

HZKZ(2004)1096

**To the shareholders of
China Eastern Airlines Corporation Limited:**

We have audited the attached balance sheet and consolidated balance sheet of China Eastern Airlines Corporation Limited ("the Company") as of December 31, 2003 and the related statement of income and income appropriation, and consolidated statement of income and income appropriation, and statement of cash flow and consolidated statement of cash flow for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the financial statements based on our audit.

We conducted our audit in accordance with the Independent Auditing Standards of the People's Republic of China to obtain reasonable assurance about whether the financial statements are free of material misstatement. The audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. The audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the above mentioned financial statements are in conformity with the Accounting Standards and the "Accounting Regulations for Enterprises". They present fairly, in all material respects, the financial position of the Company as of December 31, 2003, operating results and cash flow for the year then ended.

Dongmo Lin C.P.A.

Li Chen C.P.A.

Shanghai Zhonghua Certified Public Accountants Co., Ltd

Shanghai, China
April 5, 2004



Balance Sheet

China Eastern Airlines Corporation Limited

(Prepared in accordance with PRC Accounting Regulations)
As at 31 December 2003

Prepared by :China Eastern Airlines Corporation Limited

Unit: RMB

Assets	Note	Ending Balance (Consolidated)	Ending Balance (Parent Corp.)	Beginning Balance (Consolidated)	Beginning Balance (Parent Corp.)
Current Assets:					
Cash & bank	5.1	3,322,926,329.92	2,246,480,385.11	3,119,051,256.69	2,028,252,146.46
Short-term Investment	5.2	182,786,582.38	182,786,582.38	664,108,272.14	374,108,272.14
Dividends Receivable		3,300,000.00	3,300,000.00	1,572,272.86	–
Accounts Receivable	5.3	1,473,550,239.60	967,867,269.65	1,231,053,968.74	902,366,233.17
Other Receivables	5.4	424,503,864.46	2,381,112,226.91	368,736,056.28	1,008,422,907.20
Prepayments	5.5	16,502,998.23	8,719,784.69	95,095,779.46	73,290,000.51
Inventory	5.6	1,348,137,867.35	1,275,070,338.58	1,959,345,184.66	1,878,468,586.08
Amounts to be Amortized	5.7	107,328,906.46	86,742,026.77	100,504,766.91	79,389,571.82
Total Current Assets		6,879,036,788.40	7,152,078,614.09	7,539,467,557.74	6,344,297,717.38
Long-term Investments:					
Long-term Equity Investments	5.8	694,568,890.86	2,578,539,797.83	461,587,911.68	1,871,383,013.69
Long-term Debt Investments	5.9	585,736,277.08	585,736,277.08	542,124,759.14	542,124,759.14
Total Long-term Investments		1,280,305,167.94	3,164,276,074.91	1,003,712,670.82	2,413,507,772.83
Less: Provision for Impairment of Long-term Investment	5.8	1,758,050.62	–	1,758,050.62	–
Long-term Investments, net		1,278,547,117.32	3,164,276,074.91	1,001,954,620.20	2,413,507,772.83
Including: Consolidation Difference (in Consolidated Statements)	5.8	(1,879,467.30)	–	(1,691,077.81)	–
Including: Equity Investment Difference	5.8	58,747,236.09	58,367,059.93	63,709,970.49	63,709,970.49
Fixed Assets:					
Fixed Assets, at Cost	5.10	35,907,184,718.07	29,633,482,904.84	30,383,736,242.33	27,093,885,520.52
Less: Accumulated Depreciation	5.10	11,716,702,028.87	9,596,957,491.83	12,495,867,572.21	11,088,174,076.11
Net Fixed Assets		24,190,482,689.20	20,036,525,413.01	17,887,868,670.12	16,005,711,444.41
Less: Provision for Impairment of Fixed Assets	5.10	3,570,000.00	3,570,000.00	3,570,000.00	3,570,000.00
Fixed Assets, net		24,186,912,689.20	20,032,955,413.01	17,884,298,670.12	16,002,141,444.41
Engineering Supplies		329,000.00	329,000.00	329,000.00	329,000.00
Construction in Progress	5.11	2,749,083,854.48	2,622,103,383.42	3,433,744,466.12	3,337,108,285.79
Disposal of Fixed Assets		162,661.03	–	184,312.63	–
Total Fixed Assets		26,936,488,204.71	22,655,387,796.43	21,318,556,448.87	19,339,578,730.20
Intangible Assets & Other Assets					
Intangible Assets	5.12	1,258,390,496.48	784,717,430.34	1,273,502,961.05	789,257,557.73
Long-term Amounts to be Amortized	5.13	201,893,846.42	181,828,544.73	248,102,246.98	226,968,206.83
Total Intangible Assets & Other Assets		1,460,284,342.90	966,545,975.07	1,521,605,208.03	1,016,225,764.56
Deferred Taxes:					
Deferred Tax Debits	5.14	133,122,893.75	111,469,166.97	228,546,068.38	208,863,846.74
Total Assets		36,687,479,347.08	34,049,757,627.47	31,610,129,903.22	29,322,473,831.71



Balance Sheet

China Eastern Airlines Corporation Limited

(Prepared in accordance with PRC Accounting Regulations)
As at 31 December 2003

Prepared by :China Eastern Airlines Corporation Limited

Unit: RMB

Liabilities & Shareholders' Equity	Note	Ending Balance (Consolidated)	Ending Balance (Parent Corp.)	Beginning Balance (Consolidated)	Beginning Balance (Parent Corp.)
Current Liabilities:					
Short-term Loans	5.15	4,631,917,352.58	3,971,917,352.58	4,501,508,747.03	3,501,508,747.03
Notes Payable	5.16	756,486,871.84	658,901,972.62	411,246,877.94	319,740,317.63
Accounts Payable	5.17	370,753,762.69	130,642,579.69	371,620,243.08	420,027,909.03
Advances from Customers	5.18	95,527,168.39	209,428,250.17	61,085,495.49	98,372,663.93
International Sales in Advance of					
Carriage	5.19	808,998,400.37	656,057,929.59	733,115,841.87	600,211,133.31
Domestic Sales in Advance of Carriage	5.20	253,000,258.93	252,792,500.99	141,852,544.34	132,642,833.19
Payroll Payable		22,238,920.54	19,355,085.40	49,562,684.48	49,562,684.48
Welfare Payable		75,856,022.29	64,675,336.90	46,852,557.69	37,434,420.98
Dividends Payable	5.21	735,594.70	–	2,948,841.00	–
Taxes Payable	5.22	186,940,960.39	71,051,418.47	187,529,539.86	137,248,310.58
Civil Air Infrastructure Construction					
Fund Unpaid	5.23	29,014,186.52	20,012,898.99	151,492,858.97	129,677,796.03
Other outstanding payment (Statutory)	5.24	336,823,440.10	311,925,711.27	3,575,795.45	3,362,140.62
Other Payables	5.25	1,330,458,305.06	1,079,119,669.42	770,363,539.11	599,303,615.45
Accrued Expenses	5.26	3,235,980,189.05	2,606,469,634.59	2,297,434,693.60	1,817,050,063.80
Accrued Liabilities		365,973.00	365,973.00	365,973.00	365,973.00
Portion of Long-term Liabilities					
due within One Year	5.27	3,972,841,034.43	3,972,841,034.43	3,539,368,044.78	3,539,368,044.78
Total Current Liabilities		16,107,938,440.88	14,025,557,348.11	13,269,924,277.69	11,385,876,653.84
Long-term Liabilities:					
Long-term Loans	5.28	7,809,983,684.45	7,809,983,684.45	3,775,888,712.75	3,775,888,712.75
Long-term Accounts Payable	5.29	6,720,984,780.75	6,720,984,780.75	7,573,355,532.98	7,573,355,532.98
Payments for Special Purpose		180,112.00	180,112.00	–	–
Total Long-term Liabilities		14,531,148,577.20	14,531,148,577.20	11,349,244,245.73	11,349,244,245.73
Deferred Taxes:					
Deferred Tax Credits	5.30	258,798,660.84	258,616,946.31	184,586,482.44	184,404,767.91
Total Liabilities		30,897,885,678.92	28,815,322,871.62	24,803,755,005.86	22,919,525,667.48
Minority Interests		562,680,156.52	–	424,970,021.14	–
Shareholders' Equity:					
Capital Stock	5.31	4,866,950,000.00	4,866,950,000.00	4,866,950,000.00	4,866,950,000.00
Capital Reserve	5.32	1,147,086,556.87	1,147,086,556.87	1,257,109,784.42	1,257,109,784.42
Surplus Reserve	5.33	118,805,091.66	–	59,187,068.48	–
Including: Public Welfare Fund	5.33	58,902,989.16	–	29,512,368.58	–
Undistributed Profit	5.34	(905,928,136.89)	(779,601,801.02)	198,158,023.32	278,888,379.81
Cash Dividends		–	–	–	–
Total Shareholders' Equity		5,226,913,511.64	5,234,434,755.85	6,381,404,876.22	6,402,948,164.23
Total Liabilities & Shareholders' Equity		36,687,479,347.08	34,049,757,627.47	31,610,129,903.22	29,322,473,831.71



Income Statement

China Eastern Airlines Corporation Limited

(Prepared in accordance with PRC Accounting Regulations)
For the period of January – December 2003

Prepared by :China Eastern Airlines Corporation Limited

Unit: RMB

Item	Note	Current Year (Consolidated)	Current Year (Parent Corp.)	Previous Year (Consolidated)	Previous Year (Parent Corp.)
I. Revenue from Main Operations:	5.35	13,999,058,353.15	11,061,812,480.67	13,390,645,825.33	11,128,759,660.56
Less: Revenue for Civil Air Infrastructure Construction Fund	5.36	129,645,221.00	106,247,709.60	430,869,428.70	363,299,781.44
Revenue from Main Operations, net		13,869,413,132.15	10,955,564,771.07	12,959,776,396.63	10,765,459,879.12
Less: Main Operating Cost	5.35	11,774,988,134.78	9,655,745,315.47	10,221,015,691.27	8,510,522,752.59
Business Taxes and additional	5.37	167,358,463.22	128,040,138.69	304,438,089.97	256,258,328.23
II. Profit from Main Operations		1,927,066,534.15	1,171,779,316.91	2,434,322,615.39	1,998,678,798.30
Add: Other Operating Revenue	5.38	409,834,769.12	312,550,329.19	544,307,535.82	375,465,509.14
Less: Operating Expenses		1,104,325,666.15	977,431,933.36	1,120,541,201.97	1,018,818,184.38
General & Administrative Expenses	5.39	1,083,814,024.61	918,235,775.83	829,930,976.83	693,293,529.12
Financial Expenses	5.40	785,040,705.64	734,615,839.26	844,521,595.97	766,787,452.58
III. Profit from Operations		(636,279,093.13)	(1,145,953,902.35)	183,636,376.44	(104,754,858.64)
Add: Investment Income	5.41	43,804,293.09	328,159,937.91	21,258,570.74	186,478,246.27
Subsidy Income	5.42	87,894,528.18	87,894,528.18	54,810,000.00	54,810,000.00
Non-operating Income	5.43	122,982,722.18	119,004,173.37	30,926,872.20	28,956,000.10
Less: Non-operating Expenses	5.44	28,525,186.13	57,413,133.54	28,325,854.11	23,452,675.68
IV. Total Profit		(410,122,735.81)	(668,308,396.43)	262,305,965.27	142,036,712.05
Less: Income Tax	5.45	296,270,791.76	171,685,450.67	69,812,153.90	832,307.06
Gains or losses of Minority Shareholders		119,578,275.73	–	68,234,321.25	–
V. Net Profit		(825,971,803.30)	(839,993,847.10)	124,259,490.12	141,204,404.99

Supplementary Data

1. Proceeds from Sale or Disposal of Departments or Invested Companies		–	–	–	–
2. Loss from Natural Disasters		–	–	–	–
3. Increase (or Decrease) of Total Profit Arising From Change in Accounting Policies		59,250,000.00	(6,000,000.00)	(147,439.22)	(761,794.31)
4. Increase (or Decrease) of Total Profit Arising from Change in Accounting Estimations		–	–	–	–
5. Loss from Debt Reorganization		–	–	–	–
6. Other Items		–	–	–	–

Cash Flow Statement

China Eastern Airlines Corporation Limited

(Prepared in accordance with PRC Accounting Regulations)
For the period of January – December 2003

Prepared by :China Eastern Airlines Corporation Limited

Unit: RMB

Item	Note	Consolidated	Parent Company
I. Cash Flows from Operating Activities:			
Cash received from sales of goods or rendering of services		14,920,634,365.23	11,794,263,801.6
Refunds of taxes		44,040,355.74	43,978,528.18
Other cash received relating to operating activities		425,277,360.39	431,249,137.47
Sub-total of cash inflows		15,389,952,081.36	12,269,491,467.32
Cash paid for goods and services		9,038,234,415.38	7,403,725,149.62
Cash paid to and on behalf of employees		1,235,179,514.17	1,028,025,199.19
Payments of all types of taxes		601,783,022.67	450,004,609.78
Cash paid relating to other operating activities		467,882,805.54	304,015,811.58
Sub-total of cash outflows		11,343,079,757.76	9,185,770,770.17
Net cash flows from operating activities		4,046,872,323.60	3,083,720,697.15
II. Cash Flows from Investing Activities:			
Cash received from return of investments		2,005,903,019.77	1,631,303,019.77
Cash received from distribution of dividends or profits		35,116,409.53	12,476,190.04
Net cash receipts from the sale of fixed assets, intangible assets and other long-term assets		698,471,399.38	1,559,508,240.16
Cash received relating to other investing activities	5.46.1	13,454,791.82	–
Sub-total of cash inflows		2,752,945,620.50	3,203,287,449.97
Cash paid to acquire fixed assets, intangible assets, and other long-term assets		7,768,560,126.48	7,590,541,284.45
Cash paid to acquire investments		1,959,490,601.65	1,994,241,279.21
Cash paid relating to other investing activities	5.46.2	30,000,000.00	30,000,000.00
Sub-total of cash outflows		9,758,050,728.13	9,614,782,563.66
Net cash flows from investing activities		(7,005,105,107.63)	(6,411,495,113.69)
III. Cash Flows from Financing Activities:			
Cash received from investments by others including: Cash received by subsidiaries from investments by minority shareholders		16,001,858.00	–
		16,001,858.00	–
Cash received from borrowings		13,029,278,893.88	11,874,278,893.88
Cash received relating to other financing activities	5.46.3	73,774,497.56	73,774,497.56
Sub-total of cash inflows		13,119,055,249.44	11,948,053,391.44
Cash repayments of amounts borrowed		7,938,187,440.06	6,418,187,440.06
Cash paid for distribution of dividends or profits and for interest expenses including: Cash paid for distribution of dividends or profits to minority shareholders by subsidiaries		787,696,852.94	745,595,149.77
		1,384,768.14	–
Cash paid relating to other financing activities	5.46.4	1,720,800,203.97	1,720,800,203.97
Sub-total of cash outflows		10,446,684,496.97	8,884,582,793.80
Net cash flows from financing activities		2,672,370,752.47	3,063,470,597.64
IV. Effect of Foreign Exchange Rate Changes on Cash		(2,694,095.02)	(9,529,349.16)
V. Net Increase in Cash and Cash Equivalents		(288,556,126.58)	(273,833,168.06)



Cash Flow Statement

China Eastern Airlines Corporation Limited

(Prepared in accordance with PRC Accounting Regulations)
For the period of January – December 2003

