

CHINA EASTERN AIRLINES CORP LTD  
Form 6-K  
April 14, 2008

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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549**

**FORM 6-K**

**Report of Foreign Private Issuer  
Pursuant to Rule 13a-16 or 15d-16  
under the Securities Exchange Act of 1934**

For the month of April 2008.

Commission File Number: 001-14550

**China Eastern Airlines Corporation Limited**

(Translation of Registrant's name into English)

2550 Hongqiao Road  
Hongqiao Airport  
Shanghai, China 200335

(Address of principal executive offices)

Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F:  Form 20-F  Form 40-F

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1):

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7):

Indicate by check mark whether the registrant by furnishing the information contained in this Form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934:  Yes  No

If "Yes" is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b): n/a

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**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

**China Eastern Airlines Corporation Limited**  
**(Registrant)**

<b>Date</b>	April 14, 2008	<b>By</b>	/s/ Li Fenghua
			Name: Li Fenghua
			Title: Chairman of the Board of Directors

Certain statements contained in this announcement may be regarded as "forward-looking statements" within the meaning of the U.S. Securities Exchange Act of 1934, as amended. Such forward-looking statements involve known and unknown risks, uncertainties and other factors, which may cause the actual performance, financial condition or results of operations of the Company to be materially different from any future performance, financial condition or results of operations implied by such forward-looking statements. Further information regarding these risks, uncertainties and other factors is included in the Company's filings with the U.S. Securities and Exchange Commission. The forward-looking statements included in this announcement represent the Company's views as of the date of this announcement. While the Company anticipates that subsequent events and developments may cause the Company's views to change, the Company specifically disclaims any obligation to update these forward-looking statements, unless required by applicable laws. These forward-looking statements should not be relied upon as representing the Company's views as of any date subsequent to the date of this announcement.

(A joint stock limited company incorporated in the People's Republic of China with limited liability)  
(Stock code: 670)

## 2007 ANNUAL RESULTS ANNOUNCEMENT

The board of directors (the "Board") of China Eastern Airlines Corporation Limited (the "Company") announces the audited consolidated financial results of the Company and its subsidiaries (collectively, the "Group") prepared under IFRS for the year ended 31 December 2007 with comparative figures for the corresponding year of 2006 as follows:

### FINANCIAL STATEMENTS

#### A. PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS")

##### Consolidated income statement

For the year ended 31 December 2007

	Note	2007 RMB'000	2006 RMB'000
<b>Revenues</b>	3	<b>42,521,226</b>	37,634,132
<b>Other operating income, net</b>	5	<b>604,713</b>	424,265
<b>Operating expenses</b>			
Aircraft fuel		(15,117,147)	(13,608,793)
Take-off and landing charges		(5,174,183)	(4,989,382)
Depreciation and amortization		(4,811,916)	(4,597,178)
Wages, salaries and benefits		(4,327,397)	(3,538,082)
Aircraft maintenance		(2,392,039)	(2,647,340)
Food and beverages		(1,235,578)	(1,188,016)
Aircraft operating lease rentals		(2,850,873)	(2,954,751)
Other operating lease rentals		(292,844)	(276,715)
Selling and marketing expenses		(1,805,342)	(1,734,987)
Civil aviation infrastructure levies		(781,613)	(696,428)
Ground services and other charges		(224,466)	(162,104)
Office, administrative and other expenses		(3,943,083)	(3,620,718)
Deficits on revaluation/impairment loss		(130,921)	(1,035,343)

