

NOTES TO FINANCIAL STATEMENTS

(Prepared in accordance with PRC Accounting Regulations)

Year ended 31 December 2000

1. Brief Profile of the Company

China Eastern Airlines Corporation Limited (“the Company”) was established in April 1995 and was singly sponsored by Eastern Air Group Company. In January 1997, with the approval of State Reformation Commission, its Circular No. (1996) 180, and State Council Securities Commission, its Circular No. (1997) 4, the Company issued 1,566,950,000 shares (“H Shares”) and the H Shares are dual listed on the Stock Exchange of Hong Kong and the New York Stock Exchange. In May 1997, approved by Civil Aviation Administration of China and China Securities Supervisory Commission, the Company was to issue domestic RMB A shares totaling 300,000,000 shares additionally (open to the general public). The registered capital of the Company is RMB 4,866,950 thousand.

The Company is primarily engaged in the air transportation of passengers, cargo, mails and luggage over approved domestic and overseas air routes, general aviation business, maintenance and repair of aircraft, manufacturing and maintenance of aviation equipment, agency of airlines both at home and abroad and other business in connection with aviation transportation.

2. Principal Accounting Policies, Accounting Estimations and Consolidation of Financial Statements

2.1 Accounting Policies Applied

The company and its subsidiaries follow the <Accounting Standards for Business Enterprises> and <Accounting Standards for Stock Companies>.

2.2 Accounting Period

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

2.3 Bookkeeping Currency

The Company and its subsidiaries adopt Renminbi (“RMB”), the statutory currency of the People’s Republic of China, as the bookkeeping currency.

2.4 Principle and Basis of Accounting

The Company adopts the accrual basis, double-entry system and historical cost as basis of accounting.

2.5 Translation of Foreign Currencies

The Company maintains its books and records in RMB.

Transactions in foreign currencies are translated into RMB at the market medium exchange rate prevailing at the beginning of the month. Monetary assets and liabilities in foreign currencies are translated into RMB at the market medium exchange rates prevailing at the last day of each month. Exchange differences arising are included in the <Financial Expenses- Exchange Gains and Losses> in the current period.

2.6 Definition of Cash Equivalents

Cash equivalents refer to those assets having the features of short term, high liquidity, low risks of fluctuation in value and easy convertibility into a given amount of cash.

2.7 Accounting of Provision for Bad Debts

(1) Determination of bad debts

- a. When the debtor is bankrupted or dead, the accounts are yet unable to be recovered after the liquidation with the debtor's bankrupt estate or legacy.
- b. With an aging over 3 years, the accounts are unable to be collected as the debtor's default in making repayment.

(2) Accounting treatment

When the receivable items meet the criteria set forth in the paragraph (1), they can be written off after proper approval procedures.

(3) Determination, provisioning method and percentage of provision for bad debts

The Company adopts allowance method to account for provision for bad debts and makes provision for bad debts against receivable items, including <Accounts Receivable> and <Other Receivable>, under aging method together with consideration of the actual situation of the debtor at the middle and end of the period. The aging and the corresponding provisioning percentages are listed as follows:

Aging	Provisioning Percentage
Within 1 Year	3%
In the Second Year	5%
In the Third Year	10%
In the Fourth Year	15%
In the Fifth Year	20%
After 5 Years	40%

2.8 Accounting of Inventory

a. Classification of Inventory

The Company's inventory comprises mainly aircraft consumables, rotables, common appliances, supplies on aircraft and low-price consumables.

b. Valuation of Inventory

The inventory is recorded at planned price, adjusted to its actual cost through the account of <Material Cost Variance> at the end of each month. The amortization of rotables is made over 5 years starting from the next month after acquisition. Upon the completion of its amortization, in the case that rotables, which can still be used after repair, will be recorded at 40% of its market price and be re-amortized over the next 5 years.

c. Allowance for Obsolescence of Inventory

The Company provides allowance against aircraft consumables on the basis of the average useful life of corresponding airplane types and the average discount rate in previous disposal.

2.9 Current Investment

(1) The current investment is recorded at the total price paid on acquisition, including incidental expenses such as taxes and handling charges, after deduction of cash dividends which have been declared but unpaid at the time of acquisition or unpaid interest on bonds which has been accrued. Cash dividends or interest on current investments other than those recorded as receivable items, should be 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 should be recognized as an investment gain or loss in the current period.

(2) Provision for loss on current investment

At the middle and end of the period, the Company should adjust the carrying amount of current amount to the lower of the cost and market value, and make provision at the excess of carrying amount over the market value on an individual item basis.

2.10 Long-term Investment

(1) Long-term equity investment

Long-term equity investment consists of securities investment and other equity investment. It is recorded at the acquisition cost actually paid or at the price appraised or determined by relevant contract. The equity method is applied wherever the Company has 20% or more voting capital of the investee entities, or has less than 20% of the voting capital but has significant influence over the investee entities. The cost method is applied wherever the Company's investment is less than 20% of the voting capital of the investee entities, or the investment is 20% or more but the Company does not have significant influence thereon.

(2) Long-term debt investment

Long-term debt investment refers to investment in bonds and lease. It is recorded at acquisition cost and the investment gain or loss is recognized on the accrual basis.

(3) Equity investment difference

The shortfall of investment cost over the investor's share of owner's equity of the investee enterprise as explained in paragraph (1), is generally amortized over a period of 10 years.

(4) Provision for loss on long-term investment

If the recoverable amount of a long-term investment is lower than its carrying amount as a result of deterioration in operating conditions of the investee enterprise, and the devaluation is unrecoverable in the foreseeable future, the Company should record the difference between the recoverable amount and the carrying amount as provision for loss on long-term investment at the middle and end of the period.

2.11 Fixed Assets and Depreciation

Fixed asset refers to those assets whose useful lives are more than 1 year, value more than RMB 2,000 and can be held physically to directly realize its benefits during the course of use. Fixed assets are accounted for at acquisition cost. After deducting 3% of the cost as residual value, depreciation is provided on a straight-line basis according to the useful lives as follows:

Aircraft	10 – 15 years
Engines	10 – 15 years
Buildings and Premise	15 – 35 years
Motor Vehicles and Electronic Device	5 – 6 years
Other Equipment	5 – 20 years

2.12 Construction-in-Progress

All facilities purchased for installation, self-made or subcontracted are accounted for in the account of <Construction-in-Progress>.

Construction-in-Progress is recorded at acquisition cost, including cost of facilities, installation expenses and the interest capitalized during the course of construction for the purpose of financing the project.

Upon the completion and readiness for use of the project, the cost of construction-in-progress is to be transferred to the account of <Fixed Assets>.

2.13 Valuation and Amortization of Intangible Assets

Intangible assets are recorded at the actual acquisition cost and are amortized over its expected beneficial period under straight-line method.

2.14 Amortization of Organization Expenses and Long-term Deferred Expenses

- (1) Organization expenses are amortized over 5 years.
- (2) Long-term deferred expenses are amortized over the estimated beneficial years under straight-line method.

2.15 Overhaul of Aircraft and Engines

Pursuant to the related regulations stipulated by the Finance Dept. of Civil Aviation Administration of China (“CAAC”), while arranging overhaul of aircraft and engines, the Company should make provisions at 2%~4% of the original value in consideration of the overhaul cycle and expected cost of various types of aircraft.

2.16 Income Recognition

The Company's income from provision of transportation service of passengers, cargo and mails is recognized upon delivery of the service. And commission income is to be recognized upon billing by other airline companies. Air-tickets sold in advance but not executed are listed as current liabilities, which are accounted for in the account of <Domestic Sales in Advance of Carriage> and <International Sales in Advance of Carriage>. Those tickets sold by or executed by other than the Company are to be cleared through Accounting Center of China Aviation (ACCA). <Transportation Income> is recorded with the uplifted coupons as evidence while <Commission Income> is recorded with the billing forms from the other airline companies as evidence.

Ground service income is recognized when rendering services.

2.17 Income Tax

The income tax is accounted for using tax payable method.