Prepared by :China Eastern Airlines Corporation Limited

Unit: RMB

Supplementary Information	Note	Consolidated	Parent Company
1. Reconciliation of Net Profit to Cash Flows from Operating Activities			
Net Profit		(825,971,803.30)	(839,993,847.10)
Add: Gains or losses of minority shareholders		119,578,275.73	–
Provision for impairment losses of assets		271,116,884.42	296,382,820.43
Depreciation of fixed assets		1,472,351,887.36	1,270,652,909.34
Amortization of intangible assets		31,576,914.57	20,978,327.39
Amortization of long-term prepaid expenses		73,198,716.58	68,321,418.34
Decrease in prepaid expenses (or deduct: increase)		(6,824,139.55)	(7,352,454.95)
Increase in accrued expenses (or deduct: decrease)		887,777,119.09	738,691,738.02
Losses on disposal of fixed assets, intangible assets and other long-term assets (or deduct: gains)		8,343,757.24	38,583,166.82
Losses on scrapping of fixed assets		–	–
Financial expenses		823,383,884.04	789,461,659.56
Losses arising from investments (or deduct: gains)		(43,804,293.09)	(328,159,937.91)
Deferred tax credit (or deduct: debit)		169,635,353.03	171,606,858.17
Decrease in inventories (or deduct: increase)		345,891,168.98	343,164,328.36
Decrease in operating receivables (or deduct: increase)		2,187,809,077.54	628,418,652.19
Increase in operating payables (or deduct: decrease)		(1,467,190,479.04)	(107,034,941.51)
Others		–	–
Net cash flows from operating activities		4,046,872,323.60	3,083,720,697.15
2. Investing and Financing Activities that do not Involve Cash Receipts and Payments			
Conversion of debt into capital		–	–
Reclassify convertible bonds to be expired within one year as current liability		–	–
Fixed assets financed by finance leases		–	–
3. Net Increase in Cash and Cash Equivalents			
Cash at the end of the period		1,468,183,639.12	412,210,540.89
Less: cash at the beginning of the period		1,565,418,075.94	494,722,019.19
Plus: Cash equivalents at the end of the period		182,786,582.38	182,786,582.38
Less: Cash equivalents at the beginning of the period		374,108,272.14	374,108,272.14
Net increase in cash and cash equivalents		(288,556,126.58)	(273,833,168.06)



Statement of Profit Appropriation

China Eastern Airlines Corporation Limited

(Prepared in accordance with PRC Accounting Regulations)
For the period of January – December 2003

Prepared by :China Eastern Airlines Corporation Limited

Unit: RMB

Item	Note	Current Year (Consolidated)	Current Year (Parent Corp.)	Previous Year (Consolidated)	Previous Year (Parent Corp.)
I. Net Profit (Deficit Shown in Negative)		(825,971,803.30)	(839,993,847.10)	124,259,490.12	141,204,404.99
Add: Undistributed Profit at the Beginning of the Year		198,158,023.32	278,888,379.81	95,630,191.79	137,683,974.82
Less: Provision for staff housing benefits		218,496,333.73	218,496,333.73	–	–
Add: Transfer from Surplus Reserve		–	–	–	–
II. Distributable Profit		(846,310,113.71)	(779,601,801.02)	219,889,681.91	278,888,379.81
Less: Provision for Statutory Surplus Reserve		30,227,402.60	–	10,695,313.20	–
Provision for Statutory Public Welfare Fund		29,390,620.58	–	10,614,147.54	–
Provision for Staff & Workers' Welfare Fund		–	–	341,032.19	–
III. Profit Attributable to Shareholders		(905,928,136.89)	(779,601,801.02)	198,239,188.98	278,888,379.81
Less: Dividends for Preferred Shares		–	–	–	–
Provision for Discretionary Surplus Reserve		–	–	81,165.66	–
Dividends for Common Shares		–	–	–	–
Transfer of Common Dividends into Share Capital		–	–	–	–
IV. Undistributed Profit (Deficit Shown in Negative)		(905,928,136.89)	(779,601,801.02)	198,158,023.32	278,888,379.81



Review on the Fund Occupation of All Related Parties of China Eastern Airlines Corporation Limited

China Eastern Airlines Corporation Limited

HZKZ(2004)No.1290

The Board of Directors of China Eastern Airlines Corporation Limited:

Being entrusted, we have audited the balance sheet and consolidated balance sheet of China Eastern Airlines Corporation Limited as of December 31, 2003 and the related statement of income and income appropriation, and consolidated statement of income and income appropriation, and statement of cash flow and consolidated statement of cash flow for the year then ended. The audit is conducted in accordance with Independent Auditing Standards of the People's Republic of China with the issuance of the audit report No. 1096 on the date of April 5, 2004.

According to the Circular Regarding Regulation of Fund Transfer Between Listed Companies and Related Parties and Certain Issues Relating To Guarantees Provided By Listed Companies jointly issued by China Securities Regulatory Commission and the State-owned Assets Supervision and Administration of the State Council (CSRC Document No. [2003] 56), and the requirements of Circular Regarding Auditors' Opinion In Respect of Fund Transfer Between Listed Companies and Related Parties and Guarantees Provided By Listed Companies issued by China Securities Regulatory Commission, Shanghai Office (CSRC Shanghai Office Document No. [2004] 11), China Eastern Airlines Corporation Limited prepared the attached Fund Occupation Status Table, and Special Guarantee Status Table specifically referring to the related parties of China Eastern Airlines Corporation Limited (Hereinafter referred to as 'Status Tables').

It is the responsibility of your management to truthfully prepare and disclose the Status Tables to the external users. We have reviewed the information recorded by the Status Tables based on the audited financial statements of year 2003, and other relevant materials provided by your Company. No significant difference came to our attention in all material aspects during our checking process.

The Review report is only for the disclosure of the situation of fund occupation by the related parties to China Eastern Airlines Corporation Limited, the usage for any other purpose will not be deemed as the responsibilities or obligations of our auditors.

Shanghai Zhonghua CPAs

April 5, 2004



Review on the Fund Occupation of All Related Parties of China Eastern Airlines Corporation Limited

China Eastern Airlines Corporation Limited

Fund Occupation Status Table Year 2003

Unit: RMB in 0000'

Company Code	Brief Name	Fund occupier	The relation between fund occupier and the listed Company	Ending date	Beginning date	Relevant accounts	Balance at the end of financial period (in 0000')	Balance at the beginning of financial period (in 0000')	Accumulated fund occupation within the financial period (debit)	Accumulated fund occupation within the financial period (Credit)	Way of Occupation	Occupation Purpose	Notes
600115	Eastern Airline	China Eastern Airlines Wuhan Co.,Ltd	Subsidiary	31-Dec-03	31-Dec-02	Others receivable	1,213	219	3,351	2,357	Advancement	Operating activities	36,100,000 accounts payable
			Subsidiary	31-Dec-03	31-Dec-02	Account receivable	42	26	35	18	Proceeds from sales of tickets	Operating activities	-
600115	Eastern Airline	Shanghai Eastern Air Catering Co.,Ltd	same parent company	31-Dec-03	31-Dec-02	Others receivables	-	1,559	-	1,559	Advancement	Operating activities	800,000 accounts payable
600115	Eastern Airline	China Eastern Airlines Import and Exports Co.,Ltd	Subsidiary	31-Dec-03	31-Dec-02	Others receivables	1,197	852	13,278	12,933	Purchase	Operating activities	156,830,000 account payable
			Subsidiary	31-Dec-03	31-Dec-02	Advanced payment	1,721	2,970	326	1,575	Purchase	Operating activities	329,640,000 other payables
600115	Eastern Airline	Eastern Air Group Company	Parent company	31-Dec-03	31-Dec-02	Others receivables	96	176	119	199	Advancement	Operating activities	13,800,000 other payables
600115	Eastern Airline	China Eastern Airlines North West Co.,Ltd	same parent company	31-Dec-03	31-Dec-02	Others receivables	1,455	-	1,576	121	Advancement	Operating activities	57,500,000 account payable
			same parent company	31-Dec-03	31-Dec-02	Account receivable	599	-	899	300	Proceeds from sales of tickets	Operating activities	492,000 other payables
600115	Eastern Airline	China Eastern Airlines Yunnan Co.,Ltd	same parent company	31-Dec-03	31-Dec-02	Others receivables	138	-	599	461	Advancement	Operating activities	30,870,000 account payable
600115	Eastern Airline	Eastern Aviation Advertising Service Co.,Ltd	Subsidiary	31-Dec-03	31-Dec-02	Others receivables	139	139	-	-	Advancement	Operating activities	1,600,000 other payables
600115	Eastern Airline	Shanghai Eastern Aviation Equipment Manufacturing Corporation	same parent company	31-Dec-03	31-Dec-02	Advanced payment	45	45	-	-	Purchase	Operating activities	-
600115	Eastern Airline	Shanghai Dongmei Aviation Travel Co.,Ltd	Subsidiary	31-Dec-03	31-Dec-02	Account receivable	2,494	2,459	25,676	25,641	Proceeds from sales of tickets	Operating activities	-



Review on the Fund Occupation of All Related Parties of China Eastern Airlines Corporation Limited

China Eastern Airlines Corporation Limited

Company Code	Brief Name	Fund occupier	The relation between fund occupier and the listed Company	Ending date	Beginning date	Relevant accounts	Balance at the end of financial period (in 0000')	Balance at the beginning of financial period (in 0000')	Accumulated fund occupation within the financial period (debit)	Accumulated fund occupation within the financial period (Credit)	Way of Occupation	Occupation Purpose	Notes	
600115	Eastern Airline	Shanghai Eastern Development Co.	same parent company	31-Dec-03	31-Dec-02	Account receivable	1,044	2,046	13,249	14,251	Proceeds from sales of tickets	Operating activities	-	
600115	Eastern Airline	Eastern (Zhoushan) Tourism Industrial Development Company	same parent company	31-Dec-03	31-Dec-02	Account receivable	576	576	-	-	Proceeds from sales of tickets	Operating activities	-	
600115	Eastern Airline	Eastern Airlines Int'l Tourism Transportation Co.,Ltd	same parent company	31-Dec-03	31-Dec-02	Account receivable	1,101	1,101	-	-	Proceeds from sales of tickets	Operating activities	-	
600115	Eastern Airline	Shanghai Tourism (Hong Kong) Co.,Ltd	same parent company	31-Dec-03	31-Dec-02	Account receivable	5,819	5,819	-	-	Proceeds from sales of tickets	Operating activities	-	
600115	Eastern Airline	Eastern Airlines Travel Service (Hong Kong) Co.,Ltd	same parent company	31-Dec-03	31-Dec-02	Account receivable	6,964	10,255	32,588	35,879	Proceeds from sales of tickets	Operating activities	-	
600115	Eastern Airline	Jiangsu Eastern Airlines International Travel Agency Co.,Ltd	Subsidiary	31-Dec-03	31-Dec-02	Account receivable	711	1,195	6,137	6,621	Proceeds from sales of tickets	Operating activities	-	
600115	Eastern Airline	Shanghai Civil Aviation Dongda Industrial Co.	same parent company	31-Dec-03	31-Dec-02	Account receivable	-	127	-	127	Proceeds from sales of tickets	Operating activities	-	
Total							4,239	21,117	2,945	26,619	18,923	78,910	17,630	84,412

Special Guarantee Status Table

Year 2003

China Eastern Airlines Corporation Limited									Unit RMB in 0000'	
Company Code	Brief Name	Guarantor (listed company/ subsidiary of the listed company)	Guarantee	The relation between guarantee and the listed company	Guarantee amount RMB in 0000'	Beginning date of guarantee	The ending date of guarantee	Current liability under guarantee agreement	Guarantee method	Note
600115	Eastern Airlines	China Eastern Airlines Jiangsu Co.,Ltd	Nanjing Lukou International Airport Co.,Ltd	No counter- guarantee	15,000	24-Dec-98	20-Oct-04	contract in continuance	jointly and severally bound guarantee	3



Notes to the Financial Statements

China Eastern Airlines Corporation Limited

(Prepared in accordance with PRC Accounting Regulations)
Year ended 31 December 2003

1. Brief Profile of the Company

China Eastern Airlines Corporation Limited (“the Company”) was established in April 1995 under the sole sponsorship of Eastern Air Group Company. In Feb. 1997, with the approval of State Reformation Commission by its Circular No. (1996) 180 and State Council Securities Commission by its Circular No. (1997) 4, the Company issued 1,566,950,000 H shares, which are listed on the Stock Exchange of Hong Kong and New York Stock Exchange. In May 1997, with the approval of Civil Aviation Administration of China and China Securities Supervisory Commission, the Company issued 300,000,000 A shares to the public. The registered capital of the Company is RMB4,866,950 thousand. The registered address is No. 66 Jichang Avenue, Pudong International Airport, Shanghai.

The Company is primarily engaged in the air transportation of passengers, cargo, mails and luggage over domestic and approved overseas air routes, extended services, general aviation business, aircraft maintenance, manufacturing and maintenance of aviation equipment, agent services for airlines both at home and abroad and other business related to aviation transportation.

2. Principal Accounting Policies and Accounting Estimations

2.1 Accounting Policies Applied

The company and its subsidiaries follow the Accounting Standards and *Accounting Regulations for Business Enterprises* and its supplementary regulations. Since Jan. 1, 2003, the company and its subsidiaries also follow the *Accounting Treatment for Civil Aviation Industry*.

2.2 Accounting Period

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

2.3 Base Currency

The Company adopts Renminbi (“RMB”) as its base currency.

2.4 Principle and Basis of Accounting

The Company adopts accrual basis. All items are recorded at actual cost upon acquisition. If impairment occurs, the provision for impairment will be made according to “Accounting Regulations for Business Enterprises”.



(Prepared in accordance with PRC Accounting Regulations)
Year ended 31 December 2003

2. Principal Accounting Policies and Accounting Estimations (Cont'd)

2.5 Translation of Foreign Currencies

Foreign currency transactions are translated into RMB at the middle exchange rate issued by PBOC at the beginning of the month. Monetary assets and liabilities in foreign currencies are translated into RMB at the middle exchange rate prevailing at the end of each period. The differences between RMB equivalents and carrying amounts are treated as exchange differences. Exchange differences of specific borrowings related to the acquisition or construction of a fixed asset should be capitalized in the period in which they are incurred when the relevant fixed asset being acquired or constructed is not ready for its intended use. Exchange differences during preparation period are included in long-term amortization charges, which will be accounted as current profit and loss of the month during which formal operation starts. Exchange differences in normal operations are included in the exchange gains and losses of the current period.

2.6 Definition of Cash Equivalents

Cash equivalents are short term (with a holding period of less than three months), highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

2.7 Current Investment

- 2.7.1 The initial cost of a current investment is the total price paid on acquisition, deducting cash dividends which have been declared but unpaid at the time of acquisition or unpaid interest on bonds that have been accrued. Cash dividends or interests during holding period are 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 is recognized as an investment gain or loss of the current period.
- 2.7.2 The current investment is recorded at the lower of cost and market value. The provision for impairment of current investment is made at the excess of carrying amount over the market value on an individual item basis and will be accounted as current profit and loss.



(Prepared in accordance with PRC Accounting Regulations)
Year ended 31 December 2003

2. Principal Accounting Policies and Accounting Estimations (Cont'd)

2.8 Accounting Method for Bad Debts

2.8.1 The Company adopts allowance method for bad debts. At the end of each accounting period the company analyses the recoverability of receivable items (including accounts receivable and other receivables) and makes allowance for bad debts according to the aging method and analysis result. Allowance for bad debts is not made for the items that are surely to be recovered. If there is enough evidence proving the uncollectibility of an account receivable then allowance is made at a higher ratio or at the full carrying amount. The allowance for remaining accounts receivable shall refer to the following ratios.

Aging	Ratio
Within 1 year	3‰
In the second year	5%
In the third year	10%
In the forth year	15%
In the fifth year	20%
Over 5 years	40%

2.8.2 The company adopts following standards in determination of bad debts:

- a. When the debtor is bankrupt or dead, the accounts receivable that are unable to be recovered even after liquidation of the debtor's bankrupt estate or legacy.
- b. When the debt is overdue due to the default of the debtor and there is obvious evidence proving the uncollectibility of the accounts.

The bad debt loss should be approved by Board of Directors. The bad debts will first offset against the allowance that has already been made. If the allowance for bad debts is not enough to compensate the losses the difference will be charged into income statement of the current period.



(Prepared in accordance with PRC Accounting Regulations)
Year ended 31 December 2003

2. Principal Accounting Policies and Accounting Estimations (Cont'd)

2.9 Inventory

- 2.9.1 The inventory of the Company mainly comprises high-price rotables, aircraft consumables, common appliances, aircraft supplies and low-price consumables. The inventory is recorded at planned price and the difference between planned price and actual cost is recorded in 'Materials Cost Variance'. The amortization of high-price rotables is made evenly over 5 years starting from the next month of acquisition according to the adjusted actual cost. Other inventory such as aircraft consumables is charged to cost according to the adjusted actual cost when put into use. The maintenance costs for high-price rotables are recognized as current period expenses immediately when occurred.
- 2.9.2 Provision for impairment of aircraft consumables is made at the end of each period according to the average useful life of corresponding aircraft and average discount rate in previous disposals. Considering the characteristics of high-price rotables, no provision for impairment is made unless the corresponding aircraft have all been sold and it is highly possible that the net realizable value will be lower than the carrying amount during future disposals.

