



中国东方航空股份有限公司

CHINA EASTERN AIRLINES CORPORATION LIMITED

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

2000 Interim Results

The Board of Directors of China Eastern Airlines Corporation Limited (the "Company") would like to announce the unaudited consolidated financial results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2000 with comparative figures for the corresponding period in 1999 as follows:

FINANCIAL STATEMENTS

A. Prepared in accordance with International Accounting Standards ("IAS")
CONSOLIDATED PROFIT AND LOSS ACCOUNT
For the six months ended 30 June 2000
(Amounts in thousands unless otherwise stated)

| Note | (Unaudited) 2000 RMB | (Unaudited) As restated 1999 RMB | (Unaudited) 2000 US\$ | 2000 vs 1999 Increase/ (Decrease)% |
|--------------------------------------------|-------------------------|-------------------------------------|--------------------------|------------------------------------------|
| | | | | |
| Traffic revenues | 4,160,833 | 3,757,195 | 502,637 | 10.74 |
| Passenger | 989,384 | 753,838 | 119,520 | 31.25 |
| Cargo and mail | 192,993 | 204,415 | 23,314 | (5.59) |
| Other operating revenues | 5,343,210 | 4,715,448 | 645,471 | 13.31 |
| Operating expenses | 358,528 | 340,433 | 43,311 | 5.32 |
| Wages, salaries and benefits | 766,221 | 757,009 | 92,561 | 1.22 |
| Aircraft fuel | 951,257 | 790,798 | 114,914 | 19.09 |
| Food and beverages | 246,902 | 211,670 | 29,262 | 16.64 |
| Aircraft depreciation and operating leases | 1,044,394 | 988,231 | 126,165 | 5.68 |
| Other depreciation and operating leases | 134,409 | 145,951 | 16,237 | (42.09) |
| Aircraft maintenance | 405,436 | 314,778 | 48,778 | 28.80 |
| Commissions | 308,715 | 259,796 | 37,293 | 18.83 |
| Office and administration | 377,545 | 375,872 | 45,608 | 15.89 |
| Other | 230,216 | 192,899 | 27,811 | 19.35 |
| Total operating expenses | 4,823,623 | 4,284,077 | 582,704 | 12.59 |
| Operating profit | 519,587 | 433,371 | 62,767 | 20.45 |
| Interest expense, net | (404,680) | (924,413) | (48,886) | (12.86) |
| Gain on disposal of aircraft | 5 | 63,521 | 11,888 | 54.93 |
| Other income | 100,855 | 109,481 | 12,183 | (7.88) |
| Profit before taxation | 314,715 | 139,960 | 37,955 | 12.47 |
| Taxation | (81,733) | (85,233) | (9,873) | 30.45 |
| Profit after taxation | 232,443 | 94,667 | 28,079 | 145.54 |
| Minority interests | (28,766) | 2,304 | (3,475) | (1,348.52) |
| Profit attributable to shareholders | 203,677 | 96,971 | 24,604 | 110.04 |
| Earnings per share | 7 | | | |
| | RMB0.042 | RMB0.020 | US\$0.005 | |

CONDENSED CONSOLIDATED BALANCE SHEET
For the six months ended 30 June 2000
(Amounts in thousands unless otherwise stated)

| Note | (Unaudited) 30 June 2000 RMB | (Audited) 31 December 1999 RMB | (Unaudited) 30 June 2000 US\$ |
|--------------------------------------------------------------|---------------------------------|-----------------------------------|----------------------------------|
| Goodwill | 104,622 | 107,450 | 12,638 |
| Fixed assets and Construction in progress | 19,951,675 | 20,172,201 | 2,410,205 |
| Other non-current assets | 3,971,418 | 4,040,740 | 479,756 |
| Current assets | | | |
| Flight equipment spare parts less allowance for obsolescence | 397,872 | 417,786 | 48,064 |
| Receivables and prepayments | 2,407,335 | 2,246,481 | 298,811 |
| Deposits with related companies | 140,575 | 364,166 | 46,982 |
| Cash and bank balances | 976,644 | 957,854 | 117,981 |
| | 3,922,426 | 3,990,287 | 473,838 |
| Current liabilities | | | |
| Payables and accruals | 2,567,377 | 2,446,303 | 310,145 |
| Current portion of obligations under finance leases | 929,223 | 1,105,735 | 112,566 |
| Current portion of long-term loans | 491,939 | 489,484 | 59,427 |
| Loans from a related company | 40,000 | 190,000 | 4,832 |
| Short-term bank loans | 450,000 | 548,864 | 58,084 |
| | 4,479,539 | 4,647,108 | 541,221 |
| Net current liabilities | (586,143) | (656,821) | (67,183) |
| | 23,471,572 | 23,663,570 | 2,835,416 |
| Capital and reserves | 7,217,172 | 7,013,495 | 871,850 |
| Obligations under finance leases | 9,911,908 | 10,451,536 | 1,197,300 |
| Long-term loans | 4,117,241 | 4,216,682 | 497,371 |
| Other long term liabilities | 2,225,251 | 1,981,857 | 268,815 |
| | 23,471,572 | 23,663,570 | 2,835,416 |