2.18 Basis of Consolidated Statements

(1) Consolidated scope

The Company prepares its financial statements in compliance with the <Provisional Regulations for the Consolidation of Financial Statements> issued by the Ministry of Finance, its Ref. No. CKZ (1995) 11. Wherever the equity investment made by the Company to the outside enterprise is over 50% of the invested enterprise's capital, or less than 50% but the Company has the real control, the investee entities should be included in the consolidation. However, those investee entities that have not formally commenced operations, or those have total assets, operating revenue and net profit all under 10% of the Company's total are exempted from consolidation.

(2) Consolidation method

The consolidated financial statements are prepared on the basis of the financial statements of the Company and its subsidiaries within the consolidation scope and other relevant information. The equity investment and the corresponding portion of the owner's equity of the investee, the claims and liabilities, as well as the internal sales between or among them are to be offset when preparing the consolidated statements.

3. Taxation Items

3.1 The major taxation items and rates of the Company are as follows:

Categories of Taxes	Rate	Basis of Tax
Income Tax for Enterprises	33%	Taxable income
Business Tax	3%	Income from transportation, ground service & commissions.
Business Tax	5%	Income from repairs & other services
Value-added Tax	6%	Income from material transfer

3.2 Civil Aviation Infrastructure Levies

The Civil Aviation Infrastructure Levies is charged at a certain percentage on transportation incomes. Pursuant to the related regulations (its ref. No. CZZ 1999-11) jointly issued by Ministry of Finance and State Development Commission, the levying rate applied on domestic transportation income is 5% while that on international transportation income remains at 2%.

4. Stock-held Subsidiary Companies

Name of Invested Company	Registered Capital	Share-holding Rate	Method of Long-term Investment	Consolidation	Scope of Business
China Eastern Airlines Jiangsu Co., Ltd	USD 47,000,000	55%	Equity Method	Yes	Air transportation of passengers, cargo, mails and luggage over the domestic air routes and the approved overseas routes
China Cargo Airlines Co., Ltd.	RMB 500,000,000	70%	Equity Method	Yes	Air transportation of cargo, air catering, sales of tourist goods, hotel, catering and entertainment
Shanghai Eastern Flight Training Co., Ltd.	RMB 358,000,000	95%	Equity Method	Yes	Training for flying crew and other related personnel
Eastern Airlines Industrial Co.	RMB 49,500,000	80%	Equity Method	No	Selling of food, knitwear & hardware
Qi Lu Eastern Airlines Catering	RMB 10,500,000	65%	Equity Method	No	Production and sales of food, catering to the planes Co., Ltd.
China Eastern Airlines Jiangsu Catering Co.	RMB 500,000	55%	Cost Method	No	Sales of Aquatic products, household by-products and native products
Jiangnan Tourist (HK) Co.	RMB 641,100	55%	Cost Method	No	Traveling service
Eastern Airlines Jiangsu Advertisement Co., Ltd.	RMB 300,000	55%	Cost Method	No	Design and making of advertisement in domestic broadcast, newspapers and magazines; design and making of presswork, street nameplate, gift packing; advertisement agency

Among the above, those whom the Company do not have significant influence on, or their total assets, operating income and net profit are all less than 10% of those of the Company, or they are still under setup stage, are excluded from the consolidation.

5. Explanations to Main Items of Financial Statements (Unit: RMB)

5.1 Monetary Fund

	Beginning Balance	Ending Balance
Cash	1,317,497.42	1,847,999.50
Bank Deposit	1,197,553,325.89	1,054,477,252.37
Other Monetary Fund	1,676,588,438.40	1,579,077,885.26
Total	2,875,459,261.71	2,635,403,137.13

The foreign currencies in the monetary fund are equivalent to RMB 1,924,898,520.67 at the medium exchange rate prevailing at the end of the period.

5.2 Current Investment

Items	Currency	Beginning Balance			Ending Balance		
		Amount Original	RMB (Equivalent)	Provision for loss	Amount Original	RMB (Equivalent)	Provision for loss
Entrust Investment	USD	-	-	-	31,347,593.58	259,498,514.41	-
Entrust Investment	JPY	-	-	-	625,900,000.00	45,328,929.80	-
Total		-	-	-		304,827,444.21	-

Current Investment mentioned above refers to the value maintenance of self-owned foreign exchange entrusted to Bank of China by the Company to avoid foreign exchange risk.

5.3 Accounts Receivable

Aging	Beginning Balance			Ending Balance		
	Amount	%	Provision for Bad Debts	Amount	%	Provision for Bad Debts
Within 1 Year	1,233,417,911.48	96.14	8,217,365.03	1,257,174,790.91	95.07	3,843,895.48
In the Second Year	6,988,575.53	0.54	1,510,110.21	24,982,691.72	1.89	7,633,167.10
In the Third Year	6,255,587.41	0.49	1,536,522.41	6,022,809.41	0.45	2,221,090.79
In the Fourth Year	26,737,820.83	2.08	9,219,803.39	20,370,617.91	1.54	7,631,953.65
In the Fifth Year	5,215,563.70	0.41	2,265,978.46	9,909,234.66	0.75	8,963,694.29
After 5 Years	4,344,482.72	0.34	1,738,648.30	3,922,590.50	0.30	3,637,211.28
Total	1,282,959,941.67	100.00	24,488,427.80	1,322,382,735.11	100.00	33,931,012.59

Among the above, the first 5 enterprises with largest amount due to the Company are as follows:

Name of the Enterprises	Outstanding	Transaction Period	Reason
BSP	272,495,533.14	2000	Ticket proceeds
Hangzhou Int'l Travel Ticket Center	74,855,933.00	2000	Ticket proceeds
Shanghai Travel Service (Hong Kong) Co., Ltd.	63,489,399.31	2000	Ticket proceeds
China Aviation Co. (Hong Kong) Ltd.	58,269,544.80	2000	Ticket proceeds
Wuxi China Travel Agency	21,739,076.70	2000	Ticket proceeds

Among the debtors, Eastern Air Group Company, which holds over 5% of the Company's share capital has an amount of 9,682.16 due to the Company.

5.4 Other Receivable

Aging	Beginning Balance			Ending Balance		
	Amount	%	Provision for Bad Debts	Amount	%	Provision for Bad Debts
Within 1 Year	625,445,269.63	67.86	10,812,788.54	396,048,152.98	56.98	13,618,511.06
In the Second Year	68,686,462.67	7.45	16,691,127.52	165,331,228.07	23.79	16,598,824.31
In the Third Year	162,341,901.07	17.61	27,503,977.45	21,975,860.48	3.16	14,563,075.21
In the Fourth Year	17,426,913.53	1.89	2,164,037.03	70,521,486.04	10.15	19,800,335.65
In the Fifth Year	8,909,540.01	0.97	5,981,908.00	9,980,433.00	1.44	5,596,086.60
After 5 Years	38,831,306.40	4.22	25,913,965.49	31,127,609.82	4.48	22,832,486.86
Total	921,641,393.31	100.00	89,067,804.03	694,984,770.39	100.00	93,009,319.69

Among the above, the first 5 enterprises with largest amount due to the Company are as follows:

Name of the Enterprises	Outstanding	Transaction Period	Reason
CFM International Incorporated	178,858,360.79	1997 - 2000	The rebate receivable of airplane engine equipment
ACCA	68,867,017.65	2000	Largely the ground service agent fee receivable from other airlines
Eastern Air Group Company	65,313,601.64	1997 - 2000	Largely the payment of construction cost
Shanghai Eastern Air Catering . Co., Ltd	60,000,000.00	1999	Largely the fund for pudong base constructing advanced to be paid back later
Nanjing Articraft Auction Co.	22,563,614.19	1998 - 2000	Amount compulsively executed by the court to undertake guarantee responsibility for this Company

Among the debtors, Eastern Air Group Company, which holds over 5% of the Company's share capital has an amount of 65,313,601.64 due to the Company.