2.10 Long-term Investment

- 2.10.1 Long-term equity investment (including stock investment and other equity investment) is recorded at the actual cost after deducting cash dividends which have been declared but unpaid at the time of acquisition or at the price agreed upon by relevant parties. The equity method is applied wherever the Company can control, jointly control or has significant influence over the investee enterprise (usually when the Company holds 20% or more voting capital of the investee enterprises or holds less than 20% of the voting capital but has significant influence over the investee enterprise). Otherwise, the cost method is applied. When equity method is adopted, the difference (referred to as "equity investment difference") between the initial investment cost and the Company's share of owners' equity of the investee enterprise should be amortized evenly over a period of 10 years and charged into corresponding year's profit and loss account.
- 2.10.2 Long-term debt investment (including bond investment and other debt investment) is recorded at actual cost. The difference between actual cost and the nominal value of a bond investment is recognized as premium or discount. Interest from investment on bonds should be accrued periodically. The accrued interest revenue from investment on bonds, after adjustments of the amortization of premium or discount, should be recognized as investment income of the period.

(Prepared in accordance with PRC Accounting Regulations)
Year ended 31 December 2003

2. Principal Accounting Policies and Accounting Estimations (Cont'd)

2.10 Long-term Investment (Cont'd)

2.10.3 The long-term investment is recorded at the lower of carrying amount and recoverable amount at the end of each period. If the recoverable amount of a long-term investment is lower than its carrying amount as a result of a continuing decline in market value or deterioration in operating conditions of the investee enterprise, the Company shall make provision for impairment on long-term investment on an individual item basis and charge into the current period.

2.11 Fixed Assets and Depreciation

2.11.1 Fixed assets refer to those tangible assets whose useful life is over 1 year, with a high unit price and can be held physically to realize its benefits during the course of use. Fixed assets are recorded at actual acquisition cost. Fixed assets held under financial lease are recorded at net contract price and other actual incidental cost incurred. The corresponding long-term liabilities are determined by the total financing amount stipulated in such financing contracts as lease agreement and loan agreement signed by the Company and lessor. The financing expenses are apportioned during the course of leasehold at actual interest rate.

If no impairment has occurred, the depreciation is provided on a straight-line basis according to the following useful lives and estimated residual value.

	Useful lives	Residual value rate
Aircraft and engines attached	20 years	5%
Standby engines	20 years	0%
Buildings	15-35 years	3%
Vehicles and electronic devices	5-6 years	3%
Other Equipment	5-20 years	3%

When impairment occurs, the depreciation is provided on an individual item basis based on the net book value after deducting impairment and residual useful lives.

2.11.2 Fixed asset is recorded at the lower of carrying amount and recoverable amount at the end of each period. If the recoverable amount of a fixed asset is lower than its carrying amount as a result of continuing decline in market value, technology obsolescence, damage or idleness, the Company shall make provision for impairment of fix assets at the end of the period on an individual item basis and charge to the current period.

(Prepared in accordance with PRC Accounting Regulations)
Year ended 31 December 2003

2. Principal Accounting Policies and Accounting Estimations (Cont'd)

2.12 Construction-in-Progress

- 2.12.1 Construction-in-progress is accounted for on an individual item basis at the actual cost. Upon completion and readiness for use, the cost of construction-in-progress is to be transferred to the account of Fixed Assets. Interests incurred in connection with specific borrowings and relevant exchange differences for the purpose of construction-in-progress should be capitalized as part of the cost when the project is not ready for intended use. Interests incurred and exchange differences after the project is ready for use should be recognized as current period expenses.
- 2.12.2 Construction is recorded at the lower of carrying amount and recoverable amount at the end of each period. The Company shall make provision for impairment of construction-in-progress at the excess of the carrying amount over its recoverable amount on an individual item basis and charge to the current period.

2.13 Valuation and Amortization of Intangible Assets

- 2.13.1 The intangible assets of the Company refer to non-monetary long-term assets without physical substance held for the purpose of rendering service, rental or for administrative purposes. The intangible assets of the Company mainly include land use right and premise use right. The intangible assets are recorded at actual acquisition cost and amortized over its expected useful life under straight-line method.
- 2.13.2 The intangible asset of the Company is recorded at the lower of carrying amount and recoverable amount at the end of each period. The Company shall make provision for impairment of intangible asset at the excess of the carrying amount over its recoverable amount on an individual item basis and charge to the current period.

2.14 Long-term Amortization Charges

Long-term amortization charges refer to the expenses that will be amortized after formal operation or the amortization period is over one year. Long-term amortization charges of the Company are mainly uniform cost. All long-term amortization charges are amortized evenly over its estimated beneficial period except organization cost, which will be charged to the profit and loss account of the month during which formal operation starts.



(Prepared in accordance with PRC Accounting Regulations)
Year ended 31 December 2003

2. Principal Accounting Policies and Accounting Estimations (Cont'd)

2.15 Overhaul Expenses of Aircraft and Engines

The overhaul expenses refer to maintenance of D criteria and higher grade of aircraft owned by the Company or held under finance lease or operating lease. The overhaul expenses of self-owned aircraft and aircraft held under finance lease are charged into the current profit. The overhaul expenses of aircraft under operating lease are accrued according to lease contract or at a certain percentage for different types of aircraft. The actual overhaul expenses will offset against the accrued amount. The other daily maintenance expenses of aircraft and engines will be charged into the current profit and loss account.

2.16 Sales in Advance of Carriage

The sales in advance of carriage (SIAC) are mainly sales proceeds for transportation of passengers, cargo, mail and overweight luggage with tickets of the Company, which are to be settled later. The sales in advance of carriage are classified into international and domestic under categories of passenger, cargo and mail for tickets sold in different years. The balance of SIAC is transferred out upon delivery of service by the Company or other airlines with uplifted coupons or billing list by other airlines as evidence.

According to the *Accounting Treatment for Civil Aviation Industry* with the circular number Cai-kuai [2003]18, the Company acknowledges those SIAC balances of both domestic and international sales over settlement period as "over settlement balance" and has transferred it into non-operating revenue of this year.

2.17 Retirement Benefits and Medical Insurance

2.17.1 Retirement Benefits

The Company participates in defined contribution retirement schemes regarding pension for employees organized by the governments of respective provinces. The Company and employees turn in social pension at 14.5% and 8% of the total salaries of last year recognized by government to social welfare agent. In addition, the Company provides retirees with living allowance and transportation subsidies as well as other welfare. The post-retirement benefit expenses are recognized in the current profit and loss.



(Prepared in accordance with PRC Accounting Regulations)
Year ended 31 December 2003

2. Principal Accounting Policies and Accounting Estimations (Cont'd)

2.17 Retirement Benefits and Medical Insurance (Cont'd)

2.17.2 Medical Insurance

Except Shanghai Headquarters, its subsidiaries and Ningbo Branch, the branches in other provinces have not participated in the social medical insurance scheme introduced by local governments. The Company and employees that have participated in the scheme contribute 12% and 2% of the total salaries of last year to local social welfare agent. For those that have not participated in the social medical insurance scheme, the medical expenses are recognized in the current profit and loss.

2.18 Revenue

2.18.1 The Company's revenue from rendering transportation service of passengers, cargo and mails is recognized upon delivery of the service with uplifted coupons as evidence.

The commission income from other carriers in respect of sales made by the Company is recognized upon billing by other carriers.

Ground service income is recognized as other operating revenue upon rendering of services.

2.18.2 The interest income and royalty arising from the use by others of the assets held by the Company is recognized when it is probable that the economic benefits associated with the transaction will flow to the Company and the amount of the revenue can be measured reliably.

2.19 Income Tax

Tax effects of taxable temporary timing differences are recognized as deferred income tax liabilities. Tax effects of deductible temporary timing differences are recognized as deferred income tax assets.

2.20 Basis of Consolidated Statements

2.20.1 Consolidation Scope: According to "Notice on the Distribution of 'Provisional Regulation on Consolidation of Financial Statements'" (1995) issued by Ministry of Finance and regulations of CKZ(96) No. 2 "Answer to Questions about Consolidation Scope", the consolidation scope of the Company includes all subsidiaries under control and associated companies under joint control, except those companies that have already been closed down, merged, declared in the process of liquidation or bankruptcy, intended to be sold in the new future or have an insignificant influence on consolidation.

*(Prepared in accordance with PRC Accounting Regulations)
Year ended 31 December 2003*

2. Principal Accounting Policies and Accounting Estimations (Cont'd)

2.20 Basis of Consolidated Statements (Cont'd)

2.20.2 Consolidation Method: The consolidated financial statements are prepared on the basis of the financial statements of the Company and its subsidiaries within consolidation scope and other relevant information. The equity investment and the corresponding portion of the owner's equity of the invested entities, the claims and liabilities, as well as all material transactions between or among them have been eliminated. The financial statements of the associate companies are consolidated in proportion.

2.21 Significant Changes in Accounting Policies and its Influence

The Company has changed the following accounting policies ever since Jan. 1, 2003.

2.21.1 Contents and basis of changes in accounting policies: The Company follows the Accounting Treatment for Civil Aviation Industry from Jan. 1, 2003 pursuant to regulations of circular Cai-Kuai [2003] 18 issued by Ministry of Finance. According to Accounting Treatment for Civil Aviation Industry, the overhaul expenses for high-price rotables will not be amortized in five years but directly charged to the current period expenses starting from this year. The total profit of this year is reduced by approximately 384 million due to the policy change.

2.21.2 According to the regulations of circular Cai-Kuai [2003] 10, the overhaul expenses of self-owned aircraft and aircraft held under finance lease are charged into the current profit and loss account immediately upon incurred while not accrued in advance.

(Prepared in accordance with PRC Accounting Regulations)
Year ended 31 December 2003

2. Principal Accounting Policies and Accounting Estimations (Cont'd)

2.22 Staff Housing Benefits and its influence

According to the circulars of Cai-Qi [2000] 295 and Cai-Kuai [2001] 5 issued by Ministry of Finance, the Company starts to implement "Staff Housing Reform of China Eastern Airlines Corporation Limited" and its implementation procedures since Jan. 1, 2003, which has already been passed in the 16th routine meeting of the Board of Directors. It is estimated that the housing subsidy payable to employees as of the end of 2003 will increase by 362 million. The minority interests and net assets will be reduced by 8 million and 354 million respectively. Among the net equity, the capital surplus, undistributed profit and current profit will be reduced by 110 million, 219 million and 25 million respectively.

3. Taxation Items

3.1 Business Tax

The business tax of transportation, ground service and commissions is levied at 3% of the income.

The business tax of maintenance and other services is levied at 5% of the income.

According to *Implementation of "Guidance on the Measures to Lower the Influence of Sars on Some Industries"* issued by Shanghai Municipal Government (Hu-cai-fa 2003 No. 55), the business tax and additional levied on passenger transportation from May to September will be returned to the Company at the full amount as financial subsidy.

According to *Notice on the Extension of Tax Preferential Policy to Industries Influenced by Sars* issued by Ministry and State Taxation Bureau (Cai-shui [2003] 227), the civil aviation business of the Company is exempt from business tax, city construction tax and additional education tax from Oct. 1, 2003 to Dec. 31, 2003.

3.2 Value-added Tax

The value-added tax is levied at 4% of the material transfer income.

3.3 City Construction Tax

The city construction tax is levied at 7% of the circular tax.



(Prepared in accordance with PRC Accounting Regulations)
Year ended 31 December 2003

3. Taxation Items (Cont'd)

3.4 Income Tax

The income tax is calculated at applicable income tax rate and taxable income of the period. According to circular HSEC(2001)104 of Shanghai State Taxation Bureau, the Company enjoys the preferential policy of Pudong New Area since July 1, 2001 and the applicable income tax rate is reduced to 15%.

3.5 Education Tax

The education tax is calculated at 3% of the circular tax.

3.6 Civil Aviation Infrastructure Levies

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

According to "Notice on the Reduction or Exemption of Government Fund for Industries Seriously Influenced by Sars" issued by the Ministry of Finance (its ref. No HZMD 2003-1), the company is exempt from Civil Aviation Infrastructure Levies from May 2003.

4. Stock-held Subsidiaries and Associated Companies

No.	Name of Investee Company	Registered Capital (10,000)	Scope of Business	Total Investment (10,000)	Share-holding Percent
1	China Eastern Airlines Jiangsu Co., Ltd.	25,750.36	Air transportation of passengers, cargo, mails and luggage over domestic air routes and approved overseas routes	14,162.70	55%
2	Shanghai Eastern Flight Training Co., Ltd.	47,300.00	Training for flying crew and other related personnel	44,935.00	95%
3	Eastern Airlines Hotel Co., Ltd.	7,000.00	Sales of food, knitwear & hardware	6,010.00	85.86%
4	China Cargo Airlines Co., Ltd.	50,000.00	Air transportation of cargo & mails, air catering, sales of tourist goods, hotel, catering and entertainment	35,000.00	70%
5	Qi Lu Eastern Airlines Catering Co., Ltd.	1,336.67	Production and sales of food, catering on the planes	868.83	65%

(Prepared in accordance with PRC Accounting Regulations)
Year ended 31 December 2003

4. Stock-held Subsidiaries and Associated Companies (Cont'd)

No.	Name of Investee Company	Registered Capital (10,000)	Scope of Business	Total Investment (10,000)	Share-holding Percent
6	Eastern (Shantou) Economic Development Co., Ltd.	500.00	Production & sales of aviation products, hardware, chemical materials	275.00	55%
7	Shanghai Eastern Airlines Investment Co., Ltd.	41,250.00	Investment and relevant consultation	40,752.00	98.79%
8	Jiangsu Eastern Airlines Traveling Agency Co., Ltd.	150.00	Tour service, civil aviation transportation, sales agent	105.00	70%
9	Jiangnan Tourism (HK) Co.	64.11	Tour services	64.11	100%
10	Eastern Airlines Jiangsu Advertisement Co., Ltd.	30.00	Design and making of advertisement in domestic broadcast and newspapers	89.34	100%
11	Jiangsu Suying Labor Service Co., Ltd.	17.00	Labor service, labor agent, labor information consultation and training	15.00	90%
12	Eastern Airlines Jiangsu Co., Ltd. Food Trade Co.	49.80	Shut up	49.80	100%
13	Jiangsu Eastern Airlines Trade Co., Ltd.	200.00	Shut up	110.00	55%
14	Jiangsu Eastern Airlines Industrial Co., Ltd.	22.86	Shut up	16.01	70%
15	Shanghai Eastern Fudart Transportation Services Co., Ltd.	USD100.00	Agent services for transportation of imp. & exp. cargo by air or sea	708.82	51%
16	Shanghai East Aircraft Maintain Co., Ltd.	USD310.00	Airline repairing service	1,539.47	60%
17	Shanghai Eastern Airlines Swire investment Co., Ltd.	USD3000.00	Civil aviation transportation and investment in the related field	USD450.00	50%



Notes to the Financial Statements

China Eastern Airlines Corporation Limited

(Prepared in accordance with PRC Accounting Regulations)
Year ended 31 December 2003

4. Stock-held Subsidiaries and Associated Companies (Cont'd)

Among the above subsidiaries, No.1, No.2, No. 3, No. 4 No. 7, No. 15, No. 16 and No.17 have been included in the consolidation scope, 3 of them are new one in this year; No.3 has not started formal operation and is included in the consolidation scope; No. 12, No. 13, and No. 14 have been shut up and are not included in the consolidation scope; No. 5, No. 6, No. 8, No.9, No. 10 and No. 11 have no significant influence on the financial position and not included in the consolidation scope for the total assets, operating revenue, and net profit of these companies represent less than 10% of those of the parent company.

Shanghai Eastern Fudart Transportation Services Co., Ltd. is included in the consolidation scope this year for 51% of its equity has been purchased by China Cargo Airlines Co., Ltd., a subsidiary controlled by the Company.