Total operating expenses	(43,087,402)	(41,049,837)
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	<i>Note</i>	<b>2007</b> <b>RMB'000</b>	2006 <i>RMB'000</i>
<b>Operating profit/(loss)</b>		<b>38,537</b>	(2,991,440)
Finance income	6	<b>2,119,881</b>	1,008,563
Finance costs	7	(1,978,550)	(1,765,981)
Share of results of associates		<b>58,312</b>	103,566
Share of results of jointly controlled entities		<b>30,086</b>	29,595
<b>Profit/(loss) before income tax</b>		<b>268,266</b>	(3,615,697)
Income tax	8	(23,763)	162,932
<b>Profit/(loss) for the year</b>		<b>244,503</b>	(3,452,765)
<b>Attributable to:</b>			
Equity holders of the Company		<b>268,896</b>	(3,313,425)
Minority interests		(24,393)	(139,340)
		<b>244,503</b>	(3,452,765)
<b>Profit/(loss) per share for profit/(loss) attributable to the equity holders of the Company during the year</b>			
- basic and diluted	10	<b>RMB0.06</b>	RMB(0.68)

**Consolidated balance sheet**

As at 31 December 2007

	<i>Note</i>	2007 RMB'000	2006 RMB'000
<b>Non-current assets</b>			
Intangible assets		1,244,706	1,337,554
Property, plant and equipment		47,548,204	40,050,466
Lease prepayments		967,497	1,054,362
Advanced payments on acquisition of aircraft		6,695,573	7,668,708
Investments in associates		601,119	623,390
Investments in jointly controlled entities		336,966	115,540
Available-for-sale financial assets		53,236	47,554
Other long-term assets		660,751	1,099,265
Deferred tax assets		113,211	82,146
Derivative assets		6,077	73,269
		<b>58,227,340</b>	<b>52,152,254</b>
<b>Current assets</b>			
Flight equipment spare parts		1,124,936	1,198,642
Trade receivables and notes receivable	<i>11</i>	2,096,007	1,719,782
Amounts due from related companies		65,455	352,719
Prepayments, deposits and other receivables		2,555,649	2,759,065
Cash and cash equivalents		1,655,244	1,987,486
Derivative assets		89,470	113,532
Non-current assets held for sale		2,262,058	882,426
		<b>9,848,819</b>	<b>9,013,652</b>
<b>Current liabilities</b>			
Sales in advance of carriage		1,211,209	891,659
Trade payables and notes payable	<i>12</i>	3,137,880	5,026,764
Amounts due to related companies		671,593	348,477
Other payables and accrued expenses		9,624,491	7,873,603
Current portion of obligations under finance leases		2,545,223	2,803,956
Current portion of borrowings		18,494,521	16,016,327
Income tax payable		90,867	80,483
Current portion of provision for aircraft overhaul expenses		-	20,900
Derivative liabilities		20,238	124,722
Liabilities directly associated with non-current assets held for sale		127,239	442,935
		<b>35,923,261</b>	<b>33,629,826</b>
<b>Net current liabilities</b>		<b>(26,074,442)</b>	<b>(24,616,174)</b>
<b>Total assets less current liabilities</b>		<b>32,152,898</b>	<b>27,536,080</b>

	<i>Note</i>	<b>2007</b> <b>RMB'000</b>	2006 <i>RMB'000</i>
<b>Non-current liabilities</b>			
Obligations under finance leases		<b>13,906,987</b>	9,048,642
Borrowings		<b>11,369,307</b>	12,091,413
Provision for aircraft overhaul expenses		<b>956,910</b>	489,721
Other long-term liabilities		<b>864,336</b>	614,655
Deferred tax liabilities		<b>50,369</b>	68,459
Post-retirement benefit obligations		<b>1,370,702</b>	1,292,960
Long term portion of staff housing allowance		-	439,491
Derivative liabilities		<b>21,558</b>	14,096
		<b>28,540,169</b>	24,059,437
<b>Net assets</b>			
		<b>3,612,729</b>	3,476,643
<b>Equity</b>			
Capital and reserves attributable to the equity holders of the Company			
Share capital		<b>4,866,950</b>	4,866,950
Reserves		<b>(1,839,187)</b>	(2,052,053)
		<b>3,027,763</b>	2,814,897
Minority interests		<b>584,966</b>	661,746
<b>Total equity</b>			
		<b>3,612,729</b>	3,476,643

Notes:

## **1. Basis of preparation**

The consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS") and the disclosure requirements of the Hong Kong Companies Ordinance. The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of property, plant and equipment, available-for-sale financial assets, financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.

