share of jointly controlled entities' results	36	(16)	35	4	(325.0)
Loss on sale of property, plant and equipment	(32)	(1)	(31)	(4)	(3,100.0)
Exchange gain/(loss), net	1,220	(59)	1,172	151	(2,167.8)
Others, net	74	46	71	9	60.9
Total net non-operating expenses	(548)	(689)	(527)	(68)	(20.5)
(Loss)/profit before taxation	(1,853)	220	(1,781)	(230)	(942.3)
Income tax benefit/(expense)	7	(65)	7	1	(110.8)
(Loss)/profit for the year	(1,846)	155	(1,774)	(229)	(1,291.0)
Attributable to equity shareholders of the Company	(1,848)	(48)	(1,776)	(229)	3,750.0
Minority interests	2	203	2	–	(99.0)
(Loss)/profit for the year	(1,846)	155	(1,774)	(229)	(1,290.1)
Basic loss per share	RMB(0.42)	RMB(0.01)	HK\$(0.41)	USD(0.05)	4,100.0

Note:

- The above consolidated income statement has been prepared in Renminbi ("RMB"), the national currency of the PRC. Translations of amounts from RMB into Hong Kong dollars ("HK\$") and United States dollars ("US\$") solely for the convenience of readers have been made at the rates of HK\$1.00 to RMB1.04065 and US\$1.00 to RMB8.0694, respectively, being the average of the buying and selling rates as quoted by the People's Bank of China at the close of business on 31 December 2005. No representation is made that the RMB amounts could have been or could be converted into HK\$ or US\$ at these rates or at any other certain rates on 31 December 2005 or on any other date.
- The Group has adopted new and revised IFRSs during year of 2005. The corresponding comparative figures have been restated accordingly. Details have been set out in page 39 to 101 of the financial statements prepared under IFRSs.