5. Notes to Main Items of Financial Statements

(All amounts are in RMB Yuan; The notes are explanations to major items of consolidated financial statements except otherwise specified)

5.1 Monetary Fund

Item	Original Currency	Ending Balance		Original Currency	Beginning Balance	
		Exchange Rate	RMB Equivalent		Exchange Rate	RMB Equivalent
Cash			2,533,250.20			1,629,360.60
Bank Deposit			1,391,971,099.34			1,477,884,383.59
RMB	1,111,609,314.50	1	1,111,609,314.50	1,174,724,703.52	1	1,174,724,703.52
USD	16,661,791.75	8.2767	137,904,651.72	19,977,663.01	8.2773	165,361,110.03
JPY	714,733,415.00	0.077263	55,222,447.85	653,274,393.00	0.069035	45,098,797.72
EUR	2,929,926.77	10.3383	30,290,461.92	4,292,989.31	8.6360	37,074,255.68
SGD	1,143,365.08	4.8586	5,555,153.58	1,899,834.17	4.7705	9,063,158.91
KRW	4,060,412,201.00	0.006909	28,053,387.90	3,876,079,230.00	0.006898	26,737,194.53
THB	33,604,233.61	0.2087	7,013,203.55	50,453,884.55	0.1912	9,647,014.25
NZD	1,099,796.36	5.4179	5,958,586.70	400,619.13	4.3539	1,744,239.61
AUD	923,572.31	6.2013	5,727,348.97	1,117,477.40	4.6787	5,228,341.51
INR	20,354,188.10	0.18199	3,704,258.69	18,534,650.64	0.17295	3,205,567.83
BEF	63,369.81	14.7118	932,283.97	-	-	-
Other Monetary Fund			1,928,421,980.38			1,639,537,512.50
Total			3,322,926,329.92			3,119,051,256.69

(Prepared in accordance with PRC Accounting Regulations)
Year ended 31 December 2003

5. Notes to Main Items of Financial Statements (Cont'd)

5.1 Monetary Fund (Cont'd)

Among the year-end balance, the restricted overseas deposit is equivalent to RMB1,854,742,690.80.

5.2 Current Investment

	Ending Balance			Beginning Balance		
	Balance	Provision for Impairment	Net Value	Balance	Provision for Impairment	Net Value
Stock Investment	-	-	-	290,000,000.00	-	290,000,000.00
Other Investment	182,786,582.38	-	182,786,582.38	374,108,272.14	-	374,108,272.14
	182,786,582.38	-	182,786,582.38	664,108,272.14	-	664,108,272.14

The Company entrusts ICBC Shanghai Branch to manage its other investment with its self-owned foreign exchange. The interest rate is 0.075%-0.75% and the maturity is from Jan. 1, 2004 to Jan. 31, 2004. These investments have been refunded by the issuing date of the financial reports.

One of the consolidated subsidiaries of the Company entrusts Shenying & Wanguo Securities Co., Ltd. to manage the stock investment for a period of one year. The supervisor is Bank of China Shanghai Branch. The maturity is from Sept. 19, 2003 to Dec. 28, 2003. According to the investment entrustment agreement, the investment gain is not higher than 7%-7.9% and the actual investment gains lower than the ratio shall be born by the Company. The invested principle and related gain on the investment 21.92 million as of Dec. 31, 2003 were received.

The ending balance of short investment is 72% less than the last year and the main reason is the stock investment for a period of one year which was entrusted Shenying & Wanguo Securities Co., Ltd. to manage last year was refunded.

(Prepared in accordance with PRC Accounting Regulations)
Year ended 31 December 2003

5. Notes to Main Items of Financial Statements (Cont'd)

5.3 Accounts Receivable

5.3.1 Consolidated

Aging	Ending Balance				Beginning Balance			
	Amount	Percentage (%)	Provision for Bad Debts	Net Amount	Amount	Percentage (%)	Provision for Bad Debts	Net Amount
Within 1 Year	1,423,421,623.45	91.27	4,433,936.98	1,418,987,686.47	1,193,323,084.87	91.71	3,579,969.26	1,189,743,115.61
In the Second Year	49,108,932.32	3.15	3,254,466.90	45,854,465.42	19,424,192.10	1.49	1,976,300.13	17,447,891.97
In the Third Year	8,036,426.11	0.52	3,303,213.49	4,733,212.62	42,852,769.67	3.29	27,639,501.87	15,213,267.80
In the Fourth Year	42,402,620.08	2.72	40,577,822.26	1,824,797.82	15,301,304.63	1.18	12,987,044.91	2,314,259.72
In the Fifth Year	14,039,571.73	0.90	14,020,984.72	18,587.01	13,411,099.00	1.03	7,075,665.36	6,335,433.64
Above 5 Years	22,381,142.55	1.44	20,249,652.29	2,131,490.26	16,886,502.43	1.30	16,886,502.43	-
Total	1,559,390,316.24	100.00	85,840,076.64	1,473,550,239.60	1,301,198,952.70	100.00	70,144,983.96	1,231,053,968.74

Among the above accounts receivable, there is no amount due from shareholder holding over 5% (including 5%) of the Company's share capital.

The top 5 companies owe a total amount of RMB391 million, accounting for 25% of the total ending balance.

5.3.2 Parent Company

Aging	Ending Balance				Beginning			
	Amount	Percentage (%)	Provision for Bad Debts	Net Amount	Amount	Percentage (%)	Provision for Bad Debts	Net Amount
Within 1 Year	932,429,293.95	89.01	3,124,278.38	929,305,015.57	879,867,139.18	90.81	2,639,601.42	877,227,537.76
In the Second Year	37,976,801.15	3.63	2,697,860.34	35,278,940.81	4,861,887.67	0.50	725,550.58	4,136,337.09
In the Third Year	1,826,086.60	0.17	1,118,075.31	708,011.29	40,119,456.92	4.14	27,137,732.35	12,981,724.57
In the Fourth Year	39,629,327.33	3.78	39,204,102.62	425,224.71	15,255,933.66	1.57	12,980,239.26	2,275,694.40
In the Fifth Year	14,039,571.73	1.34	14,020,984.72	18,587.01	12,672,981.14	1.31	6,928,041.79	5,744,939.35
Above 5 Years	21,634,265.89	2.07	19,502,775.63	2,131,490.26	16,139,625.77	1.67	16,139,625.77	-
Total	1,047,535,346.65	100.00	79,668,077.00	967,867,269.65	968,917,024.34	100.00	66,550,791.17	902,366,233.17

Among the above accounts receivable, no amount is due from shareholder holding over 5% (including 5%) of the Company's share capital.

The top 5 companies owe a total amount of RMB391 million, accounting for 37% of the total ending balance.

(Prepared in accordance with PRC Accounting Regulations)
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5. Notes to Main Items of Financial Statements (Cont'd)

5.4 Other Receivables

5.4.1 Consolidated

Aging	Ending Balance				Beginning Balance			
	Amount	Percentage (%)	Provision for Bad Debts	Net Amount	Amount	Percentage (%)	Provision for Bad Debts	Net Amount
Within 1 Year	259,874,686.49	50.05	9,289,965.91	250,584,720.58	145,002,385.65	30.12	4,969,937.91	140,032,447.74
In the Second Year	111,285,193.19	21.43	13,353,606.05	97,931,587.14	169,802,704.95	35.26	11,343,338.22	158,459,366.73
In the Third Year	36,136,439.74	6.96	5,305,379.95	30,831,059.79	61,737,956.66	12.82	27,782,732.84	33,955,223.82
In the Fourth Year	36,514,661.23	7.03	10,801,001.47	25,713,659.76	34,928,798.74	7.25	16,666,591.36	18,262,207.38
In the Fifth Year	9,254,557.19	1.78	5,384,090.31	3,870,466.88	18,689,200.67	3.88	13,941,635.21	4,747,565.46
Above 5 Years	66,179,525.41	12.75	50,607,155.10	15,572,370.31	51,406,502.64	10.67	38,127,257.49	13,279,245.15
Total	519,245,063.25	100.00	94,741,198.79	424,503,864.46	481,567,549.31	100.00	112,831,493.03	368,736,056.28

Among the year-end balance, RMB1.77 million is due from Eastern Air Group Company, a shareholder holding 62% of the Company's share capital.

The top 5 companies owe a total amount of RMB191 million, accounting for 37% of the total ending balance.

5.4.2 Parent Company

Aging	Ending Balance				Beginning Balance			
	Amount	Percentage (%)	Provision for Bad Debts	Net Amount	Amount	Percentage (%)	Provision for Bad Debts	Net Amount
Within 1 Year	2,045,883,082.61	83.18	11,803,864.53	2,034,079,218.08	760,548,914.01	70.11	6,817,117.85	753,731,796.16
In the Second Year	213,976,998.10	8.70	16,361,600.17	197,615,397.93	167,402,548.78	15.43	11,223,330.41	156,179,218.37
In the Third Year	119,354,098.70	4.85	13,627,145.85	105,726,952.85	51,466,161.75	4.74	18,506,328.58	32,959,833.17
In the Fourth Year	26,739,871.39	1.09	7,944,037.82	18,795,833.57	59,855,571.47	5.52	12,197,498.58	47,658,072.89
In the Fifth Year	11,966,501.31	0.49	2,529,759.14	9,436,742.17	7,647,773.17	0.71	2,972,431.71	4,675,341.46
Above 5 Years	41,537,897.91	1.69	26,079,815.60	15,458,082.31	37,805,502.64	3.49	24,586,857.49	13,218,645.15
Total	2,459,458,450.02	100.00	78,346,223.11	2,381,112,226.91	1,084,726,471.82	100.00	76,303,564.62	1,008,422,907.20

Among the year-end balance, RMB1.77 million is due from Eastern Air Group Company, a shareholder holding 62% of the Company's share capital.

The top 5 companies owe a total amount of RMB2,143 million, accounting for 87% of the total ending balance.



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5. Notes to Main Items of Financial Statements (Cont'd)

5.4 Other Receivables (Cont'd)

The ending balance is 127% higher than the last year, and the main reason is the amounts related to the aircrafts trading between the Company (as seller) and China Eastern Airlines Jiangsu Co., Ltd. and China Cargo Airlines Co., Ltd. (both as buyers) is not paid in full by the end of the year 2003.

5.5 Prepayments

Aging	Ending Balance		Beginning Balance	
	Amount	Percentage (%)	Amount	Percentage (%)
Within 1 Year	15,130,134.04	91.69	51,566,416.00	54.23
In the Second Year	43,542.19	0.26	42,574,728.46	44.77
In the Third Year	374,687.00	2.27	954,635.00	1.00
In the Forth Year	954,635.00	5.78	–	–
Total	16,502,998.23	100.00	95,095,779.46	100.00

Among the year-end balance, no amount is due from shareholder holding over 5% (including 5%) of the Company's share capital.

5.6 Inventory

Aging	Amount	Ending Balance		Beginning Balance		
		Provision for Impairment	Net Value	Amount	Provision for Impairment	Net Value
Aircraft Consumables	964,742,577.19	432,429,854.84	532,312,722.35	933,185,736.25	291,334,709.95	641,851,026.30
High-price Rotables	923,631,546.17	145,272,704.11	778,358,842.06	1,279,064,929.47	37,156,192.97	1,241,908,736.50
Common Appliance	31,522,131.48	–	31,522,131.48	16,041,238.71	–	16,041,238.71
Materials purchase	1,262,347.32	–	1,262,347.32	14,719,510.18	–	14,719,510.18
Low-price Consumables	42,742.71	–	42,742.71	–	–	–
Sub-contracted materials	2,057,255.07	–	2,057,255.07	1,638,649.01	–	1,638,649.01
Others	2,581,826.36	–	2,581,826.36	43,186,023.96	–	43,186,023.96
Total	1,925,840,426.30	577,702,558.95	1,348,137,867.35	2,287,836,087.58	328,490,902.92	1,959,345,184.66

The ending balance of provision for inventory impairment is 76% higher than the last year, and the main reason is that the company intended to dispose 3 types of airport consumables: FK100, MD82 and B737-200. According to the difference between expected sales price and book value, the company charges the provision for inventory impairment account.

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5. Notes to Main Items of Financial Statements (Cont'd)

5.7 Expenses to be Amortized

Category	Ending Balance	Beginning Balance
Aircraft operating Lease obligations	94,322,497.78	85,976,265.91
Aircraft insurance	-	8,488,742.92
Duties and value-added tax of aircraft under operating lease	9,364,187.71	2,751,386.95
Others	3,642,220.97	3,288,371.13
Total	107,328,906.46	100,504,766.91

5.8 Long-term Equity Investment

5.8.1 Consolidated

Item	Amount	Ending Balance		Beginning Balance		
		Provision for Impairment	Net Value	Amount	Provision for Impairment	Net Value
Stock investment	360,000.00	-	360,000.00	360,000.00	-	360,000.00
Other equity investment:						
Subsidiaries	15,774,352.43	1,758,050.62	14,016,301.81	76,595,748.76	1,758,050.62	74,837,698.14
Associated companies	-	-	-	-	-	-
Affiliated companies	680,314,005.73	-	680,314,005.73	386,323,240.73	-	386,323,240.73
Other companies	-	-	-	-	-	-
Consolidation difference	(1,879,467.30)	-	(1,879,467.30)	(1,691,077.81)	-	(1,691,077.81)
Subtotal	694,208,890.86	1,758,050.62	692,450,840.24	461,227,911.68	1,758,050.62	459,469,861.06
Total	694,568,890.86	1,758,050.62	692,810,840.24	461,587,911.68	1,758,050.62	459,829,861.06

The ending balance of long-term equity investment is 50% higher than last year, which is mainly due to the investment in China Eastern Airlines Food Investment Co. Ltd. and China Eastern Airlines Import and Export Co. Ltd.

5.8.1.1 Stock investment

Investee Company	Type of Shares	Quantity of Shares	% of the Registered Capital	Ending Balance		
				Amount	Provision	Market Value
Huning Expressway Co., Ltd.	Legal person shares	200,000.00		360,000.00	-	2,182,000.00



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5. Notes to Main Items of Financial Statements (Cont'd)

5.8 Long-term Equity Investment (Cont'd)

5.8.1.2 Other equity investment

Investee Company	Investment Period	% of the Shareholders' Equity	Amount	Ending Balance Including: Equity Investment Difference	Provision for Impairment
Qi Lu Eastern Airlines Catering Co., Ltd.	15 years	65.00%	11,141,617.92	-	-
Eastern (Shantou) Economic Development Co., Ltd.	15 years	55.00%	140,229.02	(6,542,637.11)	-
Shanghai Eastern Union Aviation Wheels & Brakes Overhaul Engineering Co., Ltd.	12 years	40.00%	21,788,796.01	-	-
Eastern China Kaiya System Integration Co., Ltd.	No limit	37.00%	15,766,394.62	-	-
Shanghai Hongpu Civil Airport Communication Co., Ltd.	10 years	30.00%	7,572,547.40	-	-
Yantai Eastern Air Catering Co., Ltd.	15 years	40.00%	3,805,444.05	-	-
Eastern Air Group Finance Co., Ltd.	20 years	25.00%	116,006,942.83	(3,876,732.13)	-
China Eastern Airlines Wuhan Co., Ltd.	30 years	40.00%	152,304,295.48	65,604,181.67	-
Eastern Aviation Advertising Service Co.	No limit	45.00%	16,090,036.72	2,255,853.70	-
China Eastern Airlines Import and Export Co. Ltd	No limit	45.00%	51,946,060.72	1,306,569.96	-
China Eastern Airlines Food Investment Co. Ltd	20 years	45.00%	157,500,000.00	-	-
Shanghai Dongmei Aviation Travel Co., Ltd.	10 years	45.00%	15,524,257.59	-	-
CAAC Information Network Co., Ltd.		0.30%	4,090,000.00	-	-
Eastern Union Freight (HK) Co., Ltd.	No limit	41.00%	4,419,230.31	-	-
Qingdao Liuting Int'l Airport Co., Ltd.	30 years	25.00%	112,500,000.00	-	-
China Eastern Airlines Jiangsu Catering Co.	3 years	100.00%	498,000.00	-	498,000.00
Jiangsu Eastern Airlines Trade Co., Ltd.	15 years	55.00%	1,100,000.00	-	1,100,000.00
Jiangsu Eastern Airlines Industrial Co., Ltd.	19 years	70.00%	160,050.62	-	160,050.62
Jiangsu Eastern Airlines International Travel Agency Co., Ltd.	30 years	70.00%	1,050,000.00	-	-
Jiangnan Tourism (Hong Kong) Co.	No limit	100.00%	641,100.00	-	-
Eastern Airlines Jiangsu Advertisement Co., Ltd.	No limit	100.00%	893,354.87	-	-
Hengtai Insurance Brokerage Co., Ltd.	No limit	3.33%	1,000,000.00	-	-
Jiangsu Suying Labor Service Co., Ltd.	10 years	90.00%	150,000.00	-	-
Total			696,088,358.16	58,747,236.09	1,758,050.62



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5. Notes to Main Items of Financial Statements (Cont'd)

5.8 Long-term Equity Investment (Cont'd)

5.8.1.3 Equity Investment Difference

Investee Company	Original Amount	Amortization Period	Current Period Amortization	Remaining Amount	Reason
Eastern Air Group Finance Co., Ltd.	(5,538,188.77)	10 years	(553,818.88)	(3,876,732.13)	Note1
Eastern (Shantou) Economic Development Co., Ltd.	(8,178,296.39)	10 years	(817,829.64)	(6,542,637.11)	Note1
China Eastern Airlines Wuhan Co., Ltd.	76,432,056.31	10 years	7,643,205.63	65,604,181.67	Note2
Eastern Aviation Advertising Service Co.	2,506,504.11	10 years	250,650.41	2,255,853.70	Note1
China Eastern Airlines Import and Export Co. Ltd	1,451,744.40	10 years	145,174.44	1,306,569.96	Note1
Total				58,747,236.09	

Note 1: The transaction price is determined with reference to evaluated net assets. The difference between evaluated net assets and the carrying amount of net assets of subsidiaries is accounted for as equity investment difference.