5.5 Advances to Suppliers

Aging	Beginning Balance	Ending Balance
Within 1 Year	150,818,618.66	205,989,032.17
In the Second year	18,112,476.29	47,092,542.80
In the Third Year	8,072,944.00	4,408,998.02
In the Forth Year	1,719,585.13	7,133,461.97
In the Fifth Year	—	661,958.68
Total	178,723,624.08	265,285,993.64

Among the above, the first 5 enterprises with largest amount due to the Company are as follows:

Name of the Enterprises	Outstanding	Transaction Period	Reason
Shanghai Pudong International Airport Co., Ltd.	110,000,000.00	2000	The land expropriation cost of Pudong International Airport
Eastern Aviation Import and Export Company	97,331,274.03	2000	The purchase of fixed assets and materials of aircraft
Shanghai Eastern Aviation Equipment Manufacturing Corporation	5,935,000.00	2000	The purchase of fixed assets
Xiamen Jinlong United Automobile Industry Co., Ltd.	3,744,620.00	2000	The purchase of automobiles
Shanghai Jilian Information system Co., Ltd.	1,680,000.00	2000	The advances for Open Service Contract

There is no amount due from parties who hold more than 5% of the Company's shares existing in the <Advance to Suppliers>.

5.6 Inventory

Item	Beginning Balance		Ending Balance	
	Amount	Allowance for Obsolescence	Amount	Allowance for Obsolescence
Aircraft Consumable	828,776,997.34	234,692,145.09	856,135,162.47	258,905,175.94
High-price Rotable	1,470,691,542.24	–	1,476,614,544.51	–
Common Equipment	22,615,654.18	–	19,905,627.04	–
Low-price Consumables	140,030.70	–	158,324.19	–
Sub-contracted Equipment	3,997,194.52	–	240,479.46	–
Others	30,484,458.12	–	47,891,926.79	–
Total	2,356,705,877.10	234,692,145.09	2,400,946,064.46	258,905,175.94

5.7 Deferred Expenses

Categories	Beginning Balance	Increase, Current	Amortization, Current	Ending Balance
Expenses on Operating				
Leased Airplanes	43,006,756.12	339,087,819.35	310,338,218.28	71,756,357.19
Printing Expenses of Tickets	1,209,844.28	5,601,655.11	5,407,811.83	1,403,687.56
Others	4,762,210.00	62,037,175.69	62,988,694.37	3,810,691.32
Total	48,978,810.40	406,726,650.15	378,734,724.48	76,970,736.07

5.8 Long-term Investment

Item	Beginning Balance		Increase, Current	Decrease, Current	Ending Balance	
	Amount	Provision for loss			Amount	Provision for loss
Long-term Equity Investment	78,705,820.04	2,469,568.50	15,477,086.88	3,440,898.46	90,742,008.46	1,760,468.50
Long-term Debt Investment	648,450,918.89	–	34,515,085.47	137,244,407.49	545,721,596.87	–
Total	727,156,738.93	2,469,568.50	49,992,172.35	140,685,305.95	636,463,605.33	1,760,468.50

(1) Long-term equity investment securities investment

Name of the Investee Enterprises	Type of Shares	Quantities of Shares	% of the Registered Capital of the Investee Enterprises	
			Enterprises	Amount
Huning Expressway Co., Ltd.	Legal person shares	200,000	–	360,000.00

Other equity investment

Name of the Investee Enterprises	Investment Period	Amount	Ending Balance	% of Registered Capital of the Investee Enterprises	Change in Owner's Equity, Current	Change in Owner's Equity, Cumulative	Provision for loss on investment
Qi Lu Eastern Air Catering Co., Ltd.	93/5-2008/5	8,688,333.68	11,077,894.05	65%	(529,509.57)	2,389,560.37	
Shanghai Eastern Union Wheels & Brakes Repair Engineering Co.	95/12-2017/12	6,978,881.09	19,944,634.22	40%	1,093,723.69	12,965,753.13	
Yantai Eastern Air Catering Co.	97/3-2012/3	3,040,000.00	3,856,355.68	40%	136,726.13	816,355.68	
Eastern China Kaiya System integration Co., Ltd.	99/5-	740,000.00	3,027,688.75	37%	1,979,380.91	2,287,688.75	
Shanghai Hongpu Civil Airport Communication Co., Ltd.	00/6-2010/6	7,500,000.00	7,530,512.39	30%	7,530,512.39	7,530,512.39	
Jiangsu Eastern Airlines Trading Co.	96/7-2011/7	1,100,000.00	1,100,000.00	30.25%	—	—	1,100,000.00
Jiangnan Tourist (Hong Kong) Co.	98/3-	641,100.00	641,100.00	55%	—	—	
Eastern Airlines Jiangsu Industrial Co.	96/6-2015/6	228,468.50	162,468.50	38.50%	(66,000.00)	-66,000.00	162,468.50
Jiangsu Eastern Airlines Traveling Agency Co.	95/11-2025/11	1,050,000.00	1,050,000.00	38.50%	—	—	
China Eastern Air Jiangsu Catering Co.	94/4-97/4	500,000.00	498,000.00	55%	(2,000.00)	-2,000.00	498,000.00
Eastern Airlines Jiangsu Advertisement Co., Ltd.	00/11-	893,354.87	893,354.87	55%	893,354.87	893,354.87	
Hengtai Insurance Agency Co., Ltd.	00/12-	1,000,000.00	1,000,000.00	3.33%	1,000,000.00	1,000,000.00	
Total		71,960,138.14	90,382,008.46		12,036,188.42	27,815,225.19	1,760,468.50

(2) Long-term debt investment

	Beginning Balance	Ending Balance
Bond Investment	429,939,809.25	464,454,894.72
Lease Investment	218,511,109.64	81,266,702.15
Total	648,450,918.89	545,721,596.87

Bond investment

Type of Bonds	US Treasury Zero Coupon Bonds
Par Value	USD 71,475,000.00
Interest Rate per Annum	8.0435477%
Acquisition Cost	USD 27,810,207.00
Maturity Date	February 2004
Interest Receivable, Beginning	USD 24,119,280.91
Interest Accrued, Current	USD 4,176,973.08
Interest Receivable, Ending	USD 28,296,253.99
Ending Balance	USD 56,106,460.99

Equivalent to RMB 464,454,894.72 at the exchange rate of @8.2781 prevailing at the end of year

Lease investment

Classified by Aircraft Type	Maturity Date	Interest Rate per Annum	Ending Balance (USD)
B2303	May 2001	Floating	9,817,071.81

Equivalent to RMB 81,266,702.15 at the exchange rate of @8.2781 prevailing at the end of year.

<Leasing Investment> is the amount placed in the financial leasing companies upon the financial leasing taking place for the airplane of B2303 as stipulated in relevant agreements. The above-mentioned airplane was later sub-leased to another companies in 1990 and the corresponding assets and long-term payables were transferred out in the meantime. Pursuant to the Agreement, that amount involved will be refunded to the Company by the financial leasing company as the repayment was made by the sub-lessee according to the repayment schedule. The interest received is an income from investment and the principal refunded is a reduction of lease investment.

