



中國東方航空股份有限公司

CHINA EASTERN AIRLINES CORPORATION LIMITED

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

FIRST QUARTERLY REPORT 2003 AND PROFIT WARNING

This announcement is made by China Eastern Airlines Corporation Limited (the "Company") pursuant to the disclosure requirement under paragraph 2(2) of the Listing Agreement entered into between the Company and The Stock Exchange of Hong Kong Limited.

The financial statements of the Company for the first quarter of 2003 were not audited, and were prepared in accordance with the PRC Accounting Regulations.

1. IMPORTANT NOTICE

This announcement is made by the Company pursuant to the disclosure requirement under paragraph 2(2) of the Listing Agreement entered into between the Company and The Stock Exchange of Hong Kong Limited.

The board of directors of the Company (the "Board") hereby confirms that the information set out in this report does not contain any false information, misleading statement or material omission, and accepts joint and several responsibility for the truthfulness, accuracy and completeness of the contents of this report. This quarterly report was prepared in accordance with the regulations as prescribed by the China Securities Regulatory Commission in relation to disclosure of information in quarterly reports for listed companies, and is published simultaneously in Shanghai and Hong Kong. The financial statements of the Company for the first quarter of 2003 were not audited, and were prepared in accordance with the PRC Accounting Regulations.

2. BASIC PARTICULARS OF THE COMPANY

2.1 Basic Company information

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2.2 Financial information

2.2.1 Main financial data and indicators

	End of reporting period	End of last financial year	Percentage increase/decrease between end of last financial year and end of reporting period (%)
Total assets	32,467,615,128.16	31,426,196,690.31	3.31%
Shareholder equity (excluding that of minority shareholders)	6,212,664,596.11	6,284,065,876.22	-2.64%
Net assets per share	1.2765	1.3112	-2.64%
Adjusted net assets per share	1.1902	1.2303	-3.26%

	Reporting period	From the beginning of the year to end of the reporting period	Percentage increase/decrease between the reporting period and the same period last year (%)
Net cash flow from operational activities (RMB)	250,068,416.71	250,068,416.71	*
Earnings per share	-0.04	-0.04	-
Percentage for net return on assets	-2.80%	-2.80%	-
Percentage for net return on assets after deduction of non-recurring gains and losses	-3.15%	-3.15%	-
Non-recurring gains and losses		Amounts (RMB)	
Subsidy revenues		20,816,000.00	
Revenues from non-business operations		771,890.60	
Expenditure for non-business operations		634,239.48	
Total		20,953,651.12	