CONDENSED STATEMENT OF CHANGES IN EQUITY
For the six months ended 30 June 2000
(Amounts in thousands unless otherwise stated)

| (Unaudited) | Share Capital RMB | Reserves RMB | Retained profits RMB | Total RMB |
|--------------------------------------------------|----------------------|-----------------|-------------------------|--------------|
| At 1 January 2000 | 4,866,950 | 1,201,143 | 507,908 | 6,575,998 |
| As previously reported | | | 437,497 | |
| Effect of adopting IAS 37 (Note 2) | | | 945,402 | 7,013,495 |
| As adjusted | 4,866,950 | 1,201,143 | 203,677 | 6,271,770 |
| Consolidated profit attributable to shareholders | | | | 24,604 |
| At 30 June 2000 | 4,866,950 | 1,201,143 | 1,149,079 | 7,217,172 |

CONDENSED CONSOLIDATED CASH FLOW STATEMENT
For the six months ended 30 June 2000
(Amounts in thousands unless otherwise stated)

| (Unaudited) 2000 RMB | (Unaudited) 1999 RMB | (Unaudited) 2000 US\$ | |
|--------------------------------------------|-------------------------|--------------------------|----------|
| Net cash inflow from operating activities | 969,914 | 583,637 | 117,168 |
| Net cash outflow from investing activities | (550,156) | (679,528) | (66,460) |
| Net cash outflow from financing activities | (628,310) | (612,843) | (75,901) |
| Net cash outflows | (208,552) | (708,734) | (25,193) |
| Cash and cash equivalents at 31 December | 1,315,172 | 1,292,821 | 158,716 |
| Adjustment | 4,624 | (13,287) | 559 |
| Cash and cash equivalents at 30 June | 1,111,244 | 1,070,803 | 134,242 |

Analysis of the balances of cash and cash equivalents

| (Unaudited) 30 June 2000 RMB | (Audited) 31 December 1999 RMB | (Unaudited) 30 June 2000 US\$ |
|--------------------------------------------------------------------|-----------------------------------|----------------------------------|
| Short-term deposits and bank balances | 976,644 | 957,854 |
| Deposits with related companies | 140,575 | 364,166 |
| Less: short-term deposits with original maturity over three months | (5,975) | (6,848) |
| | 1,111,244 | 1,315,172 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of preparation
The accompanying unaudited consolidated interim financial statements comprise the consolidated financial statements of the Company and its subsidiaries as at 30 June 2000 and of the results for the six months ended 30 June 2000. All significant transactions between and among the Company and its subsidiaries are eliminated on consolidation.

The consolidated interim financial statements have been prepared in conformity with International Accounting Standards ("IAS"), this basis of accounting differs in certain material respects from that used in the preparation of the Group's statutory financial statements in the PRC. The statutory financial statements of the Group have been prepared in accordance with the accounting principles and the relevant regulations applicable to PRC joint stock limited companies ("PRC Accounting Regulations"). Differences between PRC Accounting Regulations and IAS on the unaudited consolidated profit attributable to shareholders for the six months ended 30 June 2000 and on the unaudited consolidated net assets as at 30 June 2000 are set out in Section C.