(3) Provision for loss on long-term investment

Name of the Investee Enterprises	Provision Amount	Reason for Provisioning
Eastern Airlines Jiangsu Industrial Co.	162,468.50	During liquidation
China Eastern Airlines Jiangsu Catering Co.	498,000.00	Stopping operation
Jiangsu Eastern Airlines Trading Co.	1,100,000.00	Stopping operation
Total	1,760,468.50	

5.9 Fixed Assets and Accumulated Depreciation

Cost:

Items	Beginning Balance	Increase, Current	Decrease, Current	Ending Balance
Self-purchased Aircraft	3,182,027,923.17	1,072,906,321.95	791,725,975.18	3,463,208,269.94
Aircraft Engines	1,558,284,814.28	102,282,117.90	108,876,600.00	1,551,690,332.18
Aircraft Held under				
Financial Lease	18,465,568,501.53	1,394,631,592.81	857,276,075.46	19,002,924,018.88
Building & Premises	924,933,139.33	700,489,818.60	98,385,081.85	1,527,037,876.08
Equipment	1,057,219,849.56	376,737,222.03	79,859,538.83	1,354,097,532.76
Vehicles	491,399,206.10	79,837,401.38	7,114,675.26	564,121,932.22
Total	25,679,433,433.97	3,726,884,474.67	1,943,237,946.58	27,463,079,962.06

Accumulated depreciation

Items	Beginning Balance	Increase, Current	Decrease, Current	Ending Balance
Self-purchased Aircraft	1,552,710,346.83	655,865,667.43	738,238,459.66	1,470,337,554.60
Aircraft Engines	674,050,724.49	113,427,504.12	79,843,907.06	707,634,321.55
Aircraft Held under				
Financial Lease	6,220,864,980.06	1,328,556,800.46	462,135,595.99	7,087,286,184.53
Building & Premises	135,534,362.92	50,052,833.48	5,950,020.08	179,637,176.32
Equipment	534,072,922.90	107,808,197.78	26,316,144.50	615,564,976.18
Vehicles	280,665,630.03	67,590,607.03	6,440,963.61	341,815,273.45
Total	9,397,898,967.23	2,323,301,610.30	1,318,928,090.90	10,402,275,486.63

Net value:

Items	Beginning Balance	Ending Balance
Self-purchased Aircraft	1,629,317,576.34	1,992,870,715.34
Aircraft Engines	884,234,089.79	844,056,010.63
Aircraft Held under Financial Lease	12,244,703,521.47	11,915,637,834.35
Building & Premises	789,398,776.41	1,347,400,699.76
Equipment	523,146,926.66	738,532,556.58
Vehicles	210,733,576.07	222,306,658.77
Total	16,281,534,466.74	17,060,804,475.43

5.10 Construction-In-Progress

Project	Beginning Balance	Increase, Current	Decrease, Current		Ending Balance	Source of fund	Progress
			Transferred to Fixed Assets	Other Decrease			
Advance Payment for A320 Aircraft	503,501,038.43	227,334,298.12	453,552,174.67		277,283,161.88	Loans & self-financing	Uncompleted
Advance Payment for A340 Aircraft	43,466,325.00	186,926,570.44			230,392,895.44	Self-financing	Uncompleted
Pudong Base	438,047,913.89	131,833,100.04	208,141,103.89	218,658,896.11	143,081,013.93	Loans & self-financing	Uncompleted
Communication network at Pudong Airport	28,904,194.97	773,114.00	923,581.17		28,753,727.80	Self-financing	Uncompleted
Xiamen International Travel Building	27,700,000.00				27,700,000.00	Self-financing	Uncompleted
Office Building, Lukou Base	812,024.60	20,668,679.80		1,780,903.00	19,699,801.40	Self-financing	Uncompleted
Office Building, Shanghai Rd.	18,400,000.00			3,500,000.00	14,900,000.00	Self-financing	Uncompleted
A319BFE		12,624,682.62			12,624,682.62	Self-financing	Uncompleted
Booking Office Building, Guangzhou	10,966,411.02	5,116.00			10,971,527.02	Self-financing	Uncompleted
General Project for MD82 Base	10,828,440.86				10,828,440.86	Self-financing	Uncompleted
Advance Payment for B737 Aircraft		8,071,147.50			8,071,147.50	Self-financing	Uncompleted
Finance Management Information System	2,475,301.90	4,686,292.44			7,161,594.34	Self-financing	Uncompleted
Decoration for Building No. 0		5,355,189.00			5,355,189.00	Self-financing	Uncompleted
Off-port Computer On-duty System	13,492,176.42	797,953.50	8,963,223.90		5,326,906.02	Self-financing	Uncompleted
Changbei Airport	64,405,842.35	11,721,049.23	71,559,977.32	54,380.00	4,512,534.26	Self-financing	Uncompleted
Aircraft Material Storage		4,360,000.00			4,360,000.00	Self-financing	Uncompleted
Add-on floors at Computer Center	3,605,159.84	647,178.60			4,252,338.44	Self-financing	Uncompleted
Cable Communication System	3,619,239.66	485,488.94			4,104,728.60	Self-financing	Uncompleted
Rebuilding of networks and lines at Computer Center	3,053,111.02	259,000.00			3,312,111.02	Self-financing	Uncompleted
24 Apartments	1,091,379.00	1,957,616.95			3,048,995.95	Self-financing	Uncompleted
Dormitory for unmarried	3,000,000.00				3,000,000.00	Self-financing	Uncompleted
Garages for Special type of Vehicles	992,141.40	1,935,265.71			2,927,407.11	Self-financing	Uncompleted
Garbage Disposal Center	524,424.22	2,367,337.50			2,891,761.72	Self-financing	Uncompleted
Manufacturing Direction Center Building	2,860,000.00				2,860,000.00	Self-financing	Uncompleted
Electricity capacity increasing project for manufacture	2,520,000.00				2,520,000.00	Self-financing	Uncompleted
Others (114 Items)	554,750,907.61	718,650,948.16	847,021,233.26	406,926,476.46	19,454,146.05		
Total	1,739,016,032.19	1,341,460,028.55	1,590,161,294.21	630,920,655.57	859,394,110.96		

Among above, the Capitalized Interest Amount is as follows:

Project	Beginning Balance	Increase, Current	Decrease, Current	Ending Balance
Advance payment for A320 aircraft	45,421,140.10	34,394,779.83	50,730,924.06	29,084,995.87
Advance payment for A340 aircraft	–	5,840,909.74	–	5,840,909.74
Pudong Base	–	25,857,750.00	25,857,750.00	–
Others	2,767,155.58	901,255.95	3,668,411.53	–
Total	48,188,295.68	66,994,695.52	80,257,085.59	34,925,905.61

5.11 Intangible Assets

Category	Initial Amount	Beginning Balance	Increase, Current	Transferred Out, Current	Amortization, Current	Ending Balance
Land use right	544,758,286.31	502,556,719.29	393,048,775.17	–	17,186,337.46	878,419,157.00
Premise use right	407,950.00	191,429.82	–	–	43,929.00	147,500.82
Total	545,166,236.31	502,748,149.11	393,048,775.17	–	17,230,266.46	878,566,657.82

5.12 Long-term Deferred Expenses

Items	Beginning Balance	Increase, Current	Amortization, Current	Ending Balance
Uniforms Cost	20,432,318.10	9,312,138.30	12,686,323.05	17,058,133.35
Customs Duties and VAT on Aircraft Held under Operating Lease	100,553,861.95	–	16,017,760.44	84,536,101.51
Supervision Charges on Aircraft with Tax Reduction	2,163,165.69	–	309,023.64	1,854,142.05
Interest for Aircraft Leasing	46,299,581.11	–	28,757,739.35	17,541,841.76
Flying Crew Training Expenses	77,569,379.91	4,451,600.00	37,752,030.91	44,268,949.00
A320 Modification Expenses	39,217,760.60	–	7,031,693.20	32,186,067.40
Other Deferred Expenses	10,474,421.10	16,146,433.00	5,455,055.75	21,165,798.35
Total	296,710,488.46	29,910,171.30	108,009,626.34	218,611,033.42

5.13 Short-term Loans

Category	Beginning Balance	Ending Balance
Collateral Loans	–	–
Guarantee Loans	–	200,000,000.00
Credit Loans	605,586,000.00	400,000,000.00
Total	605,586,000.00	600,000,000.00

5.14 Accounts Payable

Accounts Payable refers to those amounts payable to other airline companies, which have been billed but not settled yet, and the amounts payable for purchase of aviation equipment. The ending balance amounted to RMB 253,490,244.13. Among above, Eastern Air Group Company, which holds over 5% of the Company's share capital has an amount of RMB 11,461,880.14 due from the Company.

5.15 International Sales in Advance of Carriage

<International 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 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 607,681,771.04.

5.16 Domestic Sales in Advance of Carriage

<Domestic Sales in Advance of Carriage> refers to the amounts pending settlement resulting from the sale of passenger, cargo, mail and over-weighted luggage tickets for domestic routes (inclusive of the domestic portion of international 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 103,112,383.12.