Note 2: The former Wuhan Airlines took part in the incorporation of China Eastern Airlines Wuhan Co., Ltd. with its evaluated net assets, some of them are not recognized according to the accounting policy of the Company and the net assets on contribution date are adjusted accordingly.

5.8.1.4 Consolidation Difference

Investee Company	Original Amount	Amortization Period	Amortization this Period	Remaining Balance
Shanghai Eastern Fudart Transportation Services Co., Ltd.	(1,853,287.13)	10 years	(191,786.67)	(1,499,291.14)
Shanghai East Aircraft Maintain Co., Ltd.	(422,417.96)	10 years	(42,241.80)	(380,176.16)
Total				(1,879,467.30)



Notes to the Financial Statements

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5. Notes to Main Items of Financial Statements (Cont'd)

5.8 Long-term Equity Investment (Cont'd)

5.8.2 Parent Company

Item	Ending Balance			Beginning Balance		
	Amount	Provision for Impairment	Net Value	Amount	Provision for Impairment	Net Value
Stock investment	-	-	-	-	-	-
Other equity investment:						
Subsidiaries	2,016,145,022.41	-	2,016,145,022.41	1,492,568,900.57	-	1,492,568,900.57
Associated companies	-	-	-	-	-	-
Affiliated companies	562,394,775.42	-	562,394,775.42	378,814,113.12	-	378,814,113.12
Other companies	-	-	-	-	-	-
Subtotal	2,578,539,797.83	-	2,578,539,797.83	1,871,383,013.69	-	1,871,383,013.69
Total	2,578,539,797.83	-	2,578,539,797.83	1,871,383,013.69	-	1,871,383,013.69



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5. Notes to Main Items of Financial Statements (Cont'd)

5.8 Long-term Equity Investment (Cont'd)

5.8.2.1 Other Equity Investment

Investee Company	Investment Period	% of the Shareholders' Equity	Amount	Ending Balance Including: Equity Investment Difference	Provision for Impairment
China Eastern Airlines Jiangsu Co., Ltd.	No limit	55.00%	140,255,310.11	-	-
Shanghai Eastern Flight Training Co., Ltd.	50 years	95.00%	463,260,626.95	-	-
Eastern Airlines Hotel Co., Ltd.	30 years	85.86%	50,379,770.77	-	-
China Cargo Airlines Co., Ltd.	No limit	70.00%	914,365,169.74	-	-
Shanghai Eastern Airlines Investment Co., Ltd.	20 years	98.79%	424,244,390.15	-	-
Shanghai East Aircraft Maintain Co., Ltd.	20 years	60.00%	12,357,907.75	(380,176.16)	-
Qi Lu Eastern Airlines Catering Co., Ltd.	15 years	65.00%	11,141,617.92	-	-
Eastern (Shantou) Economic Development Co., Ltd.	15 years	55.00%	140,229.02	(6,542,637.11)	-
Shanghai Eastern Union Aviation Wheels & Brakes Overhaul Engineering Co., Ltd.	12 years	40.00%	21,788,796.01	-	-
Eastern China Kaiya System Integration Co., Ltd.	No limit	37.00%	15,766,394.62	-	-
Shanghai Hongpu Civil Airport Communication Co., Ltd.	10 years	30.00%	7,572,547.40	-	-
Yantai Eastern Air Catering Co., Ltd.	15 years	40.00%	3,805,444.05	-	-
Eastern Air Group Finance Co., Ltd.	20 years	25.00%	116,006,942.83	(3,876,732.13)	-
China Eastern Airlines Wuhan Co., Ltd.	30 years	40.00%	152,304,295.48	65,604,181.67	-
Eastern Aviation Advertising Service Co.	No limit	45.00%	16,090,036.72	2,255,853.70	-
Eastern China Airlines Import & Export Co., Ltd.	No limit	45.00%	51,946,060.72	1,306,569.96	-
China Eastern Airlines Food Investment Co. Ltd	20 years	45.00%	157,500,000.00	-	-
Shanghai Dongmei Aviation Travel Co., Ltd.	10 years	45.00%	15,524,257.59	-	-
CAAC Information Network Co., Ltd.		0.30%	4,090,000.00	-	-
Total			2,578,539,797.83	58,367,059.93	-



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5. Notes to Main Items of Financial Statements (Cont'd)

5.8 Long-term Equity Investment (Cont'd)

5.8.2.2 Equity Investment Difference

Investee Company	Original Amount	Amortization Period	Current Period Amortization	Remaining Amount	Reason
Eastern Air Group Finance Co., Ltd.	(5,538,188.77)	10 years	(553,818.88)	(3,876,732.13)	Note 1
Eastern (Shantou) Economic Development Co., Ltd.	(8,178,296.39)	10 years	(817,829.64)	(6,542,637.11)	Note 1
China Eastern Airlines Wuhan Co., Ltd.	76,432,056.31	10 years	7,643,205.63	65,604,181.67	Note 2
Eastern Aviation Advertising Service Co.	2,506,504.11	10 years	250,650.41	2,255,853.70	Note 1
China Eastern Airlines Import and Export Co. Ltd	1,451,744.40	10 years	145,174.44	1,306,569.96	Note 1
Shanghai East Aircraft Maintain Co., Ltd.	(422,417.96)	10 years	(42,241.80)	(380,176.16)	Note 1
Total				58,367,059.93	

Note 1: For detailed reason please refer to 5.8.1.3.

Note 2: For detailed reason please refer to 5.8.1.3.

5.9 Long-term Debt Investment

Item	Amount	Ending Balance		Beginning Balance		Net Value
		Amount	Provision for Impairment	Amount	Provision for Impairment	
Bond	585,736,277.08	-	585,736,277.08	542,124,759.14	-	542,124,759.14
Other Bond	-	-	-	-	-	-
Total	585,736,277.08	-	585,736,277.08	542,124,759.14	-	542,124,759.14

5.9.1 Long-term Bond Investment (Unit: USD)

Category	Par value	Initial Cost	Interest Rate per Annum	Maturity	Interest Accrued, Current	Interest Accrued, Current	Ending Balance Amount	Provision for impairment
US Treasury Zero								
Coupon Bonds	71,475,000.00	27,810,207.00	8.0435477%	Feb. 2004	5,273,939.23	42,959,094.42	70,769,301.42	-

The ending balance is equivalent to RMB585,736,277.08 with the exchange rate of 8.2767 prevailing at the end of the year.



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5. Notes to Main Items of Financial Statements (Cont'd)

5.10 Fixed Assets

Item	Self-purchased Aircraft	Aircraft Engines	Aircraft Held under Financial Lease	Building & Premises	Equipment	Vehicles	Total
Cost:							
Beginning Balance	9,294,019,289.73	1,749,038,680.06	14,986,202,338.31	2,017,664,083.49	1,514,864,287.72	821,947,563.02	30,383,736,242.33
Increase	8,031,761,099.37	156,032,372.64	76,645,083.31	311,397,319.14	149,243,625.73	103,226,812.23	8,828,306,312.42
Decrease	2,173,888,996.23	43,414,143.39	847,003,980.04	3,908,839.51	221,315,110.02	15,326,767.49	3,304,857,836.68
Ending Balance	15,151,891,392.87	1,861,656,909.31	14,215,843,441.58	2,325,152,563.12	1,442,792,803.43	909,847,607.76	35,907,184,718.07
Accumulated Depreciation:							
Beginning Balance	4,234,031,278.18	810,845,462.79	5,834,363,125.35	297,735,268.33	812,279,234.34	506,613,203.22	12,495,867,572.21
Increase	470,199,733.92	75,476,144.05	602,413,390.13	90,489,895.27	136,744,346.39	97,028,377.60	1,472,351,887.36
Decrease	1,453,815,130.93	-	579,225,615.33	364,007.63	205,553,453.36	12,559,223.45	2,251,517,430.70
Ending Balance	3,250,415,881.17	886,321,606.84	5,857,550,900.15	387,861,155.97	743,470,127.37	591,082,357.37	11,716,702,028.87
Net Value:							
Beginning Balance	5,059,988,011.55	938,193,217.27	9,151,839,212.96	1,719,928,815.16	702,585,053.38	315,334,359.80	17,887,868,670.12
Ending Balance	11,901,475,511.70	975,335,302.47	8,358,292,541.43	1,937,291,407.15	699,322,676.06	318,765,250.39	24,190,482,689.20
Provision for Impairment:							
Beginning Balance	3,570,000.00	-	-	-	-	-	3,570,000.00
Increase (Decrease)	-	-	-	-	-	-	-
Ending Balance	3,570,000.00	-	-	-	-	-	3,570,000.00
Book value:							
Beginning Balance	5,056,418,011.55	938,193,217.27	9,151,839,212.96	1,719,928,815.16	702,585,053.38	315,334,359.80	17,884,298,670.12
Ending Balance	11,897,905,511.70	975,335,302.47	8,358,292,541.43	1,937,291,407.15	699,322,676.06	318,765,250.39	24,186,912,689.20

The increase of fixed assets this year includes RMB7,503 million transferred from construction-in-progress. The amount of net fixed assets includes the net value of RMB5,415 million aircraft collateralized. The net value of aircrafts which are operating-leased out is RMB331 million.

The ending balance of net value of asset is 35% higher than last year, which is mainly due to the Company's purchasing of three A340 aircrafts and ten A320 aircrafts.



Notes to the Financial Statements

China Eastern Airlines Corporation Limited

(Prepared in accordance with PRC Accounting Regulations)
Year ended 31 December 2003

5. Notes to Main Items of Financial Statements (Cont'd)

5.11 Construction-In-Progress

Item	Progress	Source of Fund	Book value	Ending Balance Provision for impairment	Net value	Book value	Beginning Balance Provision for impairment	Net value
Advance Payment for								
A320 Aircraft	Uncompleted	Loans, self-financing	1,078,957,432.96	-	1,078,957,432.96	1,708,941,718.42	-	1,708,941,718.42
Advance Payment for								
A340 Aircraft	Uncompleted	Loans, self-financing	620,170,833.90	-	620,170,833.90	1,345,025,891.84	-	1,345,025,891.84
Advance Payment for								
A321 Aircraft	Uncompleted	Loans, self-financing	441,805,880.80	-	441,805,880.80	-	-	-
Advance Payment for refitting								
MD11 Aircraft B2171	Uncompleted	Loans, self-financing	294,651,011.20	-	294,651,011.20	-	-	-
Advance Payment for								
A320 Aircraft Simulator	Uncompleted	Self-financing	82,447,859.74	-	82,447,859.74	-	-	-
B737-800 Aircraft Simulator	Uncompleted	Self-financing	36,004,610.00	-	36,004,610.00	-	-	-
Xiamen International								
Travel Building	Uncompleted	Self-financing	27,700,000.00	19,000,000.00	8,700,000.00	27,700,000.00	10,000,000.00	17,700,000.00
Deposit of A340-600								
Spare Engine	Uncompleted	Self-financing	18,586,592.26	-	18,586,592.26	27,879,888.39	-	27,879,888.39
Overhaul of Eastern Air Mansion	Uncompleted	Self-financing	16,742,840.20	-	16,742,840.20	15,055,632.19	-	15,055,632.19
BEFA340-600 Refitting	Uncompleted	Self-financing	14,892,373.38	-	14,892,373.38	1,377,474.47	-	1,377,474.47
Overhaul Expenses of Aircraft								
Engines	Uncompleted	Self-financing	14,473,371.10	-	14,473,371.10	-	-	-
Aircraft Garage at Changbei	Uncompleted	Self-financing	11,244,173.93	-	11,244,173.93	4,887,449.10	-	4,887,449.10
Transformer Substation	Uncompleted	Self-financing	9,295,949.00	-	9,295,949.00	8,350,987.00	-	8,350,987.00
AOC Office Refitting	Uncompleted	Self-financing	7,705,627.80	-	7,705,627.80	-	-	-
Advance Payment for								
B737 Aircraft	Uncompleted	Loans, self-financing	6,662,160.33	-	6,662,160.33	6,662,160.33	-	6,662,160.33
Refitting MD11 Aircraft								
BEF2171	Uncompleted	Self-financing	5,639,239.16	-	5,639,239.16	-	-	-
Financial Management								
Information System	Uncompleted	Self-financing	5,499,480.00	-	5,499,480.00	-	-	-
Earning Management								
Information System	Uncompleted	Self-financing	4,659,464.96	-	4,659,464.96	-	-	-
Fire Protection Pump Station								
For Area of Maintenance	Uncompleted	Self-financing	3,716,018.02	-	3,716,018.02	1,840,140.02	-	1,840,140.02
80 Units of Area Airport Land	Uncompleted	Self-financing	3,290,000.00	-	3,290,000.00	-	-	-
Others (78 items)	Uncompleted	Loans, self-financing	63,938,935.74	-	63,938,935.74	296,023,124.36	-	296,023,124.36
Total			2,768,083,854.48	19,000,000.00	2,749,083,854.48	3,443,744,466.12	10,000,000.00	3,433,744,466.12



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5. Notes to Main Items of Financial Statements (Cont'd)

5.11 Construction-In-Progress (Cont'd)

Total amount of RMB6,924 million increased in construction-in-progress and RMB7,503 million is transferred to fixed assets while RMB97 million is transferred to other accounts.

The beginning balance of capitalized interest included is RMB123 million and increases by RMB101 million during this year. Total amount transferred to fixed assets is RMB160 million and the year-ending balance is RMB64 million. The percentage of average capitalization to determine amount of capitalized interest is 2.72%.

The main reason for the year-end balance higher than beginning balance is the company purchased three A340 aircrafts and ten A320 aircrafts and transferred the advance payment for these aircraft.

5.12 Intangible Assets

Category	Land Use Right	Premise Use Right	Software	Others	Total
Initial Amount	1,306,788,133.64	43,732,860.00	20,572,775.19	1,153,565.00	1,372,247,333.83
Acquisition Method	Contribution/self-purchase	Self-purchase	Self-purchase	Self-purchase	
Beginning Balance:					
Amount	1,228,560,871.72	40,006,560.18	4,412,744.15	522,785.00	1,273,502,961.05
Less: Provision for Impairment	-	-	-	-	-
Net Value	1,228,560,871.72	40,006,560.18	4,412,744.15	522,785.00	1,273,502,961.05
Increase:	-	-	16,064,450.00	400,000.00	16,464,450.00
Decrease:	-	-	-	-	-
Transfer out	-	-	-	-	-
Amortization	28,646,406.29	879,140.98	1,908,980.63	142,386.67	31,576,914.57
Provision (write-off) of impairment	-	-	-	-	-
Subtotal	28,646,406.29	879,140.98	1,908,980.63	142,386.67	31,576,914.57
Ending Balance:					
Amount	1,199,914,465.43	39,127,419.20	18,568,213.52	780,398.33	1,258,390,496.48
Less: Provision for Impairment	-	-	-	-	-
Net Value	1,199,914,465.43	39,127,419.20	18,568,213.52	780,398.33	1,258,390,496.48
Remaining Months	44~564	540	36~111	28~59	-



Notes to the Financial Statements

China Eastern Airlines Corporation Limited

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5. Notes to Main Items of Financial Statements (Cont'd)

5.12 Intangible Assets (Cont'd)

The management committee considers that: The Company has not charge the provision for impairment, because there is no situation of market value exceeds their book value.