* No cash flow statement for the first quarter of 2002

2.2.2 Profit statement

Item	Preparation Unit: China Eastern Airlines Corporation Limited				January-March 2003	
	Current period (consolidated) Unit: RMB Yuan	Current period (parent corp.) Unit: RMB Yuan	Previous period (consolidated) Unit: RMB Yuan	Previous period (parent corp.) Unit: RMB Yuan	Increase/decrease percentage (consolidated)	Increase/decrease percentage (parent corp.)
I. Revenue from Main Operations:	3,468,700,699.37	2,898,943,767.77	3,015,283,037.84	2,552,172,394.33	15.04%	13.59%
Less: Revenue for Civil Air Infrastructure						
Construction Fund	111,678,915.85	95,283,033.26	98,749,599.72	85,182,610.46	13.09%	11.86%
Revenue from Main Operations, net	3,357,021,783.52	2,803,660,734.51	2,916,533,438.12	2,466,989,783.87	15.10%	13.65%
Less: Main Operating Cost	2,944,288,060.06	2,498,760,152.89	2,252,645,406.64	1,879,823,584.84	30.70%	32.93%
Business Taxes and additional	82,105,617.86	66,793,654.51	72,512,700.47	59,737,873.32	13.23%	11.81%
II. Profit from Main Operations (Loss is represented by "-")	330,628,105.60	238,106,927.11	591,375,331.01	527,428,325.71	-44.09%	-54.86%
Add: Other Operating Revenue (Loss is represented by "-")	126,484,080.47	73,511,382.71	129,415,396.05	91,741,557.53	-2.27%	-19.87%
Less: Operating Expenses General & Administrative Expenses	236,415,230.97	204,843,244.33	293,525,928.89	264,115,345.02	-19.46%	-22.44%
Expenses	168,274,857.84	140,445,761.98	152,633,635.00	128,648,124.32	10.25%	9.17%
Financial Expenses	207,879,323.63	188,787,620.86	199,019,112.97	183,049,092.02	4.45%	3.13%
III. Profit from Operations (Loss is represented by "-")	-155,457,226.37	-222,458,317.35	75,612,050.20	43,357,321.88	-305.60%	-613.08%
Add: Investment Income	-4,011,816.17	44,596,600.33	11,326,993.67	32,019,253.03	-135.42%	39.28%
Gains and Loss from Futures	-	-	-	-	0.00%	0.00%
Subsidy Income	20,816,000.00	20,816,000.00	-	-	0.00%	0.00%
Non-operating Income (Loss is represented by "-")	771,890.60	87,250.04	444,389.81	-	73.70%	0.00%
Less: Non-operating Expenses	634,239.48	534,886.81	2,716,730.41	2,216,963.42	-76.65%	-75.87%
IV. Total Profit (Loss is represented by "-")	-138,515,391.42	-157,493,353.79	84,666,703.27	73,159,611.49	-263.60%	-315.27%
Less: Income Tax	12,936,210.77	-	5,420,496.94	-	138.65%	0.00%
Gains or Losses of Minority Shareholders	19,999,028.08	-	6,086,594.84	-	228.57%	0.00%
V. Net Profit (Loss is represented by "-")	-171,450,630.27	-157,493,353.79	73,159,611.49	73,159,611.49	-334.35%	-315.27%
Add: Undistributed Profit at the Beginning of the Year	198,158,023.32	278,888,379.81	73,814,681.06	115,868,464.09	168.45%	140.69%
Less: Decrease of Undistributed Profit to Reduce Registered Capital	-	-	-	-	0.00%	0.00%
Add: Transfer from Surplus Reserve	-	-	-	-	0.00%	0.00%

VI. Distributable Profit (Loss is represented by "-")	26,707,393.05	121,395,026.02	146,974,292.55	189,028,075.58	-81.83%	-35.78%
Less: Provision for Statutory Surplus Reserve	-	-	-	-	0.00%	0.00%
Provision for Statutory Public Welfare Fund	-	-	-	-	0.00%	0.00%
Provision for Staff & Workers' Welfare Fund	-	-	-	-	0.00%	0.00%
VII. Profit Attributable to Shareholders (Loss is represented by "-")	26,707,393.05	121,395,026.02	146,974,292.55	189,028,075.58	-81.83%	-35.78%
Less: Dividends for Preferred Shares	-	-	-	-	0.00%	0.00%
Provision for Discretionary Surplus Reserve	-	-	-	-	0.00%	0.00%
Dividends for Common Shares	-	-	-	-	0.00%	0.00%
Transfer of Common Dividends into Share Capital	-	-	-	-	0.00%	0.00%
VIII. Undistributed Profit (Loss is represented by "-")	26,707,393.05	121,395,026.02	146,974,292.55	189,028,075.58	-81.83%	-35.78%
Supplementary Data						
1. Proceeds from Sale or Disposal of Departments or Invested Companies	-	-	-	-	0.00%	0.00%
2. Loss from Natural Disasters	-	-	-	-	0.00%	0.00%
3. Increase (or Decrease) of Total Profit Arising From Change in Accounting Policies	-	-	-	-	0.00%	0.00%
4. Increase (or Decrease) of Total Profit Arising from Change in Accounting Estimations	-	-	-	-	0.00%	0.00%
5. Loss from Debt Reorganization	-	-	-	-	0.00%	0.00%
6. Other Items	-	-	-	-	0.00%	0.00%

2.3 As at the end of the reporting period, the Company had a total of 120,274 shareholders, of whom 117,310 were A share shareholders and 2,964 were H share shareholders.

