

Independent International Auditor's Report

獨立國際核數師報告

TO THE SHAREHOLDERS OF CHINA EASTERN AIRLINES CORPORATION LIMITED

(incorporated in the People's Republic of China with limited liability)

We have audited the consolidated financial statements of China Eastern Airlines Corporation Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 93 to 227, which comprise the consolidated and Company balance sheets as at 31 December 2006, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors of the Company are responsible for the preparation and the true and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free of material misstatement.

致中國東方航空股份有限公司全體股東：

(於中華人民共和國註冊成立的有限公司)

本核數師(以下簡稱「我們」)已審核列載於第93至227頁中國東方航空股份有限公司(以下簡稱「貴公司」)及其附屬公司(以下簡稱「貴集團」)的綜合財務報表，此綜合財務報表包括於二零零六年十二月三十一日的綜合資產負債表與截至該日止年度的綜合收益表、綜合權益變動表和綜合現金流量表，以及主要會計政策概要及其他附註解釋。

董事就財務報表須承擔的責任

貴公司董事須負責根據國際財務報告準則及按照香港《公司條例》的披露規定編製及真實而公平地列報該等綜合財務報表。這責任包括設計、實施及維護與編製及真實而公平地列報財務報表相關的內部控制，以使財務報表不存在由於欺詐或錯誤而導致的重大錯誤陳述；選擇和應用適當的會計政策；及按情況下作出合理的會計估計。

核數師的責任

我們的責任是根據我們的審核對該等綜合財務報表作出意見。我們已根據國際審計準則進行審核。這些準則要求我們遵守道德規範，並規劃及執行審核，以合理確定此等財務報表是否不存有任何重大錯誤陳述。

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獨立國際核數師報告

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Company and the Group as at 31 December 2006, and of the Group's financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

OTHER MATTERS

This report, including the opinion, has been prepared for and only for you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong, 19 April 2007

審核涉及執程序以獲取有關財務報表所載金額及披露資料的審核憑證。所選定的程序取決於核數師的判斷，包括評估由於欺詐或錯誤而導致財務報表存有重大錯誤陳述的風險。在評估該等風險時，核數師考慮與該公司編製及真實而公平地列報財務報表相關的內部控制，以設計適當的審核程序，但並非為對公司的內部控制的效能發表意見。審核亦包括評價董事所採用的會計政策的合適性及所作出的會計估計的合理性，以及評價財務報表的整體列報方式。

我們相信，我們所獲得的審核憑證是充足和適當地為我們的審核意見提供基礎。

意見

我們認為，該等綜合財務報表已根據國際財務報告準則真實而公平地反映貴公司及貴集團於二零零六年十二月三十一日的財務狀況及貴集團截至該日止年度的經營成果及現金流量，並已按照香港《公司條例》的披露規定妥為編製。

其他事項

本報告包括意見，僅向整體股東報告，除此之外本報告別無其他目的。我們不會就本報告的內容向任何其他人士負上或承擔任何責任。

羅兵咸永道會計師事務所
執業會計師
香港，二零零七年四月十九日

Consolidated Income Statement

綜合損益表

(Prepared in accordance with International Financial Reporting Standards)

(按國際財務報告準則編製)

For the year ended 31 December 2006

截至二零零六年十二月三十一日止年度

			2006 二零零六年 RMB'000 人民幣千元	2005 二零零五年 RMB'000 人民幣千元
Revenues	收入	5	37,488,875	27,454,443
Other operating income, net	其他營業收益，淨額	6	424,265	245,279
Operating expenses	營業支出			
Commissions	佣金支出		(1,316,620)	(969,587)
Aircraft fuel	飛機燃料		(13,608,793)	(8,888,873)
Take-off and landing charges	飛機起降費		(4,989,382)	(3,718,846)
Ground services and other charges	地面服務費及其它費用		(162,104)	(115,516)
Civil aviation infrastructure levies	民航基礎設施建設基金		(696,428)	(466,191)
Food and beverages	航空餐食供應		(1,188,016)	(976,787)
Wages, salaries and benefits	工資、薪金及福利	8	(3,476,096)	(2,359,467)
Aircraft maintenance	飛機維修費		(2,647,340)	(1,383,989)
Aircraft depreciation and operating lease rentals	飛機折舊及經營性租賃租金		(6,973,863)	(5,254,716)
Other depreciation, amortisation and operating lease rentals	其他固定資產折舊、攤銷及經營性租賃租金		(782,044)	(666,287)
Ticket reservation fees	機票預定費		(418,367)	(292,412)
Insurance costs	保險費		(161,469)	(148,862)
Deficits on revaluation of property, plant and equipment	物業、機器及設備評估減值損失	15	(1,035,343)	-
Office, administrative and other expenses	辦公、管理及其他費用		(3,448,715)	(2,443,941)
Total operating expenses	營業支出總額		(40,904,580)	(27,685,474)
Operating (loss)/profit	經營(虧損)/溢利	9	(2,991,440)	14,248
Interest income	利息收入		120,161	128,700
Finance costs	利息支出	10	(877,579)	(707,050)
Share of results of associates	攤佔聯營公司業績	19	103,566	(9,030)
Share of results of jointly controlled entities	攤佔共同控制實體業績	20	29,595	(4,300)
Loss before income tax	除稅前虧損		(3,615,697)	(577,432)
Income tax	稅項	11	162,932	138,704
Loss for the year	年度虧損		(3,452,765)	(438,728)
Attributable to:	歸屬於:			
Equity holders of the Company	本公司權益持有人		(3,313,425)	(467,307)
Minority interests	少數股東權益		(139,340)	28,579
			(3,452,765)	(438,728)
Loss per share for loss attributable to the equity holders of the Company during the year	年內本公司權益持有人應佔虧損			
- basic and diluted	- 基本及攤薄	13	RMB(0.68)	RMB(0.10)