The Group's accumulated losses were approximately RMB2,820 million as at 31 December 2007 and its current liabilities exceeded its current assets by approximately RMB26,074 million. Based on the Group's history of obtaining finance, its relationships with its bankers, banking facilities available and net operating cash inflow, the Board considers that the Group will be able to obtain sufficient financing to enable it to operate and meet its liabilities as and when they fall due. Accordingly, it is appropriate that these consolidated financial statements should be prepared on a going concern basis and they do not include any adjustments that would be required should the Company and the Group fail to continue as a going concern.

In 2007, the Group adopted IFRS 7, 'Financial Instruments: Disclosures' and the complementary amendment to IAS 1, 'Presentation of financial statements - Capital disclosures'. These amendments and interpretations did not result in any significant changes to the Group's accounting policies.

## **2. Revised accounting estimates and change of accounting policy**

### *(a) Treatments on aircraft and engine overhaul costs*

During the year ended 31 December 2007, the Group reviewed the way it accounts for certain aircraft maintenance activities and decided to change its accounting policy with respect to the cost of major overhauls of airframes and engines held under operating leases. The review of the Group's accounting policy was, in part, initiated in response to recent changes in generally accepted accounting practice in the United States which have eliminated the use of the accrual method for overhauls.

Previously, the Group accrued for the cost of periodic major overhauls of airframes over the period between overhauls based on flying hours but only accrued for certain return condition checks for engines based on the specific terms of operating lease agreements. The Group has now adopted a new policy under which the periodic cost of major overhauls of both airframes and engines is expensed as incurred and accrual is made for the estimated cost of return condition checks (for both airframes and engines) on a straight line basis over the term of the relevant lease. The Group determined that its new policy for accounting of overhauls for aircraft under operating leases is more relevant and appropriate in the context of the significant growth in the size of the Group's fleet. The new policy is consistent with similar policies adopted by many other large international airlines with mature fleets. The impact of the change in accounting policy for airframes is immaterial to the amounts reported in prior years. If the adjustments had been applied retrospectively, the impact would have been to decrease aircraft maintenance expense and loss for the year ended 31 December 2006 by RMB78 million (2005: increase aircraft maintenance expense and loss for the year by RMB26 million).



As part of the Group's review of its accounting for overhaul costs, inconsistencies were identified in (1) the way that the Group's previous policies had been applied to certain individual engines based on interpretation of their lease contracts; and (2) the accounting for maintenance costs under certain "Power by hour" contracts where maintenance contractors receive agreed payments based on the number of operating hours for the engine. The net effect of the necessary adjustments, if they had been applied retrospectively, would have been to increase aircraft maintenance expense and loss for the year ended 31 December 2006 by RMB33 million (2005: decrease aircraft maintenance expense and loss for the year by RMB35 million). The impact of these corrections is immaterial to the amounts reported in prior years.

The aggregate impact of the application of the change in accounting policy and the correction of the inconsistencies referred to above is immaterial to both the 2007 and prior year financial statements and all changes have been recognised in the current year. The cumulative impact of the new policy and the corrections was an increase of RMB31 million in net assets and profit as of and for the year ended 31 December 2007.

*(b) Change in useful life of flight equipment*

The Group has changed the estimated useful life of flight equipment in 2007. Previously, flight equipment was depreciated over 20 years plus an annual provision of 7% for scrapped items. The economic useful life of flight equipment has been reviewed and is now depreciated over 10 years with no annual provision for scrapped items with effect from 1 January 2007. Management considers the new policy more accurately reflects past experience and is consistent with industry practice. The change in estimate has resulted in a decreased depreciation charge of RMB44 million for the year ended 31 December 2007.