5.17 Dividend payable

The ending balance of dividend payable is RMB 97,339,000. All the amount is the cash dividend that will be distributed for financial year 2000.

5.18 Tax Payable

Business tax	Beginning Balance	Ending Balance
Business tax	33,293,834.51	39,371,265.85
Income tax	74,146,964.55	69,150,789.29
City construction tax	3,583,824.61	2,979,801.89
Others	2,498,379.58	2,016,780.67
Total	113,523,003.25	113,518,637.70

5.19 Civil Aviation Infrastructure Levies Payable

The civil aviation infrastructure levies are charged at a certain percentage on the revenue. The year ending balance is RMB 175,162,654.73 to be paid to CAAC.

5.20 Other Payable

The ending balance is RMB 564,559,146.57, of which RMB 28,109,597.12 is due to Eastern Air Group Company, a party holding over 5% of the Company's share capital.

5.21 Accrued Expense

Items	Beginning Balance	Ending Balance	Reason for Accrue
Accrued Interest on Aircraft under Financial Lease	152,197,217.70	141,431,624.31	Accrued but not paid
Expenses on Aircraft under Operating Leasing	30,129,687.06	44,599,320.32	Accrued but not paid
Overhaul Expenses on Aircraft Engines	724,863,728.39	967,241,058.41	Accrued but not paid
Taking-off & Landing Fee	400,392,748.47	277,882,674.86	Accrued but not paid
Aviation Fuel Cost	140,847,496.76	234,674,562.48	Accrued but not paid
Meals & Beverage Supplies Expense	78,597,793.51	39,950,311.04	Accrued but not paid
Insurance Premium on Aircraft	3,447,714.90	1,560,380.00	Accrued but not paid
Computer Booking Expenses	-	22,646,294.70	Accrued but not paid
Off- Port Information Expense	-	6,900,000.00	Accrued but not paid
Flight Training Expenses	14,755,923.61	448,704.00	Accrued but not paid
Flying Hours Expenses	6,954,723.82	6,996,926.85	Accrued but not paid
Others	21,166,630.05	42,891,905.95	Accrued but not paid
Total	1,573,353,664.27	1,787,223,762.92	

5.22 Current Portion of Long-term Liabilities

	Beginning Balance	Ending Balance	Memo
Current Portion of Long-term Loans	100,000,000.00		Guarantee
Current Portion of Long-term Account Payable	1,299,150,796.81	1,751,328,246.77	
Total	1,399,150,796.81	1,751,328,246.77	

5.23 Long-term Loans

Banks	Amount	Period	Interest rate per Annum	Conditions Precedent
Industrial & Commercial Bank of China, Shanghai Branch, Changning Division	450,000,000.00	10years	6.21%	Guarantee
Industrial & Commercial Bank of China, Shanghai Branch, Changning Division	400,000,000.00	3years	5.6133%	Credit
State Development Bank	700,000,000.00	13years	6.21%	Guarantee
China Construction Bank, Shanghai Branch, First Division	450,000,000.00	10years	6.21%	Guarantee
Bank of China, Shanghai Branch	100,000,000.00	7years	6.21%	Guarantee
Total	2,100,000,000.00			

The main reasons of the increase of the Long-term Loans by 75% than last year is that the Company has asked for loans to make payment for the projects of Pudong Base and the advances for aircraft.

5.24 Long-term Account Payable

The ending balance of long-term account payable is RMB 12,177,275,143.41, which is payable to financial lease companies for aircraft held by the Company under financial lease agreement. The balance includes USD 1,157,722,987.65 translated at the exchange rate of @8.2781, DEM 195,787,762.82, translated at @3.9352, JPY 25,172,799,358.00, translated at @0.072422.

5.25 Turnover Fund for Housing

The ending balance is -409,827,430.79, most of which are the shortfall of the acquisition cost of staff quarters, which have been sold to the employees, over their sales proceeds.

5.26 Share Capital

	Beginning Balance	Change, Current	Ending Balance
I. Unlisted Shares			
1. Sponsors' Shares			
Including:			
State-owned Shares	3,000,000,000		3,000,000,000
Domestic Legal Person Shares			
Overseas Legal Person Shares			
Others			
2. Subscribed Legal Person Shares			
3. Internal Staff & Workers' Shares			
4. Preferred Shares & Others			
Total Unlisted Shares	3,000,000,000		3,000,000,000
II. Listed Shares			
1. Domestically Listed Ordinary shares	300,000,000		300,000,000
2. Domestically Listed Foreign Invested Shares			
3. Overseas Listed Foreign Invested Shares	1,566,950,000		1,566,950,000
4. Others			
Total Listed Shares	1,866,950,000		1,866,950,000
III. Total Capital Shares	4,866,950,000		4,866,950,000

5.27 Capital Surplus

Items	Beginning Balance	Increase, Current	Decrease, Current	Ending Balance
Premium on Shares	954,456,511.50	-	-	954,456,511.50
Reserve for acquisition of Donated Assets	950,734.40	1,256,468.96	950,734.40	1,256,468.96
Reserve for Assets Evaluation Increment	323,858,143.53	-	40,445,898.93	283,412,244.60
Reserve for investee Entities' Acquisition of donated assets	1,584,590.76	-	1,584,590.76	-
Reserve for investee Entities' Capital Difference Arising from Foreign Exchange Conversion	28,749,778.68	-	-	28,749,778.68
Other Capital Surplus Transferred In	137,097,960.40	42,981,224.09	-	180,079,184.49
Total	1,446,697,719.27	44,237,693.05	42,981,224.09	1,447,954,188.23

Note 1: <Capital Surplus-Reserve for Asset Evaluation Increment> refers mainly to the increment of RMB 400,948,524.29 formed at the restructuring of the Company for public listing. From year 1998, the balance is amortized evenly over a period of 10 years into < Capital Surplus-Other Capital Surplus Transferred In>.

5.28 Surplus Reserve

Items	Beginning Balance	Increase, Current	Decrease, Current	Ending Balance
Statuary Common Reserve Fund	121,487,067.69	11,041,832.70	-	132,528,900.39
Statuary Common Welfare Fund	87,575,509.92	11,041,832.70	-	98,617,342.62
Discretionary Common Reserve	8,038,301.83	-	-	8,038,301.83
Total	217,100,879.44	22,083,665.40	-	239,184,544.84

5.29 Retained Earnings

Beginning Balance	151,799,852.68
Add: Profit, Current	20,081,911.13
Less: Appropriation of Profit, Including:	
Statuary Common Reserve	11,041,832.70
Statuary Common Welfare Fund	11,041,832.70
Common shares Dividend Payable	97,339,000.00
Ending Balance	52,459,098.41

All the net profit of current year is still planned to offset the loss for 1998. The statutory common reserve and statutory common welfare fund provided in the current year were made according to the profit after tax of China Cargo Airlines Co., Ltd., a subsidiary which is included in the consolidation. According to the minute of the second regular meeting of the second board of directors, commencing 2001, the Company is scheduled to distribute cash dividend of RMB 0.20 (taxes included) per 10 shares. The appropriation of retained earnings total is RMB 97,339,000.

5.30 Other Operation Profit

Items	Income from Other Operation	Year 2000 Cost and Taxes incurred	Other Operation Profit	Income from Other Operation	Year 1999 Cost and Taxes incurred	Other Operation Profit
Material Transfer	4,780,236.65	7,937,788.73	-3,157,552.08	5,238,876.95	4,960,620.37	278,256.58
Training	-	-	-	1,354,562.80	75,381.42	1,279,181.38
Commission and Fee	11,731,195.78	427,526.96	11,303,668.82	7,497,993.11	77,386.04	7,420,607.07
Ground Transportation	386,393,404.04	114,282,373.61	272,111,030.43	357,555,034.83	97,415,142.46	260,139,892.37
Aircraft Overhaul	-	-	-	11,223,364.36	6,592,996.72	4,630,367.64
Aircraft Sub-lease	116,134,456.42	100,576,054.32	15,558,402.10	111,824,054.47	98,594,507.24	13,229,547.23
Others	83,267,971.45	22,065,299.11	61,202,672.34	28,608,093.99	15,425,785.12	13,182,308.87
Total	602,307,264.34	245,289,042.73	357,018,221.61	523,301,980.51	223,141,819.37	300,160,161.14

5.31 Loss on Obsolescence of Inventory

The loss on obsolescence of inventory is RMB 24,213,030.85 in the current year with a decrease of 48.45% than last year. The main reason for it is that the increase of inventory was reduced a lot. Amount that, the increase of aircraft consumables was reduced by 64% in the current year than last year.