5.13 Long-term Amortization Charges

Item	Customs Duties and VAT on Aircraft Held under Operating Lease & Supervision Charges on Aircraft with Tax Reduction	Flying Crew Training Expenses	Aircraft Modification Expenses	Uniform Cost	Other Deferred Expenses	Total
Initial Amount	205,146,907.73	100,879,100.00	106,951,817.69	35,526,611.28	39,356,549.06	487,860,985.76
Beginning Balance	65,806,988.58	63,862,831.00	72,237,816.85	15,895,722.38	30,298,888.17	248,102,246.98
Increase	-	-	9,152,696.98	18,679,317.06	354,240.18	28,186,254.22
Amortization	17,835,591.60	23,963,854.00	11,986,521.92	13,610,672.25	5,802,076.81	73,198,716.58
Transfer out	-	-	-	1,195,938.20	-	1,195,938.20
Ending Balance	47,971,396.98	39,898,977.00	69,403,991.91	19,768,428.99	24,851,051.54	201,893,846.42
Accumulated						
Amortization	157,175,510.75	37,016,269.00	37,547,825.78	15,758,182.29	14,505,497.52	-
Remaining						
Months	27-28	20	92-96	-	-	-

5.14 Deferred Tax Debts

5.14.1 Consolidated

Item	Ending Balance	Beginning Balance
Provision for Bad Debts	38,560,147.38	33,917,994.63
Provision for Impairment of Inventory	89,964,575.74	50,535,492.19
Provision for Impairment of Fixed Assets	535,500.00	535,500.00
Unverified Losses under Disposal of Fixed Assets	632,513.93	-
Provision for Impairment of Construction-in-progress	2,850,000.00	1,500,000.00
Provision for Impairment of Long-term Investment	580,156.70	580,156.70
Tax Losses	-	141,476,924.86
Total	133,122,893.75	228,546,068.38



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5. Notes to Main Items of Financial Statements (Cont'd)

5.14 Deferred Tax Debits (Cont'd)

5.14.1 Consolidated (Cont'd)

The company did not recognize the tax losses this year and transferred the amount of prior period tax losses to the current income tax expense, based on the prudence principle and the code of No.(2003)29 which is promulgated by the Ministry of Finance.

5.14.2 Parent Company

Item	Ending Balance	Beginning Balance
Provision for Bad Debts	23,766,108.91	20,701,465.62
Provision for Impairment of Inventory	83,685,044.13	44,649,956.26
Provision for Impairment of Fixed Assets	535,500.00	535,500.00
Unverified Losses under Disposal of Fixed Assets	632,513.93	
Provision for Impairment of Construction-in-progress	2,850,000.00	1,500,000.00
Provision for Impairment of Long-term Investment	–	–
Tax Losses	–	141,476,924.86
Total	111,469,166.97	208,863,846.74

5.15 Short-term Loans

Category	Ending Balance	Beginning Balance
Credit Loans	4,601,917,352.58	4,501,508,747.03
Guarantee Loans	30,000,000.00	–
Total	4,631,917,352.58	4,501,508,747.03

Guarantee Loans are borrowed by Eastern Airlines Hotel Co., Ltd.- a stock-held subsidiaries of the Company from Eastern Air Group Finance Co., Ltd. and the guarantor is Eastern Air Group Co., a shareholder holding over 5% of the Company's share capital.

5.16 Notes Payable

Item	Ending Balance	Beginning Balance
Commercial Acceptance Bills	676,486,871.84	411,246,877.94
Bank Acceptance Bills	80,000,000.00	–
Total	756,486,871.84	411,246,877.94



(Prepared in accordance with PRC Accounting Regulations)
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5. Notes to Main Items of Financial Statements (Cont'd)

5.16 Notes Payable (Cont'd)

The Company has signed integrated credit facility contracts with China Construction Bank Shanghai Branch, Shanghai Bank, China Minsheng Banking Co. Ltd. Shanghai Branch, Shenzhen Development Bank Shanghai Branch, and Xingye Bank Shanghai Branch this year. The company pay for the goods by issuing the commercial acceptance drafts whose interests are born by the buyer.

The notes payable are discounted commercial acceptance bills issued by banks for the purchase of equipment with discount interests born by the Company.

Among the year-end balance, no amount is due from shareholder holding over 5% (including 5%) of the Company's share capital.

The ending balance is 84% higher than the last year, mainly due to the Company increases its financing to satisfy the increasing investment.

5.17 Accounts Payable

	Ending Balance	Beginning Balance
	370,753,762.69	371,620,243.08

Accounts payable refer to the amounts payable to other airlines, which have been billed but unsettled yet and the amounts payable for purchase of aviation equipment.

There is no amount due to shareholders holding more than 5% (including 5%) of the Company's voting shares.

5.18 Advances from Customers

	Ending Balance	Beginning Balance
	95,527,168.39	61,085,495.49

There is no amount due to shareholders that hold more than 5% (including 5%) of the Company's voting shares.



(Prepared in accordance with PRC Accounting Regulations)
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5. Notes to Main Items of Financial Statements (Cont'd)

5.19 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 RMB808,998,400.37.

5.20 Domestic Sales in Advance of Carriage

<Domestic 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 domestic 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 RMB253,000,258.93.

5.21 Dividend payable

Item	Ending Balance	Beginning Balance
Dividends of Legal-person Shares	735,594.70	2,948,841.00
Dividends of Public Shares	–	–
Total	735,594.70	2,948,841.00

5.22 Tax Payable

Item	Ending Balance	Beginning Balance
Income Tax	185,850,339.44	122,686,423.44
Value-added Tax	7,014,698.63	1,836,551.03
Business Tax (Note)	(9,662,805.69)	55,027,588.52
City Construction Tax	152,775.12	3,724,309.17
Others	3,585,952.89	4,254,667.70
Total	186,940,960.39	187,529,539.86

Note: Business tax payable showing a debit balance is because of the tax exemption received after the actual payments, which can offset the payable in the next year.



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5. Notes to Main Items of Financial Statements (Cont'd)

5.23 Civil Aviation Infrastructure Levies Payable

The civil aviation infrastructure levies are charged at a certain percentage of the traffic revenue and are payable to CAAC. The year-end balance is RMB29,014,186.52, 81% less than that of last year, which is mainly because the Company met the exemption regulation since May 2003.

5.24 Other outstanding payment (Statutory)

The ending balance of Other outstanding payment (Statutory) is RMB336,823,440.10, 9,320% higher than the beginning balance, mainly because the Company follows "Regulations on the Accounting Treatment in the Reform of Staff Housing" (Cai-kuai [2001] 5) and has accrued housing subsidy for employees.

5.25 Other Payables

	Ending Balance	Beginning Balance
	1,330,458,305.06	770,363,539.11

Among the ending balance, RMB19,140 million is payable to Eastern Air Group Company, a shareholder holding over 5% of the Company's share capital.

The ending balance is 73% higher than the last year, mainly due to the increased Customs Duties, VAT, and import commission for newly purchased aircrafts.

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5. Notes to Main Items of Financial Statements (Cont'd)

5.26 Accrued Expenses

Item	Ending Balance	Beginning Balance
Accrued Interest on Aircraft under Financial Lease	137,948,486.64	93,964,429.15
Accrued Interest on Loan	27,143,453.92	19,488,742.65
Aircraft Operating Lease Obligation	137,273,131.76	71,488,498.31
Overhaul Expenses of Aircraft Engines	1,056,316,918.26	1,202,799,635.72
Taking-off & Landing Charges	683,835,038.21	420,325,453.57
Aircraft Fuel	708,322,128.36	307,475,642.31
Food and Beverage	121,553,879.31	62,049,268.88
Aircraft Insurance	84,368,514.74	12,446,521.30
Flight Crew Training	106,484,790.41	8,162,818.47
Off-Port Information Expense	95,598,325.20	56,288,250.93
Flying Hours Expenses	11,828,037.73	10,786,374.12
Rentals of Office Buildings	942,873.51	15,903,578.11
Airport Consumables Repairing Charge	44,850,000.00	–
Others	19,514,611.00	16,255,480.08
Total	3,235,980,189.05	2,297,434,693.60

The ending balance is 73% higher than the last year, mainly due to longer settlement period of the Company.

5.27 Current Portion of Long-term Liabilities

Item	Ending Balance	Beginning Balance
Current Portion of Long-term Loans	1,956,619,716.19	984,952,960.00
Current Portion of Long-term Accounts Payable	1,986,221,318.24	2,524,415,084.78
Current Portion of Amount Payable due to Assets Transfer	30,000,000.00	30,000,000.00
Total	3,972,841,034.43	3,539,368,044.78

Current Portion of Long-term Accounts Payable is amount payable for fixed assets held under financial lease. Details are as follows:

Item	Ending Balance	Beginning Balance
The least payment for fixed assets held under financial lease	2,427,469,083.52	3,114,783,680.70
Less: Un-transferred financing expenses	441,247,765.28	590,368,595.92
Net amount of long-term accounts payable for fixed assets held under financial lease	1,986,221,318.24	2,524,415,084.78



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5. Notes to Main Items of Financial Statements (Cont'd)

5.28 Long-term Loans

Type	Ending Balance	Beginning Balance
Credit	3,434,162,629.12	2,348,556,295.63
Guaranteed	412,500,000.00	687,500,000.00
Collateralized	3,963,321,055.33	739,832,417.12
Total	7,809,983,684.45	3,775,888,712.75

The guarantor of the debt above is Eastern Air Group Co., a shareholder holding over 5% of the Company's share capital.

The collateral of the collateralized loans are eleven A320 aircrafts, one A340 aircraft and two B-737 Aircrafts, of which the relevant procedures are still in process.

The ending balance is 107% higher than the last year, mainly due to more financing for increasing investment.

5.29 Long-term Accounts Payable

Item	Ending Balance	Beginning Balance
Accounts payable for fixed assets held under financial lease	6,570,984,780.75	7,393,355,532.98
Accounts payable to China Civil Aviation Flight Institute	150,000,000.00	180,000,000.00
Total	6,720,984,780.75	7,573,355,532.98

5.29.1 Accounts Payable for Fixed Assets Held under Financial Lease

Item	Ending Balance	Beginning Balance
Least payment for fixed assets held under financial lease	7,329,817,580.65	8,502,268,858.55
Less: Un-transferred financing expenses	758,832,799.91	1,108,913,325.57
Net amount of long-term accounts payable for fixed assets held under financial lease	6,570,984,780.75	7,393,355,532.98

The ending balance of accounts payable for fixed assets held under financial lease is RMB6,570,984,780.75, which is payable to financial lease companies for aircraft held under financial lease. The balance includes USD 515,095,962.75 translated at the exchange rate of @ 8.2767; DEM 199,814,676.67, translated at @5.2859; JPY 16,197,787,123.00, translated at @0.077263.

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5. Notes to Main Items of Financial Statements (Cont'd)

5.29 Long-term Accounts Payable (Cont'd)

5.29.2 Payment for China Civil Aviation Flight Institute

The Company acquired the assets of Great Wall Airlines Co., which was under the jurisdiction of China Civil Aviation Flight Institute, at a price of RMB270 million. According to the transfer agreement, the Company will pay in installments in 9 years starting from June 2001. The Company paid RMB30 million this year. Accumulated paid RMB90 million and ending balance RMB150 million.

5.30 Deferred Tax Credits

Item	Ending Balance	Beginning Balance
Tangible Assets Donated	181,714.53	181,714.53
Assets Revaluation Increment	392,962.50	471,555.00
Return of investment	–	1,470,102.86
Depreciation	258,223,983.81	182,463,110.05
Total	258,798,660.84	184,586,482.44

5.31 Share Capital

	Beginning Balance	Change, Current	Ending Balance
I. Unlisted Shares			
1. Sponsors' Shares			
Including:			
State-owned Shares	3,000,000,000.00	–	3,000,000,000.00
2. Subscribed Legal Person Shares			
3. Internal Staff Shares			
Total Unlisted Shares	3,000,000,000.00	–	3,000,000,000.00
II. Listed Shares			
1. Domestically Listed RMB Common shares	300,000,000.00	–	300,000,000.00
2. Domestically Listed Foreign Invested Shares			
3. Overseas Listed Foreign Invested Shares	1,566,950,000.00	–	1,566,950,000.00
Total Listed Shares	1,866,950,000.00	–	1,866,950,000.00
III. Total Capital Shares	4,866,950,000.00	–	4,866,950,000.00



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5. Notes to Main Items of Financial Statements (Cont'd)

5.32 Capital Reserve

Item	Beginning Balance	Increase	Decrease	Ending Balance
Premium on Shares	954,456,511.50	–	–	954,456,511.50
Reserve for Equity Investment	29,728,008.58	336,045.97	–	30,064,054.55
Reserve for Asset				
Revaluation Increment	203,086,312.74	–	40,540,209.92	162,546,102.82
Other Capital Surplus				
Transferred In	69,838,951.60	40,604,030.92	110,442,982.52	–
Transferred from Payments for				
Special Purpose	–	19,888.00	–	19,888.00
Total	1,257,109,784.42	40,959,964.89	150,983,192.44	1,147,086,556.87

The current decrease of <Capital Surplus-Reserve for Asset Revaluation Increment> mainly refers to the amortization of asset evaluation increment of RMB400,948,524.29 formed during the restructuring of the Company. From year 1998, the balance is to be amortized into < Capital Surplus-Other Capital Surplus Transferred In> evenly over a period of 10 years.

The decrease of < Other Capital Surplus Transferred In > is mainly because the Company has utilized part of the capital reserve after adoption of "Staff Housing Reform of China Eastern Airlines Corporation Limited" and its implementation procedures since Jan. 1, 2003. This policy has already been passed in the 16th routine meeting of the Board of Directors held in April 2003 pursuant to circulars of Cai-Qi [2000] 295 and Cai-Kuai [2001] 5 issued by Ministry of Finance.

5.33 Surplus Reserve

Item	Beginning Balance	Increase, Current	Decrease, Current	Ending Balance
Statutory Surplus Reserve	29,593,534.24	30,227,402.60	–	59,820,936.84
Public Welfare Fund	29,512,368.58	29,390,620.58	–	58,902,989.16
Discretionary Surplus Reserve	81,165.66	–	–	81,165.66
Total	59,187,068.48	59,618,023.18	–	118,805,091.66

The increased Statutory Surplus Reserve and Public Welfare Funds are reserved according to the net profit of 2 consolidated subsidiaries – China Cargo Airlines Co., Ltd. and Shanghai East Airline investment Co., Ltd..

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5. Notes to Main Items of Financial Statements (Cont'd)

5.34 Undistributed Profit

Undistributed Profit at the Beginning of the Year	198,158,023.32
Add: Current Profit	(825,971,803.30)
Less: Provision for staff housing benefits	218,496,333.73
Distributable Profit	(846,310,113.71)
Less: Appropriation of Surplus Reserve	59,618,023.18
Ending Balance	(905,928,136.89)

5.35 Revenue from Main Operations

5.35.1 Consolidated

5.35.1.1 Business Type

Item	Year 2003			Year 2002		
	Revenue	Cost	Profit	Revenue	Cost	Profit
Air Transportation & Commission	13,983,687,842.77	11,762,059,581.10	2,221,628,261.67	13,379,279,059.75	10,213,367,112.89	3,165,911,946.86
Training	15,370,510.38	12,928,553.68	2,441,956.70	11,366,765.58	7,648,578.38	3,718,187.20
Total	13,999,058,353.15	11,774,988,134.78	2,224,070,218.37	13,390,645,825.33	10,221,015,691.27	3,169,630,134.06

5.35.1.2 Region

Item	Year 2003			Year 2002		
	Revenue	Cost	Profit	Revenue	Cost	Profit
Domestic	6,242,387,220.79	5,496,774,914.49	745,612,306.30	5,571,650,074.70	4,659,868,050.69	911,782,024.01
International	5,747,487,545.89	4,567,356,411.93	1,180,131,133.96	5,612,659,786.51	4,123,430,579.29	1,489,229,207.22
Regional	2,009,183,586.47	1,710,856,808.36	298,326,778.11	2,206,335,964.12	1,437,717,061.29	768,618,902.83
Total	13,999,058,353.15	11,774,988,134.78	2,224,070,218.37	13,390,645,825.33	10,221,015,691.27	3,169,630,134.06

The revenue from top 5 customers is RMB1,139 million, representing 8% of the total revenue.