In addition, IAS differs in certain material respects from generally accepted accounting principles in the United States of America ("U.S. GAAP"). Differences between IAS and U.S. GAAP on the unaudited consolidated profit attributable to shareholders for the six months ended 30 June 2000 and on the unaudited consolidated net assets as at 30 June 2000 are set out in Section D.

2. Accounting policies
During the period the Group changed its accounting policy with respect to the recognition of major overhaul expenses for both owned aircraft and engines, as well as aircraft and engines held under finance leases. In previous years, the costs of major overhauls are estimated and charged to operating profit over the period between overhauls using the ratio of actual flying hours/cycles and estimated flying hours/cycles between overhauls. Differences between the estimated cost and the actual cost of the overhaul are included in the operating profit in the period of overhaul.

In 1998, the International Accounting Standards Committee issued a new accounting standard IAS 37, "Provisions, Contingent Liabilities and Contingent Assets", which is effective for accounting periods beginning on or after 1 July 1999. Following the adoption of this new standard, major overhaul expenses for owned assets and assets held under finance leases are charged to the operating profit as and when incurred. Such new accounting policy has been applied retrospectively to these financial statements.

The effect of the above change in accounting policy is a decrease in aircraft maintenance expenses of RMB64,414,000 (1999: RMB48,792,000) and an increase in the consolidated profit attributable to shareholders of RMB1,557,000 (1999: RMB2,691,000) for the six months ended 30 June 2000. The retained profits as at 1 January 1999 has been increased by RMB503,836,000 which represents the cumulative effect of change in accounting policy in respect of periods prior to 1999.

3. Turnover
The Group is principally engaged in the provision of domestic, Hong Kong and international passenger, cargo and mail airline services. Turnover comprises revenues from airline and airfield related services net of sales tax and civil aviation infrastructure fees. The turnover and operating profits/losses by geographical segments are analysed as follows:

| | For the six months ended 30 June (Unaudited) | | | | Total |
|--------------------------|----------------------------------------------|----------------------|------------------|------------------------------|-----------|
| | Domestic RMB'000 | Hong Kong RMB'000 | Japan RMB'000 | Others countries* RMB'000 | RMB'000 |
| 2000 | | | | | |
| Traffic revenues | 2,067,664 | 1,012,186 | 730,796 | 1,339,571 | 5,150,217 |
| Other operating revenues | 192,993 | - | - | - | 192,993 |
| Turnover | 2,260,657 | 1,012,186 | 730,796 | 1,339,571 | 5,343,210 |
| Operating profit/(loss) | 165,064 | 272,896 | 183,062 | (101,435) | 519,587 |
| 1999 | | | | | |
| Traffic revenues | 2,003,516 | 939,003 | 528,823 | 1,039,691 | 4,511,033 |
| Other operating revenues | 413,582 | - | - | - | 204,415 |
| Turnover | 2,207,931 | 939,003 | 528,823 | 1,039,691 | 4,715,448 |
| As restated | | | | | |
| Operating profit/(loss) | 142,247 | 263,550 | 75,621 | (50,047) | 431,371 |

* Include United States of America, Europe and other Asian countries

4. Taxation
(a) Taxation in the consolidated profit and loss account represents:

| (Unaudited) For the six months ended 30 June | As restated 1999 | 2000 | 1999 | |
|----------------------------------------------|------------------|---------|---------|--------|
| RMB'000 | RMB'000 | RMB'000 | RMB'000 | |
| Provision for PRC income tax | 16,242 | - | - | - |
| Deferred taxation | 65,490 | 45,293 | 45,293 | 45,293 |
| | 81,732 | 45,293 | 45,293 | 45,293 |

Pursuant to the Circular (2000) no. 52 jointly issued by the Shanghai Municipal Finance Bureau and Shanghai Municipal State Tax Bureau, a subsidiary is exempt from and subject to a reduced income tax rate of 15% for the years ended 31 December 1999 and 2000 respectively. Except for the subsidiary, PRC income tax is calculated at the applicable tax rate of 33% (1999: 33%) on the estimated assessable profits for the period determined in accordance with the relevant PRC income tax rules and regulations.

(b) The Group operates international flights to certain overseas destinations. There was no material overseas taxation for the six months ended 30 June 2000 as there exist double tax treaties between PRC and the corresponding jurisdictions (including Hong Kong Special Administrative Region of the PRC ("Hong Kong")).