5.32 Financial Expense

Items	Year 2000	Year 1999
Interest Expense	1,000,411,985.77	1,077,207,216.09
Less: Interest Income	131,187,573.74	86,171,576.88
Exchange Loss	8,622,217.78	652,353,160.27
Less: Exchange Gains	133,098,794.31	543,415,112.24
Others	3,630,189.12	3,534,546.33
Total	748,378,024.62	1,103,508,233.57

The main reason of the decrease of the Financial expenses by 32.18% than last year is that the exchange rates changed during current year and causes the increase of the Exchange Gains.

5.33 Income from Investment

Items	Year 2000	Year 1999
Bond Investment	34,579,176.06	32,004,335.01
Lease Investment	13,992,869.22	29,105,199.44
Other Equity Investment	3,726,487.02	6,227,744.50
Current Investment	1,540,913.75	—
Total	53,839,446.05	67,337,278.95

5.34 Non-operating Income

Items	Year 2000	Year 1999
Net Gains on Disposal of Fixed Assets	262,810,393.21	673,330,038.21
Income from Penalties	2,237,973.15	1,671,277.81
Aircraft Lease Termination Fee Income	13,652,571.34	—
Others	2,557,871.68	3,375,864.96
Total	281,258,809.38	678,377,180.98

The non-operating income decreased by 58.54% than last year, the main reason for which is the sales of airplanes reduced than last year.

5.35 Non-operating Expenses

Items	Year 2000	Year 1999
Net Loss on Disposal of Fixed Assets	14,062,243.76	23,704,191.35
Expenses on Penalties	1,480,086.31	511,808.28
Donation	269,093.20	1,185,360.00
Others	4,936,687.38	6,163,487.40
Total	20,748,110.65	31,564,847.03

The non-operating expenses decreased by 34.27 % than last year, the main reason for which is the sales of airplanes reduced than last year and the involved expenses reduced accordingly.

5.36 The income tax expense is RMB 20,775,063.28, which is recorded for the income tax expense of the current year by China Cargo Airlines Co., Ltd., a subsidiary, which is included in the consolidation.

5.37 Main Items to Financial Statements of the Company

(1) Accounts receivable

Aging	Beginning Balance			Ending Balance		
	Amount	%	Provision for Bad Debts	Amount	%	Provision for Bad Debts
Within 1 Year	1,023,532,239.89	95.36	7,587,708.03	970,218,729.40	94.29	2,910,219.34
In the Second Year	6,961,128.36	0.65	1,508,737.85	20,612,930.48	2.00	666,418.31
In the Third Year	5,416,875.74	0.50	690,462.25	4,676,357.66	0.45	136,104.50
In the fourth year	26,751,742.83	2.49	9,221,891.69	19,623,741.25	1.91	1,927,394.69
In the Fifth Year	5,471,586.70	0.51	2,317,183.06	9,909,234.66	0.97	50,623.34
After 5 Years	5,212,528.24	0.49	2,085,866.50	3,922,590.50	0.38	2,000.00
Total	1,073,346,101.76	100.00	23,411,849.38	1,028,963,583.95	100.00	5,692,760.18

Among the above, the first 5 enterprises with largest amount due to the Company are as follows:

Name of the Enterprises	Outstanding	Transaction Period	Reason
BSP	272,495,533.14	2000	Ticket proceeds
Hangzhou Int'l Travel Ticket Center	74,855,933.00	2000	Ticket proceeds
Shanghai Travel Service (Hong Kong) Co., Ltd.	63,489,399.31	2000	Ticket proceeds
China Aviation Co. (Hong Kong) Ltd.	58,269,544.80	2000	Ticket proceeds
Wuxi China Travel Agency	21,739,076.70	2000	Ticket proceeds

Among the debtors, Eastern Air Group Company, which holds over 5% of the Company's share capital has an amount of RMB 9,682.16 due to the Company.

(2) Long-term investment

Item	Beginning Balance			Decrease, Current	Ending Balance	
	Amount	Provision for Loss	Increase, Current		Amount	Provision for Loss
Long-term equity investment	607,697,285.91	-	423,424,105.21	3,372,898.46	1,027,748,492.66	-
Long-term debt investment	648,450,918.89	-	34,515,085.47	137,244,407.49	545,721,596.87	-
Total	1,256,148,204.80	-	457,939,190.68	140,617,305.95	1,573,470,089.53	-

a. Other equity investment

Name of the Investee Enterprises	Investment Period	Amount	Ending Balance	% of Registered Capital of the Investee Enterprises	Change in Owner's Equity, Current	Change in Owner's Equity, Cumulative
Eastern Airlines Industrial Co., Ltd.	98/3-2028/3	39,600,000.00	39,600,000.00	80%	-	-
Qi Lu Eastern Air Catering Co. Ltd.	93/5-2008/5	8,688,333.68	11,077,894.05	65%	(529,509.57)	2,389,560.37
Shanghai Eastern Union Wheels & Brakes Repair Engineering Co.	95/12-2017/12	6,978,881.09	19,944,634.22	40%	1,093,723.69	12,965,753.13
Yantai Eastern Air Catering Co.	97/3-2012/3	3,040,000.00	3,856,355.68	40%	136,726.13	816,355.68
Eastern China Kaiya System integration Co., Ltd.	99/5-	740,000.00	3,027,688.75	37%	1,979,380.91	2,287,688.75
Shanghai Hongpu Civil Airport Communication Co., Ltd.	00/6-2010/6	7,500,000.00	7,530,512.39	30%	7,530,512.39	7,530,512.39
China Eastern Airlines Jiangsu Co., Ltd.	93/4-	141,626,980.00	151,592,680.54	55%	36,993,526.30	9,965,700.54
Shanghai Eastern Flight Training Co., Ltd.	95/12-2045/12	340,100,000.00	320,595,361.35	95%	295,554,018.03	283,109,051.75
China Cargo Airlines Co., Ltd.	98/7-	350,000,000.00	470,523,365.68	70%	77,292,828.87	120,523,365.68
Total		898,274,194.77	1,027,748,492.66		420,051,206.75	439,587,988.29

b. Long-term debt investment

	Beginning Balance	Ending Balance
Bond Investment	429,939,809.25	464,454,894.72
Lease Investment	218,511,109.64	81,266,702.15
Total	648,450,918.89	545,721,596.87

Bond investment

Type of Bonds	US Treasury Zero Coupon Bonds
Par Value	USD 71,475,000.00
Interest Rate per Annum	8.0435477%
Acquisition Cost	USD 27,810,207.00
Maturity Date	February 2004
Interest Receivable, Beginning	USD 24,119,280.91
Interest Accrued, Current	USD 4,176,973.08
Interest Receivable, Ending	USD 28,296,253.99
Ending Balance	USD 56,106,460.99

Equivalent to RMB 464,454,894.72 at the exchange rate of @8.2781 prevailing at the end of year.

Lease investment

Classified by Aircraft Type	Maturity Date	Interest Rate per Annum	Ending Balance (USD)
B2303	May 2001	Floating	9,817,071.81

Equivalent to RMB 81,266,702.15 at the exchange rate of @8.2781 prevailing at the end of year.