*(c) Change in the depreciation method for components related to engine overhaul*

The Group has changed the depreciation method applied to components related to engine overhaul costs. Previously, components related to engine overhaul costs were depreciated on a straight-line basis over 2 to 8 years. The economic useful life of components related to engine overhaul costs has been reviewed and is now depreciated between each overhaul period using the ratio of actual flying hours and estimated flying hours between overhauls. Management considers the new treatment better reflects the pattern in which the component's future economic benefits are expected to be consumed by the entity. The change in estimate has resulted in a decreased depreciation charge of RMB109 million for the year ended 31 December 2007.

### 3. Revenues

The Group is principally engaged in the operation of civil aviation, including the provision of passenger, cargo, mail delivery and other extended transportation services.

	<b>Group</b>	
	<b>2007</b>	<b>2006</b>
	<b>RMB'000</b>	<b>RMB'000</b>
<b>Revenues</b>		
Traffic revenues		
- Passenger	<b>36,064,642</b>	31,121,718
- Cargo and mail	<b>5,633,117</b>	5,776,671
Ground service income	<b>1,001,809</b>	893,960
Cargo handling income	<b>364,638</b>	289,530
Commission income	<b>156,713</b>	125,576
Others	<b>393,166</b>	403,469
	<b>43,614,085</b>	38,610,924
Less: Business tax ( <i>Note</i> )	<b>(1,092,859)</b>	(976,792)
	<b>42,521,226</b>	37,634,132

*Note:*

Except for traffic revenues derived from inbound international and regional flights, which are not subject to the People's Republic of China ("PRC") business tax, the Group's traffic revenues, commission income, ground service income, cargo handling income and other revenues are subject to PRC business tax levied at rates ranging from 3% to 5%, pursuant to PRC business tax rules and regulations.

### 4. Segment information

(a) *Primary reporting format by business segment*

Segment information is presented in respect of the Group's business and geographical segments. Business segment information is chosen as the primary report format.

(1) Passenger business segment includes cargo carried by passenger flights.

(2) Inter-segment transfers or transactions are entered into under normal commercial terms and conditions that would also be available to unrelated third parties.

The segment results for the year ended 31 December 2007 are as follows:

	<b>Passenger</b> <i>RMB'000</i>	<b>Cargo and logistics</b> <i>RMB'000</i>	<b>Unallocated</b> <i>RMB'000</i>	<b>Total</b> <i>RMB'000</i>
Traffic revenues	37,537,460	3,113,488	-	40,650,948
Other revenues	1,208,760	900,529	208,456	2,317,745
<b>Total segment revenue</b>	<b>38,746,220</b>	<b>4,014,017</b>	<b>208,456</b>	<b>42,968,693</b>
Inter-segment revenue	(348,643)	-	(98,824)	(447,467)
<b>Revenues</b>	<b>38,397,577</b>	<b>4,014,017</b>	<b>109,632</b>	<b>42,521,226</b>
<b>Operating (loss)/profit</b>				
- segment results	(182,147)	181,823	38,861	38,537
Finance income	2,034,611	84,481	789	2,119,881
Finance costs	(1,799,454)	(164,685)	(14,411)	(1,978,550)
Share of results of associates	-	-	58,312	58,312
Share of results of jointly controlled entities	-	-	30,086	30,086
<b>Profit before income tax</b>	<b>53,010</b>	<b>101,619</b>	<b>113,637</b>	<b>268,266</b>
Income tax	38,835	(58,123)	(4,475)	(23,763)
<b>Profit for the year</b>	<b>91,845</b>	<b>43,496</b>	<b>109,162</b>	<b>244,503</b>

The segment results for the year ended 31 December 2006 are as follows:

	Passenger <i>RMB'000</i>	Cargo and logistics <i>RMB'000</i>	Unallocated <i>RMB'000</i>	Total <i>RMB'000</i>
Traffic revenues	33,489,978	2,842,836	-	36,332,814
Other revenues	1,211,553	709,069	140,525	2,061,147
Total segment revenue	34,701,531	3,551,905	140,525	38,393,961
Inter-segment revenue	(689,331)	-	(70,498)	(759,829)
Revenues	34,012,200	3,551,905		