5.35.2 Parent Company

5.35.2.1 Business Type

Item	Year 2003			Year 2002		
	Revenue	Cost	Profit	Revenue	Cost	Profit
Air Transportation & Commission	11,061,812,480.67	9,655,745,315.47	1,406,067,165.20	11,128,759,660.56	8,510,522,752.59	2,618,236,907.97
Training	-	-	-	-	-	-
Total	11,061,812,480.67	9,655,745,315.47	1,406,067,165.20	11,128,759,660.56	8,510,522,752.59	2,618,236,907.97



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5. Notes to Main Items of Financial Statements (Cont'd)

5.35 Revenue from Main Operations (Cont'd)

5.35.2.2 Region

Item	Year 2003			Year 2002		
	Revenue	Cost	Profit	Revenue	Cost	Profit
Domestic	5,209,284,524.38	4,560,046,428.45	649,238,095.93	4,785,673,698.76	4,049,510,978.23	736,162,720.53
International	3,983,811,739.20	3,445,026,148.78	538,785,590.42	4,288,482,219.73	3,159,948,587.51	1,128,533,632.22
Regional	1,868,716,217.09	1,650,672,738.24	218,043,478.85	2,054,603,742.07	1,301,063,186.85	753,540,555.22
Total	11,061,812,480.67	9,655,745,315.47	1,406,067,165.20	11,128,759,660.56	8,510,522,752.59	2,618,236,907.97

The revenue from top 5 customers is 1,139 million, representing 10% of the total revenue.

5.36 Revenue for Civil Air Infrastructure Construction Fund

	Year 2003	Year 2002
	129,645,221.00	430,869,428.70

The Revenue for Civil Air Infrastructure Construction Fund is 70% less than that of last year, mainly because the Company is exempt from Civil Aviation Infrastructure Levies from May 1, 2003 according to "Notice on the Reduction or Exemption of Government Fund for Industries Seriously Influenced by Sars" issued by the Ministry of Finance (its ref. No HZMD 2003-1), reducing the Revenue for Civil Air Infrastructure Construction Fund by RMB328 million.

5.37 Business Tax and Additional

Item	Year 2003	Year 2002
Business Tax	152,855,144.10	276,858,909.03
City Construction Tax	9,877,254.52	18,863,070.34
Education Tax	4,626,064.60	8,716,110.60
Total	167,358,463.22	304,438,089.97

The business tax and additional is 45% less than that of last year, mainly because the business tax and additional levied on passenger transportation from May to September is returned to the Company at the full amount as financial subsidy according to Implementation of "Guidance on the Measures to Lower the Influence of Sars on Some Industries" issued by Shanghai Municipal Government (Hu-cai-fa 2003 No. 55). Pursuant to relevant rules, the civil aviation business of the Company is exempt from business tax, city construction tax and additional education tax from Oct. 1, 2003 to Dec. 31, 2003. The business tax and additional is reduced by 153 million this year due to the preferential policy.

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5. Notes to Main Items of Financial Statements (Cont'd)

5.38 Other Operating Revenue

Item	Year 2003			Year 2002		
	Revenue	Cost	Profit	Revenue	Cost	Profit
Materials Transfer	10,979,268.19	11,281,151.88	-301,883.69	11,804,244.71	9,030,533.64	2,773,711.07
Commission	193,861.48	16,696.40	177,165.08	693,951.91	21,554.30	672,397.61
Ground Service	627,804,688.24	286,573,319.20	341,231,369.04	583,620,478.71	221,787,109.39	361,833,369.32
Overhaul Expenses of Aircraft Engines	28,203,593.55	21,625,727.66	6,577,865.89	-	-	-
Aircraft Sub-lease	95,527,708.25	43,866,576.98	51,661,131.27	208,460,506.76	40,001,610.61	168,458,896.15
Fuel Surcharges	-	-	-	304,340.85	15,202.24	289,138.61
Others	28,137,814.00	17,648,692.47	10,489,121.53	15,324,492.24	5,044,469.18	10,280,023.06
Total	790,846,933.71	381,012,164.59	409,834,769.12	820,208,015.18	275,900,479.36	544,307,535.82

5.39 General & Administrative Expenses

The General & Administrative Expenses is RMB1,083,814,024.61, 31% higher than last year, mainly due to the company intended to dispose FK100, MD82, B737-200 airport consumables the charge the provision for impairment according to the different between the expected market value and book value.

5.40 Financial Expenses

Item	Year 2003	Year 2002
Interest Expenses	822,474,889.49	884,500,906.00
Less: Interest Income	108,408,300.66	77,326,940.51
Exchange Losses	369,031,974.00	256,550,847.45
Less: Exchange Gains	306,183,837.29	223,508,872.85
Others	8,125,980.10	4,305,655.88
Total	785,040,705.64	844,521,595.97



(Prepared in accordance with PRC Accounting Regulations)
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5. Notes to Main Items of Financial Statements (Cont'd)

5.41 Investment Income

5.41.1 Consolidated

Item	Year 2003	Year 2002
Stock Investment Gains	22,203,405.49	490,645.16
Bond Investment Gains	43,604,968.41	40,357,799.48
Profit Distributed by Investee Company		
Accounted with Cost Method	993,288.00	–
Net Increase (Decrease) of Shareholders' Equity of		
Investee Companies Adjusted at the End of the Year	(17,000,829.32)	(17,939,062.73)
Amortization of Equity Investment Difference	(5,996,539.49)	(1,650,811.17)
Total	43,804,293.09	21,258,570.74

The investment income is 106% higher than last year, which is the return of investment mainly because Shanghai East Airport investment Co., Ltd, the subsidiary of the company, disposed the short-term investment.

5.41.2 Parent Company

Item	Year 2003	Year 2002
Stock Investment Gains	–	–
Bond Investment Gains	43,604,968.41	40,357,799.48
Net Increase (Decrease) of Shareholders' Equity of		
Investee Companies Adjusted at the End of the Year	290,186,821.66	147,933,467.28
Amortization of Equity Investment Difference	(6,625,140.16)	(1,813,020.49)
Others	–	–
Total	328,159,937.91	186,478,246.27

The parent company's income on investment is 76% higher than last year, mainly due to the increased net profit of China Cargo Airlines Co., Ltd., a share-hold subsidiary of the company than last year.

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Year ended 31 December 2003

5. Notes to Main Items of Financial Statements (Cont'd)

5.42 Subsidy Income

Item	Year 2003	Year 2002
Airline subsidy	5,860,000.00	–
Return of Tax	43,568,528.18	–
Financial Subsidy	38,466,000.00	54,810,000.00
Total	87,894,528.18	54,810,000.00

5.42.1 With the regulation (2003)55 of Shanghai Ministry of Finance, the Company is granted a Financial subsidy of RMB43,568,528.18.

5.42.2 The Company received financial subsidy RMB38,466,000.00, including fund of financial subsidy RMB22,366,000.00 and of financial subsidy interest RMB16,100,000.00.

5.43 Non-operating Income

Item	Year 2003	Year 2002
Net Gains on Disposal of Fixed Assets	1,330,807.51	28,417,571.21
Penalty Income	3,952,829.46	1,978,443.48
Others	117,699,085.21	504,608.71
Stock Profit of Fixed Assets	–	26,248.80
Total	122,982,722.18	30,926,872.20

According to the < business accounting method of civil aviation company > which transmitted from regulation (2003)18 issue by ministry of finance, the company recognized the amount in International & Domestic Sales in Advance of Carriage which exceeds the settlement period as "excesses settlement period", and transferred the amount into non-operating income. (the Company handled this excesses settlement period amount into main operation income before taking this method). The amount transferred this year is RMB116 millions.

5.44 Non-operating Expenses

Item	Year 2003	Year 2002
Net Loss on Disposal of Fixed Assets	9,674,564.75	19,647,884.77
Penalties	865,566.54	1,707,403.00
Donation	328,941.06	1,860,218.19
Provision for Impairment of Construction-in-progress	9,000,000.00	–
Others	8,656,113.78	5,110,348.15
Total	28,525,186.13	28,325,854.11



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5. Notes to Main Items of Financial Statements (Cont'd)

5.45 Income Tax

The income tax this year is RMB296,270,791.76, which is deferred income taxes. The main reason of income tax higher than last year is referenced at 5.14.1.

5.46 Other Significant Items in the Cash Flows Statement

- 5.46.1 Included in cash received relating to other investing activities is RMB13,454,791.82, which is the beginning balance of cash and cash equivalents of Eastern Airlines Hotel, a subsidiary included in the consolidation scope this period.
- 5.46.2 Included in cash paid relating to other investing activities is RMB30,000,000.00, paid for the purchase of Great Wall Airlines Co., an affiliate of former China Civil Aviation Flight Institute, according to assets transfer agreement.
- 5.46.3 Included in cash received relating to other financing activities is RMB73,774,497.56, interest income from the deposit for aircraft held under finance lease.
- 5.46.4 Included in the cash paid relating to other financing activities is RMB1,720,800,203.97, principal and interest paid for the finance lease.

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5. Notes to Main Items of Financial Statements (Cont'd)

5.47 Subsidiaries Included in the Consolidation Scope Starting from this Period

Eastern Airlines Hotel Co., Ltd. was in the stage of preparation last year and not included in consolidation scope accordingly. The hotel started formal operation since Jan. 1 of this year. The financial statements of the company as of the end of this year are included in the consolidation scope. The main financial data of the company is as follows:

	Ending Balance	Beginning Balance
Total assets	96,710,624.18	96,388,062.46
Current assets	6,864,922.28	51,788,313.80
Long-term investment	–	–
Fixed assets	89,845,701.90	44,599,748.66
Intangible assets	–	–
Other assets	–	–
Total liability	38,033,975.25	26,388,062.46
Current liability	38,033,975.25	26,388,062.46
Long-term liability	–	–

	Year 2003	Year 2002
Main operation revenue	9,391,163.02	–
Main operation income	6,444,608.62	–
Total income	(11,323,351.07)	–
Income tax expenses	–	–
Net income	(11,323,351.07)	–



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5. Notes to Main Items of Financial Statements (Cont'd)

5.48 Stock-holding Subsidiaries newly Invested

The Company invested in Shanghai East Aircraft Maintain Co., Ltd. and Shanghai Eastern Airlines Swire Investment Co., Ltd. in the form of cash and has control over the two companies. The financial statements of the two companies as of the end of this period are included in the consolidation scope. The main financial data of the two companies are as follows:

5.48.1 Shanghai East Aircraft Maintain Co., Ltd.

	Ending Balance
Total assets	21,845,397.35
Current assets	19,774,378.31
Long-term investment	-
Fixed assets	2,071,019.04
Intangible assets	-
Other assets	-
Total liability	615,257.50
Current liability	615,257.50
Long-term liability	-

	Year 2003
Main operation revenue	1,114,038.94
Main operation income	(182,525.22)
Total income	(4,427,630.15)
Income tax expenses	-
Net income	(4,427,630.15)

(Prepared in accordance with PRC Accounting Regulations)
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5. Notes to Main Items of Financial Statements (Cont'd)

5.48 Stock-holding Subsidiaries newly Invested (Cont'd)

5.48.2 Shanghai Eastern Airlines Swire Investment Co., Ltd.

	Ending Balance
Total assets	18,624,840.32
Current assets	18,267,200.14
Long-term investment	
Fixed assets	3,400.00
Intangible assets	
Other assets	354,240.18
Total liability	1,815.32
Current liability	1,815.32
Long-term liability	-

	Year 2003
Main operation revenue	-
Main operation income	-
Total income	-
Income tax expenses	-
Net income	-

5.49 Non-frequented gains and losses

Item	Year 2003	Year 2002
Gain on short-term investment	18,872,894.67	417,048.39
Subsidy income	75,135,348.95	46,588,500.00
Gains on disposal of fixed assets	1,113,033.44	24,141,029.50
Revenue of Sales in Advance of Carriage excesses settlement period	98,966,740.57	-
Other Operating Revenue	4,424,966.51	2,125,010.23
Less: Losses on disposal of fixed assets	8,832,544.21	16,455,434.21
Other Non-operating Expense	8,495,601.45	8,041,296.24
Total	181,184,838.48	48,774,857.67



(Prepared in accordance with PRC Accounting Regulations)
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6. Related Party Relationships and Transactions

6.1 Related Parties with Control Relationship

6.1.1 Brief Introduction of Related Parties with Control Relationship

Company	Registered Address	Main Operations	Relation with the Company	Type	Legal Representative
Eastern Air Group Company	Hongqiao West Rd., Shanghai	Management of subsidiary companies	Parent company	State-owned	Ye Yigan
Shanghai Eastern Flight Training Co., Ltd.	Waigaoqiao, Shanghai	Training of flying crew and other staff in connection with aviation	Subsidiary	Limited Liability	Yan Banghong
Qi Lu Eastern Air Catering Co. Ltd.	Jinan	Manufacturing and sale of food, supply of food and beverage on board	Subsidiary	Limited Liability	Wang Yunlong
Jiangsu Eastern Airlines International Travel Agency Co., Ltd.	Nanjing	Tourist service, sales of souvenirs and handicraft	Subsidiary	Limited Liability	Hua Dexiang
Eastern Airlines Hotel Co., Ltd.	Beijing	Sales of packaged food, beverage, knitwear, grocery	Subsidiary	Limited Liability	Cao Jianxiong
China Cargo Airlines Co. Ltd.	Pudong New Area	Air transportation of cargo and mails over domestic and international air routes	Subsidiary	Limited Liability	Li Zhongming
Jiangnan Tourism (Hong Kong) Co.	Hong Kong	Tourist service	Subsidiary	Limited Liabilities	Su Guoxin
Eastern Airlines (Shantou) Economic Development Co., Ltd.	Shantou	Manufacture and sales of products on airlines, sales of grocery and chemistries materials	Subsidiary	Limited Liabilities	Wu JiuHong
China Eastern Airlines Jiangsu Co., Ltd.	Nanjing	Air transportation of passengers, cargo and mails over domestic and approved international air routes	Subsidiary	Limited Liability	Su Guoxin
Eastern Airlines Jiangsu Advertisement Co.	Nanjing	Design of newspaper, advertisement, and presswork	Subsidiary	Collective owned enterprise	Yang Jianmin
Shanghai Eastern Fudart Transportation Services Co., Ltd.	Pudong New Area, Shanghai	Agent services for transportation of imp. & exp. cargo by air or sea; international air express	Subsidiary	Sino-foreign joint venture	Zhou LiguO
Shanghai Eastern Airlines Investment Co., Ltd.	Pudong New Area, Shanghai	Industry investment and the related consulting services	Subsidiary	Limited Liability	Liu Shaoyong
Shanghai East Aircraft Maintain Co., Ltd.	Pudong New Area, Shanghai	Airline maintaining services	Subsidiary	Sino-foreign joint venture	Yang Xu

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6. Related Party Relationships and Transactions (Cont'd)

6.1 Related Parties with Control Relationship (Cont'd)

6.1.2 Registered Capital and its Movement of Related Parties with Control Relationship

Company	Beginning Balance	Increase	Decrease	Ending Balance
Eastern Air Group Company	748,970,000.00	–	–	748,970,000.00
Shanghai Eastern Flight Training Co., Ltd.	358,000,000.00	115,000,000.00	–	473,000,000.00
Qi Lu Eastern Air Catering Co. Ltd.	13,366,667.20	–	–	13,366,667.20
Jiangsu Eastern Airlines International Travel Agency Co., Ltd.	1,500,000.00	–	–	1,500,000.00
Eastern Airlines Hotel Co., Ltd.	70,000,000.00	–	–	70,000,000.00
China Cargo Airlines Co. Ltd.	500,000,000.00	–	–	500,000,000.00
Eastern Airlines (Shantou) Economic Development Co., Ltd.	5,000,000.00	–	–	5,000,000.00
Jiangnan Tourism (Hong Kong) Co.	641,100.00	–	–	641,100.00
China Eastern Airlines Jiangsu Co., Ltd.	257,503,600.00	–	–	257,503,600.00
Eastern Airlines Jiangsu Advertisement Co.	300,000.00	–	–	300,000.00
Shanghai Eastern Fudart Transportation Services Co., Ltd.	USD1,000,000	–	–	USD1,000,000
Shanghai Eastern Airlines Investment Co., Ltd.	300,000,000.00	112,500,000.00	–	412,500,000.00
Shanghai East Aircraft Maintain Co., Ltd.	–	USD3,100,000	–	USD3,100,000