<Leasing Investment> is the amount placed in the financial leasing companies upon the financial leasing taking place for the airplane of B2303 as stipulated in relevant agreements. The above-mentioned airplane was later sub-leased to another companies in 1990 and the corresponding assets and long-term payables were transferred out in the meantime. Pursuant to the Agreement, that amount involved will be refunded to the Company by the financial leasing company as the repayment was made by the sub-lessee according to the repayment schedule. The interest received is an income from investment and the principal refunded is a reduction of lease investment.

(3) Income from main operation

	Year 2000	Year 1999
Transportation of Passengers	8,665,435,607.69	8,049,699,430.37
Transportation of Cargo	1,240,535,280.33	1,665,225,473.17
Chartered Airplanes	114,627,508.64	48,605,514.73
Commission and Fee	78,140,456.52	74,293,382.51
Total	10,098,738,853.18	9,837,823,800.78

(4) Main operation cost

	Year 2000	Year 1999
Direct Operating Expense	7,371,124,551.11	7,030,627,566.64
Including:		
Salaries, Bonus & Subsidies	243,053,357.60	228,510,027.66
Welfare	34,220,207.39	32,403,356.74
Uniforms	5,260,396.68	5,554,152.36
Aircraft Fuel Consumed	1,909,433,890.98	1,545,143,694.19
Consumption of Aviation Consumables	103,915,791.50	104,356,290.61
Amortization of High-price Rotables	421,900,867.75	356,850,239.89
Depreciation of Aircraft Engines	1,401,014,182.20	1,586,400,449.75
Repair of Aircraft Engines	586,865,198.66	563,207,600.82
Insurance Premium of Aircraft	51,988,158.96	63,280,549.92
Rental of Operating Lease	566,877,054.56	420,645,264.75
Taking-off & Landing Fee in Domestic Airport	468,497,537.67	495,652,432.43
Taking-off & Landing Fee in International Airport	863,551,458.02	924,321,418.80
Food, Beverage and Other Supplies on		
Domestic Air Routes	201,780,377.50	201,985,498.89
Food, Beverage and Other Supplies on		
International Air Routes	264,651,181.85	220,311,678.77
Flying Training Expenses	80,644,257.10	123,177,801.43
Indemnity for Luggage and so on	2,991,034.73	2,181,577.62
Others	164,479,597.96	156,645,532.01
Indirect Operating Expenses	523,744,511.44	508,101,220.27
Cost of General Aviation	(114,840.19)	3,923,212.70
Total	7,894,754,222.36	7,542,651,999.61

(5) Income from investment

Items	Year 2000	Year 1999
Bond Investment	34,579,176.06	32,004,335.01
Lease Investment	13,992,869.22	29,105,199.44
Other Equity Investment	113,310,414.81	50,857,918.00
Current Investment	1,540,913.75	—
Total	163,423,373.84	111,967,452.45

6. Related Party Relationships and Transactions

6.1 Situation of related parties with control relationship

(1) Related parties with control relationship

Name of the Enterprises	Registered Address	Main Operations	Relation with the Company	Types	Legal Representative
Eastern Air Group Company	Hongqiao West Rd., Shanghai	Management of subsidiary companies	Parent company	State-owned	Li Zhongming
Shanghai Eastern Flight Training Co.	Waogaoqiao, Shanghai	Training of flying crew and other people in connection with aviation	Subsidiary company	Limited Liabilities	Yan Banghong
Qi Lu Eastern Air Catering Co. Ltd.	Jinan	Manufacturing and sale of food, supply of food and beverage on board	Subsidiary company	Limited Liabilities	Wang yunlong
Jiangsu Eastern Airlines Traveling Agency Co.	Nanjing	Tourist services, sales of souvenirs and aircraft	Subsidiary company	Limited Liabilities	Hua Dexiang
Eastern Airlines Industrial Co., Ltd.	Beijing	Sales of packaged food, beverage, knitwear, grocery	Subsidiary company	Limited Liabilities	Cao Jiangxiong
China Cargo Airlines Co. Ltd.	Pudong New Area	Air transportation of cargo and mails over domestic and international air routes	Subsidiary company	Limited Liabilities	Li Zhongming
Jiangnan Tourism (Hong Kong) Co.	Hong Kong	Tourist service	Subsidiary company	Limited Liabilities	Su Guoxin
China Eastern Airlines Jiangsu Co.	Nanjing	Air transportation of passengers, cargo and mails over domestic and approved international air routes	Subsidiary company	Limited Liabilities	Su Guoxin

(2) Registered capital and its change of related parties with control relationship

Name of the Enterprise	Beginning Balance	Increase, Current	Decrease, Current	Ending Balance
Eastern Air Group Company	748,970,000	–	–	748,970,000
Shanghai Eastern Flight Training Co.	46,860,000	311,140,000	–	358,000,000
Qi Lu Eastern Air Catering Co. Ltd.	10,500,000	–	–	10,500,000
Jiangsu Eastern Airlines Traveling Agency Co.	1,500,000	–	–	1,500,000
Eastern Airlines Industrial Co., Ltd.	49,500,000	–	–	49,500,000
China Cargo Airlines Co. Ltd.	500,000,000	–	–	500,000,000
Jiangnan Tourism (Hong Kong) Co.	641,100	–	–	641,100
China Eastern Airlines Jiangsu Co.	257,503,600	–	–	257,503,600

(3) Stock held and its change of related parties with control relationship

Name of Enterprises	Beginning		Increase,		Decrease,		Decrease,	
	Balance		Current		Current		Current	
	Amount	%	Amount	%	Amount	%	Amount	%
Eastern Air Group Company	3,000,000,000.00	62	-	-	-	-	3,000,000,000.00	62
Shanghai Eastern Flight Training Co.	37,486,310.00	80	302,613,690	15	-	-	340,100,000.00	95
Qi Lu Eastern Aviation Catering Co.	8,688,333.68	65	-	-	-	-	8,688,333.68	65
Jiangsu Eastern Airlines								
Traveling Agency Co.	825,000.00	55	-	-	-	-	825,000.00	55
Eastern Airlines Industrial								
Co., Ltd.	39,600,000.00	80	-	-	-	-	39,600,000.00	80
China Cargo Airlines Co. Ltd.	350,000,000.00	70	-	-	-	-	350,000,000.00	70
Jiangnan Tourist (H.K.) Co.	352,605.00	55	-	-	-	-	352,605.00	55
China Eastern Airlines								
Jiangsu Co.	141,626,980.00	55	-	-	-	-	141,626,980.00	55

(4) Transactions of related parties with control relationship (Unit: RMB'000)

- A. There are following transactions between the Company and Eastern Air Group Company (“the EA Group”), the parent company and a related party with control relationship.

Pursuant to the <Lease Agreement of Aircraft, Spare Aircraft Engines and Equipment>, the EA Group was to lease its YK-42 airplanes and their spare engines and other equipment to the Shanxi Branch of the Company.

B. Amount of related party transactions with control relationship (Unit: RMB 000)

- a. Lease

Name of the Enterprise	Year 2000	Year 1999
the EA Group	10,684	28,499

- b. Supply of food and beverage

Name of the Enterprise	Year 2000	Year 1999
Qi Lu Eastern Air Catering Co. Ltd.	4,982	4,662

c. Amount due from or to the related parties

	Beginning Balance	Ending Balance
Account Receivable: the EA Group	10	80
Account Payable: the EA Group	11,462	–
Other Receivable: the EA Group	65,314	186,710
Other Payable: the EA Group	28,110	153,789