3. MANAGEMENT DISCUSSION AND ANALYSIS

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

During the first quarter of 2003, the Company had an aggregate traffic volume of 697,362,800 tonne-kilometres, an increase of 18.74% over the same period last year; total flying hours reached 66,580, an increase of 18.17% over the same period last year; and passenger numbers reached 3,076,500 persons, an increase of 18.31% over the same period last year. The Company's revenues from its principal business were approximately RMB3,468,700,000 during the first quarter, an increase of 15.04% over the same period last year. Profit from its principal business was approximately RMB330,630,000, a decrease of 44.09% from the same period last year, and net loss suffered by the Company was RMB171,450,000, a decrease of 334.35% from the same period last year. The main reason for such loss suffered by the Company was the marked increase, resulting from the condition of the Gulf War II, in the average price of aviation fuel for the reporting period as compared to that for the same period last year. Aviation fuel costs' expenditure for the first quarter of 2003 increased by almost RMB200 million as compared to that for the same period last year, and the implementation of net-price settlement has resulted in a decrease in ticket prices during the first quarter of 2003.

3.1.1 Information on the main industry or products which account for more than 10% of the total of the revenues or profits from the Company's principal business

By industry or product	Revenues from principal business (RMB)	Costs of principal business (RMB)	Gross margin (%)
Transportation revenues	3,468,700,699.37	2,944,288,060.06	15.12%
Of which were connected transactions	-	1,371,560,000.00	-

3.1.2 Makeup of profits earned during the reporting period (explanation of the major changes in the percentage of the gross profits accounted for by the profits from the principal business, profits from other business, expenses during the period, return on investments, subsidy income and the net amount of non-operational revenues and expenditures as compared to the previous reporting period and the reasons therefor)

Items	Amount (RMB)		Percentage against total profits	
	2002	January to March, 2003	2002	January to March, 2003
Gross profits	26,231	-13,852	-	-
Profits from principal business	243,432	33,063	928%	-239%
Profits from other business	54,431	12,648	208%	-91%
Expenses	279,499	61,257	1,066%	-442%
Return on investments	2,126	-401	8%	3%
Subsidy income	5,481	2,082	21%	-15%
Net amount of non-operational revenues and expenditures	260	14	1%	0%

Major changes during the reporting period are that the Company recorded a loss for the first quarter of 2003, a marked difference from the position as in 2002.

3.1.3 Details of the major changes in the profitability (gross margin) of the Company's principal business for the reporting period as compared to that for the previous reporting period, and the reasons therefor

The decrease of 8.41 percentage points in the Company's gross margin for the first quarter of 2003 as compared to that for the previous reporting period was attributable to the increases in aviation fuel prices as compared to that experienced last year and in domestic landing and take-off fees, thereby increasing the Company's costs to a significant extent resulting in a reduction in the Company's profits.

3.2 Warning and explanations of the forecast possibility of the aggregate net profits for the period between the beginning of the year and the end of the next reporting period being a loss or showing a significant change as compared to the same period last year

In view of the outbreak of atypical pneumonia resulting in a significant change in the Company's operational environment, the Board noted a marked decrease in the Company's passenger load factor commencing in April 2003, resulting in a significant impact on the Company's operations. The Board also noted that there will not be any indication of rebound in the Company's aircraft passenger load factor in the near term. Accordingly, the Company has taken such measures as reducing the number of flights and postponing its plan to add aircraft. However, as the effect of atypical pneumonia is expected to continue for a considerable period of time, the Company predicts that it may continue to post a loss by the end of the next reporting period, and wishes to bring this to the investors' attention.

By order of the Board
CHINA EASTERN AIRLINES
CORPORATION LIMITED
Ye Yigan
Chairman of the Board

Shanghai, the People's Republic of China
29th April, 2003