(c) Deferred taxation is provided, using the liability method, for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. Currently enacted tax rates are used to determine deferred income tax. Deferred tax assets are recognised only to the extent that the deductible temporary differences are expected to be utilised in the foreseeable future.

5. Gain on disposal of aircraft
In the previous year, the Company entered into a sales agreement with an independent third party to dispose of all its thirteen MD-82 aircraft. Three aircraft have been delivered during the six months ended 30 June 2000 (1999: Five aircraft) and the Company recognised gains totalling RMB98,413,000 (1999: RMB65,521,000) arising from the disposal which represents the difference between the sales proceeds and the net book value of these aircraft at the date of disposal.

Repairs and maintenance costs amounting to RMB47,185,000 (1999: RMB71,710,000) were incurred to meet the delivery conditions as set out in the sales agreement upon disposal. These are charged to the consolidated profit and loss account.

6. Interim dividends
The Board of Directors of the Company does not recommend the payment of an interim dividend for the six months ended 30 June 2000 (1999: Nil).

7. Earnings per share
The calculation of earnings per share is based on the unaudited consolidated profit attributable to shareholders of RMB203,677,000 (1999: RMB96,971,000) and the weighted average number of 4,866,950,000 shares (1999: 4,866,950,000 shares) in issue during the period.

8. Profit appropriation
No appropriations from retained profits were made to the statutory reserves during the six months ended 30 June 2000. Such appropriations will be made at the year end in accordance with the PRC regulations and the Company's Articles of Association.

9. Fixed assets

| (Unaudited) 30 June 2000 | Aircraft and flight equipment RMB'000 | Land use and rights RMB'000 | Other fixed assets RMB'000 | Construction in progress RMB'000 | Total RMB'000 |
|------------------------------------|------------------------------------------|--------------------------------|-------------------------------|-------------------------------------|------------------|
| Cost | | | | | |
| 1 January 2000 | 21,069,247 | 499,011 | 2,077,577 | 1,159,808 | 24,805,743 |
| Additions | 413,582 | - | 289,818 | 791,631 | 875,031 |
| Disposals | (295,113) | - | (20,086) | - | (315,199) |
| Transfer from CIP to fixed assets | - | - | 51,071 | (51,071) | - |
| At 30 June 2000 | 21,187,816 | 499,011 | 2,196,799 | 1,398,555 | 25,282,175 |
| Accumulated Depreciation/Provision | | | | | |
| 1 January 2000 | 3,897,608 | 34,205 | 483,729 | 218,000 | 4,633,542 |
| Charge/provision for the period | 684,808 | 5,483 | 91,727 | 33,000 | 814,818 |
| Disposals | (99,971) | - | (19,409) | - | (119,380) |
| Transfer from CIP to fixed assets | - | - | 6,000 | (6,000) | - |
| At 30 June 2000 | 4,483,405 | 39,688 | 562,407 | 245,000 | 5,330,500 |
| Net book value at 30 June 2000 | 16,704,411 | 459,323 | 1,634,396 | 1,153,555 | 19,951,675 |
| Net book value at 31 December 1999 | 17,171,739 | 464,806 | 1,593,848 | 941,808 | 20,172,201 |

10. Commitments and contingent liabilities
(a) Capital commitments
As at 30 June 2000, the Group had capital commitments as follows:-

| (Unaudited) 30 June 2000 RMB'000 | (Audited) 31 December 1999 RMB'000 | |
|------------------------------------------------------------------------|---------------------------------------|------------|
| Authorised and contracted for: - Aircraft and related equipment | 12,614,717 | 11,466,474 |
| - Other | 469,493 | 482,899 |
| | 13,084,215 | 11,950,367 |
| Authorised but not contracted for: - Aircraft and related equipment | 487,860 | - |
| - Other | 624,230 | 797,538 |
| | 1,378,435 | 1,274,905 |

The above commitments include primarily amounts for acquisition of seven Airbus A-320 and seven A-340 aircraft for delivery between 2000 and 2006.