6.2 Situation of related parties without control relationship

(1) Nature of relation of related parties without control relationship

Name of the Enterprise	Relation with the Company
Eastern Aviation Import and Export Company	Same parent company
Shanghai Eastern Air Industrial Corporation	Same parent company
Qindao Air Service Co., Ltd.	Same parent company
Eastern Air Group Finance Co., Ltd.	Same parent company
Shanghai Eastern Real Estate Operation Co.	Same parent company
Eastern Automobile Repair Works	Same parent company
Shanghai Eastern Air Catering Co., Ltd.	Same parent company
Shanghai Eastern General Service Co.	Same parent company
Eastern (Shantou) Economic Development Co., Ltd.	Same parent company
Shanghai Eastern Aviation Equipment Manufacturing Corporation	Same parent company
Shanghai Aviation Printing co., Ltd.	Same parent company
Eastern Aviation Advertising Service Co.	Same parent company
Shanghai Eastern Development Co.	Same parent company
Shanghai Travel Service (Hong Kong) Co., Ltd.	Same parent company
Shanghai Dongmei Aviation Corporation Limited	Same parent company
Eastern International Tourism Transportation Co., Ltd.	Same parent company
Eastern (Zhoushan) Tourism Industrial Development Company	Same parent company
Shanghai Tourism (Hong Kong) Co., Ltd.	Same parent company
Eastern Air Hong Kong Office	Same parent company
Shanghai Eastern Union Aviation Wheels & Brakes Overhaul Engineering Co.	Subsidiary company
Eastern Hongfei Industrial Co.	Same parent company
Eastern Airlines Jiangsu Development Co.	Subsidiary company
Shanghai Eastern Airlines Real Estate Operating Co.	Same parent company

(2) Amount of related party transactions without control relationship (Unit: RMB 000)

A. Purchase

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

Name of the Enterprise	Year 2000	Year 1999
Shanghai Eastern Air Industrial Corporation	7,405	23,631
Qindao Air Service Co., Ltd.	7,341	4,510
Shanghai Eastern Air Catering Co., Ltd.	96,571	125,747
Eastern (Shantou) Economic Development Co., Ltd.	71,350	32,039
Shanghai Eastern Aviation Equipment Manufacturing Corporation	21,010	17,003

B. Receipt of services

The breakdown of services received by the Company from related parties is as follows.

Name of the Enterprise	Year 2000	Year 1999
Eastern Aviation Import and Export Company	14,389	19,160
Shanghai Eastern Air Industrial Corporation	36,923	33,883
Shanghai Eastern Real Estate Operation Co.	3,033	97
Shanghai Eastern General Service Co.	14,392	15,528
Shanghai Eastern Aviation Equipment Manufacturing Co.	–	4,833
Shanghai Aviation Printing Co., Ltd.	6,062	6,784
Eastern Aviation Advertising Service Co.	16,762	5,364
Eastern (Zhoushan) Tourism Industrial Development Company	23	–

C. Lease

The Company paid rental of RMB 5,194 thousand to Shanghai Eastern Aviation Equipment Manufacturing Corporation for the lease of houses and equipment.

D. Provision of fund

The placement of deposit by the Company in Eastern Air Group Finance Co., Ltd. (“EAGF Co.”) generated interest income of RMB 2,858 thousand for 2000. The loans granted by EAGF Co. has been cleared as at 31 December 2000 and the Company paid interest on loans of RMB 6,154 thousand in aggregate in the current year.

E. Amounts due to or from the related parties

Accounts receivable:

Name of the Enterprise	Year 2000	Year 1999
Shanghai Eastern Air Industrial Corporation	10	412
Shanghai Eastern General Service Co.	51	51
Shanghai Eastern Development Co.	16,833	15,501
Shanghai Tourism (Hong Kong) Co., Ltd.	21,512	37,614
Shanghai Dongmei Aviation Corporation Limited	14,784	16,872
Eastern International Tourism Transportation Co., Ltd.	14,958	23,109
Eastern (Zhoushan) Tourism Industrial Development Company	5,173	5,415
Shanghai Travel Service (Hong Kong) Co., Ltd.	63,489	67,598
Shanghai Eastern Airlines Real Estate Operating Co.	38	–

Accounts payable:

Name of the Enterprise	Year 2000	Year 1999
Eastern Aviation Import and Export Company	160,611	28,781
Shanghai Eastern Union Aviation Wheels & Brakes Overhaul Engineering Co.	–	13,608
Shanghai Eastern Air Industrial Corporation	1,728	3,317
Shanghai Eastern General Service Co.	2,002	2
Eastern Hongfei Industrial Co.	–	659
Shanghai Eastern Air Catering Co., Ltd.	7,694	–
Eastern (Shantou) Economic Development Co., Ltd.	5,136	–

Other receivable:

Name of the Enterprise	Year 2000	Year 1999
Eastern Aviation Import and Export Company	12,878	2,945
Eastern Aviation Advertising Service Co.	1,953	1,712
Shanghai Eastern Air Industrial Corporation	6,237	6,237
Shanghai Eastern Air Catering Co., Ltd.	60,000	70,000
Shanghai Eastern Airlines Real Estate Operating Co.	1,788	–

Advances to supplies:

Name of the Enterprise	Year 2000	Year 1999
Shanghai Eastern Aviation Equipment Manufacturing Corporation	5,935	7,852
Eastern Aviation Import and Export Company	97,331	22,759

Other payable:

Name of the Enterprise	Year 2000	Year 1999
Eastern Aviation Import and Export Company	14,862	242,608
Shanghai Eastern Air Industrial Corporation	–	6,237
Shanghai Eastern General Service Co.	–	2,580
Shanghai Eastern Airlines Real Estate Operating Co.	9,663	–
Eastern Airlines Jiangsu Development Co.	9,005	–

(3) Other related party transactions

Emoluments for key management personnel (Unit: RMB 000)

Name of the Enterprise	Year 2000	Year 1999
Number of key management personnel	18	17
Emoluments	987	1,410

7. Commitments and Contingent Events

7.1 Capital Expenditure Commitments

(1) The Company signed with an independent third party an agreement that the Company was to purchase ten A320 Airbus airplanes. 3 of these airplanes have been delivered in 1999 and 4 in 2000. The other 3 are scheduled to be delivered in 2001.

(2) The Company signed with an independent third party an agreement that the Company was to lease ten A319 Airbus airplanes. 4 of these airplanes have been delivered in 2000 and another 6 are expected to be delivered by 2002.

(3) The Company signed with an independent third party an agreement to purchase six spare engines for A320 airplane. Three of them have been delivered by the end of 2000 and the remaining three ones are to be delivered as appropriate to the circumstances.

(4) The Company signed with an independent third party an agreement that the company was to purchase five A340 Airbus airplanes. These airplanes are to be delivered during years from 2003 to 2004.

7.2 Contingent event

(1) China Eastern Airlines Jiangsu Co. ("Jiangsu Co."), a company of which 55% of share capital are held by the Company, issued a guarantee of RMB 150,000 thousand for Nanjing Lukou International Airport Co., Ltd. to obtain bank loans from China Construction Bank, Jiangsu Branch. The guarantee period is from 24 December 1998 to 20 October 2004.

(2) Jiangsu Co. issued a guarantee of RMB 160,000 thousand for Jiangsu Aviation Industrial (Group) Corporation to issue debentures. The guarantee began from 27 March 1998 and remains effective until all the principal, interest and expenses incurred are repaid by the debenture issuer.

(3) The Company has issued total amount of RMB 200 million of guarantee for the short-term bank loans of China Cargo Airlines Co., Ltd., a subsidiary, which the Company holds 70% of the share capital of it.

8. Events Occurring after Balance Sheet Date

Up to the report date, following events occurring after balance sheet date are in existence.

(1) Pursuant to the <Share Capital Supplement Agreement> between the Company and the Eastern Air Group Finance Co., Ltd.(the EAGF Co.), the Company is to buy and hold the supplement share capital of 100 million shares of the EAGF Co. After the deal, the Company is to hold 25% of the share capital of the EAGF Co. By February 2001 the Company has paid RMB 106,364 thousand for this deal.

(2) The ending balance of <Turnover Fund for Housing> is RMB -409,827 thousand. The amount is to be transferred pursuant to the Circulars issued by the Ministry of Finance (it's Circular No. CQ[2000]295 and CK[2001]5). And, pursuant to the circulars mentioned above, the Company would also undertake the lump sum housing subsidy to employees (only refer to those who began working before 31 Dec 1998) who has no apartment or who's apartment is below the existing standard. The Circular of CK[2001]5 is also to be applicable to the undertaken subsidy.