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6. Related Party Relationships and Transactions (Cont'd)

6.1 Related Parties with Control Relationship (Cont'd)

6.1.3 Stock Held and its Movement of Related Parties with Control Relationship

Company	Beginning Balance		Increase, Current		Decrease, Current		Ending Balance	
	Amount	%	Amount	%	Amount	%	Amount	%
Eastern Air Group Company	3,000,000,000.00	62.00	-	-	-	-	3,000,000,000.00	62.00
Shanghai Eastern Flight Training Co., Ltd.	340,100,000.00	95.00	109,250,000.00	-	-	-	449,350,000.00	95.00
Qi Lu Eastern Air Catering Co. Ltd.	8,688,333.68	65.00	-	-	-	-	8,688,333.68	65.00
Jiangsu Eastern Airlines International Travel Agency Co., Ltd.	577,500.00	38.50	-	-	-	-	577,500.00	38.50
Eastern Airlines Industrial Co., Ltd.	60,100,000.00	85.86	-	-	-	-	60,100,000.00	85.86
China Cargo Airlines Co. Ltd.	350,000,000.00	70.00	-	-	-	-	350,000,000.00	70.00
Eastern Airlines (Shantou) Economic Development Co., Ltd.	2,750,000.00	55.00	-	-	-	-	2,750,000.00	55.00
Jiangnan Tourism (Hong Kong) Co.	352,605.00	55.00	-	-	-	-	352,605.00	55.00
China Eastern Airlines Jiangsu Co., Ltd.	141,626,980.00	55.00	-	-	-	-	141,626,980.00	55.00
Eastern Airlines Jiangsu Advertisement Co.	893,354.87	55.00	-	-	-	-	893,354.87	55.00
Shanghai Eastern Fudart Transportation Services Co., Ltd.	7,088,244.40	51.00	-	-	-	-	7,088,244.40	51.00
Shanghai Eastern Airlines Investment Co., Ltd.	295,020,000.00	98.34	112,500,000.00	0.45	-	-	407,520,000.00	98.79
Shanghai East Aircraft Maintain Co., Ltd.	-	-	15,394,662.00	60.00	-	-	15,394,662.00	60.00

6.1.4 Transactions with Related Parties with Control Relationship (Unit: RMB'000)

6.1.4.1 Transaction Amount with Related Parties

6.1.4.1.1 Supply of Food and Beverage

Company	Year 2003	Year 2002
Qi Lu Eastern Air Catering Co. Ltd.	5,285	8,823
Eastern Airlines (Shantou) Economic development Co., Ltd.	36,413	46,666

6.1.4.1.2 Funding

China East Airlines Group Co. entrusted China East Airlines Group Finance Co. provided non-interest short-term loan. The principle of the loan is RMB830 millions, period from June, 2003 to November, 2003.



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6. Related Party Relationships and Transactions (Cont'd)

6.1 Related Parties with Control Relationship (Cont'd)

6.1.4.2 Amount Due From or To the Related Parties

Item	Year 2003	Year 2002
Other account receivable: China East Airlines Group Co.	961	1,765
Other account payable: China East Airlines Group Co.	13,797	19,135
Account receivable: Jiangsu Eastern Airlines International Travel Agency Co., Ltd.	7,108	11,950

6.2 Related Parties without Control Relationship but have Transactions with the Company

6.2.1 Nature of Relation with Related Parties without Control Relationship

Company	Relation with the Company
China Eastern Airlines Import and Export Co. Ltd	Subsidiary
Qingdao 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
Shanghai Eastern Air Real Estate Management Co.	Same parent company
Eastern Automobile Repair Works	Same parent company
Shanghai Eastern Air Catering 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.	Subsidiary
Eastern Airlines Int'l Tourism Transportation Co., Ltd	Same parent company
Shanghai Dongmei Aviation Travel Co., Ltd.	Subsidiary
Shanghai Eastern Development Co.	Same parent company
Eastern (Zhoushan) Tourism Industrial Development Company	Same parent company
Shanghai Travel Service (Hong Kong) Co., Ltd.	Same parent company
Shanghai Tourism (Hong Kong) Co., Ltd.	Same parent company
Shanghai Eastern Union Aviation Wheels & Brakes Overhaul Engineering Co.	Subsidiary
Shanghai Eastern General Service Co.	Same parent company
China Eastern Airlines Wuhan Co., Ltd.	Subsidiary
China Eastern Airlines North West Co., Ltd.	Same parent company
China Eastern Airlines Yunnan Co., Ltd.	Same parent company
Nanjing Aviation Co.	Same parent company
Shanghai Civil Aviation Dongda Industrial Co.	Same parent company

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6. Related Party Relationships and Transactions (Cont'd)

6.2 Related Parties without Control Relationship but have Transactions with the Company (Cont'd)

6.2.2 Amount of Related Party Transactions (Unit: RMB'000)

6.2.2.1 Purchase

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

Company	Year 2003	Year 2002
Qingdao Air Service Co., Ltd.	2,518	12,751
Shanghai Eastern Air Catering Co., Ltd.	96,984	117,242
Shanghai Eastern Aviation Equipment Manufacturing Corporation	3,149	8,394
Eastern Aviation Advertising Service Co.	1,360	4,758
Shanghai Eastern General Service Depr.	449	–
China Eastern Airlines Import and Export Co. Ltd	3,079,271	3,414,820

6.2.2.2 Service

The services provided by related parties are as follows.

Company	Year 2003	Year 2002
China Eastern Airlines Import and Export Co. Ltd	21,393	20,156
Shanghai Eastern Real Estate Operation Co.	6,048	3,291
Shanghai Eastern Aviation Equipment Manufacturing Corporation	5,945	50
Shanghai Aviation Printing Co., Ltd.	10,447	1,594
Shanghai Eastern Union Aviation Wheels & Brakes Overhaul Engineering Co.	25,361	24,146
Eastern Aviation Advertising Service Co.	1,317	99
Shanghai Dongmei Aviation Travel Co., Ltd.	24,940	11,302
Shanghai Eastern General Service Co.	20,112	1,683
China Eastern Airlines Wuhan Co., Ltd.	8,547	–
China Eastern Airline North West Co., Ltd.	17,776	–
China Eastern Airline Yunnan Co., Ltd.	10,743	–



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6. Related Party Relationships and Transactions (Cont'd)

6.2 Related Parties without Control Relationship but have Transactions with the Company (Cont'd)

6.2.2.3 Labor

The labor provided to related parties are as follows.

Company	Year 2003	Year 2002
China Eastern Airlines Wuhan Co., Ltd.	28,965	–
China Eastern Airline North West Co., Ltd.	47,457	–
Nanjing Aviation Co.	4,210	–
China Eastern Airline Yunnan Co., Ltd.	50,442	–

6.2.2.4 Supply of fund

The placement of deposit by the Company in Eastern Air Group Finance Co., Ltd. generated an interest income of 4,096 thousand in 2003.

6.2.2.5 Finance

Then Company paid an interest of 5,352 thousand for borrowings from Eastern Air Group Finance Co., Ltd..

6.2.2.6 Lease

6.2.2.6.1 The Company paid a rent of RMB69,118 thousand to China Eastern Airline North West Co., Ltd. for the lease of two A300 during aircrafts Oct.-Dec. 2003

6.2.2.6.2 The Company received a rent of RMB31,624 thousand to China Eastern Airlines Wuhan Co., Ltd. for the lease of two B737-300 aircrafts during Mar.-Dec. 2003

6.2.2.6.3 The Company paid a rent of RMB27,726 thousand to China Eastern Airline Yunnan Co., Ltd. for the lease of two CRJ aircrafts during Oct.-Dec. 2003

6.2.2.6.4 China Eastern Airlines Jiangsu Co., Ltd. paid a rent of RMB22,348 thousand to Nanjing Aviation Co. for the lease of three BAe146-300 aircrafts during July.-Dec. 2003



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6. Related Party Relationships and Transactions (Cont'd)

6.2 Related Parties without Control Relationship but have Transactions with the Company (Cont'd)

6.2.2.7 Purchase of Equity

The Company purchases 45% equity of China Eastern Airlines Import and Export Co. Ltd from Eastern Air Group Company at a price of RMB43,813 thousand. The price is determined by the net assets value appraised on the agreement date.

The Company purchases 35% equity of Shanghai Dongmei Aviation Travel Co., Ltd. from Eastern Air Group Company at a price of RMB5,311 thousand. The price is determined by the net assets value appraised on the agreement date.

The Company purchases 10% equity of Shanghai Dongmei Aviation Travel Co., Ltd. from Shanghai Eastern Airlines Development Co., Ltd. at a price of RMB1,517 thousand. The price is determined by the net assets value appraised on the agreement date.

6.2.3 Amounts Due to or From the Related Parties

6.2.3.1 Accounts Receivable:

Company	Ending Balance	Beginning Balance
Shanghai Eastern Development Co.	10,440	20,455
Shanghai Tourism (Hong Kong) Co., Ltd.	58,190	58,190
Shanghai Dongmei Aviation Travel Co., Ltd.	24,940	24,589
Eastern International Tourism Transportation Co., Ltd.	11,012	11,012
Eastern (Zhoushan) Tourism Industrial Development Co.	5,762	5,762
Shanghai Travel Service (Hong Kong) Co., Ltd.	69,641	102,551
Shanghai Civil Aviation Dongda Industrial Co.	–	1,273
China Eastern Airlines Wuhan Co., Ltd.	423	256
China Eastern Airline North West Co., Ltd.	5,990	–

6.2.3.2 Accounts Payable

Company	Ending Balance	Beginning Balance
China Eastern Airlines Import and Export Co.	156,827	131,236
Shanghai Eastern Air Catering Co., Ltd.	800	–
China Eastern Airlines Wuhan Co., Ltd.	36,100	–
China Eastern Airline North West Co., Ltd.	57,502	–
China Eastern Airline Yunnan Co., Ltd.	30,871	–

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6. Related Party Relationships and Transactions (Cont'd)

6.2 Related Parties without Control Relationship but have Transactions with the Company (Cont'd)

6.2.3.3 Other receivables

Company	Ending Balance	Beginning Balance
China Eastern Airlines Import and Export Co.	11,972	8,520
Eastern Aviation Advertising Service Co.	1,392	1,392
Shanghai Eastern Air Catering Co., Ltd.	–	15,590
China Eastern Airline North West Co., Ltd.	14,550	–
China Eastern Airlines Wuhan Co., Ltd.	12,132	2,185
China Eastern Airline Yunnan Co., Ltd.	1,379	–

6.2.3.4 Prepayments

Company	Ending Balance	Beginning Balance
Shanghai Eastern Aviation Equipment Manufacturing Corporation	454	454
China Eastern Airlines Import and Export Co.	17,209	29,695

6.2.3.5 Other Payables

Company	Ending Balance	Beginning Balance
China Eastern Airlines Import and Export Co.	329,635	7,502
Eastern Aviation Advertising Service Co.	1,597	–
Eastern Automobile Repair Works	–	4,193
China Eastern Airline North West Co., Ltd.	49,205	–
Shanghai Eastern Real Estate Operation Co.	64	–
Nanjing Aviation Co.	15,535	–

6.2.3.6 Other Related Party Transactions

Emoluments for key management personnel

Company	Year 2003	Year 2002
Number of key executives	9	10
Emoluments	1,502	1,549



*(Prepared in accordance with PRC Accounting Regulations)
Year ended 31 December 2003*

7. Commitment

7.1 Financial Lease Commitment

According to the irrevocable financial lease contract, the least financial lease commitment as of Dec. 31, 2003 is equivalent to RMB7,254 million. The lease payable in 2004, 2005 and 2006 is about RMB2,376 million, RMB1,420 million and RMB1,321 million respectively.

7.2 Operating Lease Commitment

According to the irrevocable operating lease contract, the least lease commitment as of Dec. 31, 2003 is RMB5,983 million. The lease payable in 2004, 2005 and 2006 is RMB1,007 million, RMB1,107 million and RMB949 million respectively.

7.3 Capital Expenditure Commitment

The Company signed an agreement with an independent third party for the purchase of five Airbus A340 aircraft, 3 have been delivered in 2003 and 2 are to be delivered in 2004.

The Company signed an agreement with an independent third party to purchase twenty Airbus A320 aircraft. Among the twenty aircraft, 10 have been delivered in 2003, 5 are to be delivered in 2004 and 5 are to be delivered in 2005.

The Company signed an agreement with an independent third party to purchase five CFM56 engines. Of the five engines, one has been delivered in 2003, 2 are to be delivered in 2007 and 2 are to be delivered in 2008.

The Company signed an agreement with an independent third party to purchase four A321 aircrafts. Of the four aircrafts, two are to be delivered in 2004, 2 are to be delivered in 2005.

The Company signed an agreement with an independent third party to refit MD-11 aircrafts to cargo use. Two are finished in 2003, and one will be finished on Feb.2004.



(Prepared in accordance with PRC Accounting Regulations)
Year ended 31 December 2003

8. Contingent Event

- 8.1 China Eastern Airlines Jiangsu Co., Ltd. ("Jiangsu Co."), a company of which 55% of the share capital is held by the Company, issued a guarantee of RMB150 million for Nanjing Lukou International Airport Co., Ltd. to obtain bank loans from China Construction Bank, Jiangsu Branch. The guarantee period is from December 24, 1998 to October 20, 2004.
- 8.2 The Company estimates that there will be lots of foreign exchange reserve including foreign exchange in currencies of Southeast Asia from the sale of air tickets even after repayment of foreign currency debts such as financial lease commitment and aircraft payment. Considering the continuing devaluation and instability of politics and economy of this area, it is probable that the Company will face great foreign exchange risk. To lower this risk, the Company signed some forward and swap contracts with domestic banks. By Dec. 31, 2003, the Company still has the following contracts which signed but not implemented:

Type	Tenor	Nominal Principal
Interest Rate Swap	2003-2010	197,532.98
Foreign Exchange Swap	2002-2010	40,525.24
Foreign Exchange Forward	2004-2007	206,262.14

9. Unadjusted Events after Balance Sheet Date

- 9.1 Shanghai Eastern Airlines Investment Co., Ltd. of which 98.79% shares are held by the Company entrusts Shenyin & Wanguo Securities Co., Ltd. to manage the stock investment for amount RMB270 million. The supervisor is Bank of China Shanghai (Jing'an) Branch. The tenor is from Feb. 5, 2004 to Dec. 19, 2004. According to the investment entrustment agreement, the investment gain is no higher than 7% and the actual investment gains lower than the ratio shall be born by the Company.
- 9.2 According to the decision of Board of Directors, China Eastern Airlines Jiangsu Co., Ltd.. 55% of its equity is held by the Company ,will increase the paid-in capital from 258 millions to 1,000 millions. The relevant procedures are still in progress.



*(Prepared in accordance with PRC Accounting Regulations)
Year ended 31 December 2003*

9. Unadjusted Events after Balance Sheet Date

- 9.3 According to the equity transfer agreement signed between the Company, China Ocean Shipping (Group) Company ("COSCO") and China Airlines, Ltd., CEA will transfer 15% of its shares to China Airlines, Ltd.. Meanwhile the registered capital of the Company will be raised to RMB1.5 billion. The percentage of shares held by CEA after the transfer is 55%. The transfer and capital increase has already been approved by Civil Aviation Administration of China and State Planning Commission in Jan. 2003. The relevant procedures still haven't been fully accomplished till the issue date of the financial reports.
- 9.4 According to aircraft purchase agreement, the Company sold a MD11 aircraft (B2171) to China Cargo Airlines Co. Ltd., the aircraft is delivered on Feb. 2004.

10. Other Significant Event

No other significant event such as debt restructure has occurred this year that will influence the comprehension of the report.

11. Approval of Financial Statements

The financial statements were approved by Board of Directors on April 5, 2004.

12. Comparison

To conform to the principle of consistency, some beginning balances and figures of last year have been reclassified or restated.