(b) Operating lease commitments
As at 30 June 2000, the Group had commitments under operating leases to make future minimum rentals as follows:-

| (Unaudited) 30 June 2000 RMB'000 | (Audited) 31 December 1999 RMB'000 | |
|--------------------------------------|---------------------------------------|-----------|
| Within one year | 814,292 | 577,791 |
| In the second year | 922,296 | 1,411,999 |
| In the third to fifth year inclusive | 3,665,794 | 23,866 |
| After the fifth year | 6,587,378 | 21,774 |
| | 11,990,060 | 117,630 |

(c) Contingent liabilities
As at 30 June 2000, the Group had provided a guarantee to a bank amounting to RMB150,000,000 in respect of bank facilities granted to Nanjing Lu Kou International Airport Company ("Lu Kou International Airport"), a third party. In addition, the Group had provided a guarantee to Citic Securities Co. Ltd. amounting to RMB160,000,000 in respect of a 3-year corporate debenture issued by Jiangsu Aviation Property Group Co. Ltd., the holding company of Lu Kou International Airport.

11. Conversion translation
The unaudited consolidated profit and loss account and net assets have been prepared in Renminbi ("RMB"), the national currency of the PRC. Translations of amounts from RMB into United States Dollars ("US\$") solely for the convenience have been made at the rate of US\$1.00 to RMB7.2780 being the average of the buying and selling rates as quoted by People's Bank of China at the close of business on 30 June 2000. No representation is made that RMB amounts could have been or could be converted into US\$ at that rate or at any other rate on 30 June 2000 or any other date.

B. Prepared in accordance with the PRC Accounting Regulations
Consolidated Balance Sheet
For the six months ended 30 June 2000
(Amounts in thousands unless otherwise stated)

| (Unaudited) 30 June 2000 RMB | (Audited) 31 Dec 1999 RMB | |
|------------------------------------------|------------------------------|------------|
| Assets | | |
| Total Current Assets | 7,121,123 | 7,316,340 |
| Net Long-term Investments | 714,389 | 724,687 |
| Total Fixed Assets | 13,672,711 | 18,112,088 |
| Total Intangible Assets & Other Assets | 763,110 | 806,632 |
| Total Assets | 26,273,721 | 26,959,747 |
| Liabilities & Shareholders' Equity | | |
| Total Current Liabilities | 5,551,205 | 5,548,196 |
| Total Long-term Liabilities | 13,657,743 | 14,409,824 |
| Total Liabilities | 19,208,948 | 20,018,020 |
| Minority Interests | 310,064 | 259,179 |
| Total Shareholders' Equity | 6,754,709 | 6,682,548 |
| Total Liabilities & Shareholders' Equity | 26,273,721 | 26,959,747 |

Consolidated Profit and Loss Account
For the six months ended 30 June 2000
(Amounts in thousands unless otherwise stated)

| (Unaudited) 30 June 2000 RMB | (Audited) 31 Dec 1999 RMB | |
|---------------------------------------------------------------|------------------------------|-----------|
| I. Revenue from Main Operations: | | |
| Less: Revenue from Civil Air Infrastructure Construction Fund | 5,598,045 | 4,852,457 |
| Revenue from Main Operations, net | 4,246,079 | 4,698,888 |
| Less: Operating Cost | 4,301,069 | 3,915,100 |
| Business Taxes and Surtaxes | 136,721 | 119,945 |
| Profit from Main Operations | 988,209 | 664,325 |
| Less: Allowance for Reduction of Inventory to Market | 207,351 | 133,997 |
| Operating Expenses | 5,124 | 20,369 |
| General & Administrative Expenses | 624,371 | 429,504 |
| Financial Expenses | 211,151 | 178,712 |
| Profit from Operations | 398,171 | 415,557 |
| III. Profit from Operations | (43,577) | (245,250) |
| Add: Income from Investments | 27,756 | 27,754 |
| Subsidiary Income | 1,075,099 | 181,208 |
| Non-operating Income | 142,383 | 288,358 |
| Less: Non-operating Expenses | 8,910 | 24,142 |
| IV. Total Profit | 117,862 | 54,320 |
| Less: Income Tax | 16,306 | 16,306 |
| Minority Interests (for consolidated statements) | 30,652 | 1,251 |
| V. Net Profit | 70,904 | 53,609 |

Notes (Principal Accounting Policies, Accounting Estimates and Consolidation of Financial Statements):

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