The notes on pages 101 to 227 are an integral part of these financial statements.

註釋101頁至227頁為財務報表的整體部分。

Consolidated Balance Sheet

綜合資產負債表

(Prepared in accordance with International Financial Reporting Standards)

(按國際財務報告準則編製)

As at 31 December 2006

於二零零六年十二月三十一日

			2006	2005
			二零零六年	二零零五年
		Note	RMB'000	RMB'000
		註釋	人民幣千元	人民幣千元
Non-current assets	非流動資產			
Intangible assets	無形資產	14	1,337,554	751,843
Property, plant and equipment	物業、機器及設備	15	40,050,466	38,524,868
Lease prepayments	預付租賃款	16	1,054,362	972,771
Advanced payments on acquisition of aircraft	飛機預付款	17	7,668,708	9,072,673
Investments in associates	投資於聯營公司	19	623,390	629,746
Investments in jointly controlled entities	投資於共同控制實體	20	115,540	100,520
Available-for-sale financial assets	可供出售財務資產		47,554	40,802
Other long-term assets	其他長期資產	21	1,099,265	2,705,558
Deferred tax assets	遞延稅項資產	31	82,146	12,324
Derivative assets	衍生資產	34	73,269	70,886
			52,152,254	52,881,991
Current assets	流動資產			
Flight equipment spare parts	飛機設備零件		1,198,642	978,922
Trade receivables and notes receivable	應收賬款及應收票據	22	2,002,855	1,918,409
Amounts due from related companies	應收有關聯公司款項	41	352,719	205,712
Prepayments, deposits and other receivables	預付款、存款及其它應收款	23	2,475,992	997,271
Cash and cash equivalents	現金及現金等價物	24	1,987,486	1,864,001
Derivative assets	衍生資產	34	113,532	53,036
Non-current assets held for sale	待售非流動資產	37	882,426	-
			9,013,652	6,017,351
Current liabilities	流動負債			
Sales in advance of carriage	預售機位		891,659	823,149
Trade payables and notes payable	應付賬款及應付票據	25	5,090,210	3,113,898
Amounts due to related companies	應付有關聯公司款項	41	348,477	576,030
Other payables and accrued expenses	其他應付款及預提費用	26	7,986,351	5,995,751
Current portion of obligations under finance leases	融資租賃負債的流動部份	27	2,803,956	2,428,037
Current portion of borrowings	貸款的流動部分	28	16,016,327	18,554,630
Income tax payable	應付稅項		80,483	47,259
Current portion of provision for aircraft overhaul expenses	飛機大修費用準備的流動部分	29	20,900	15,589
Derivative liabilities	衍生負債	34	124,722	34,844
Liabilities directly associated with non-current assets held for sale	與待售非流動資產直接相關的負債	37	442,935	-
			33,806,020	31,589,187
Net current liabilities	淨流動負債		(24,792,368)	(25,571,836)
Total assets less current liabilities	總資產減流動負債		27,359,886	27,310,155

Consolidated Balance Sheet

綜合資產負債表

(Prepared in accordance with International Financial Reporting Standards)

(按國際財務報告準則編製)

As at 31 December 2006

於二零零六年十二月三十一日

			2006	2005
			二零零六年	二零零五年
		Note	RMB'000	RMB'000
		註釋	人民幣千元	人民幣千元
Non-current liabilities	非流動負債			
Obligations under finance leases	融資租賃負債	27	9,048,642	8,159,517
Borrowings	貸款	28	12,091,413	9,790,116
Provision for aircraft overhaul expenses	飛機大修費用準備	29	489,721	388,410
Other long-term liabilities	其他長期負債	30	438,461	201,902
Deferred tax liabilities	遞延稅項負債	31	68,459	178,825
Post-retirement benefit obligations	退休後福利準備	32(b)	1,292,960	1,202,877
Long-term portion of staff housing allowances	職工住房補貼的長期部份	33(b)	439,491	444,196
Derivative liabilities	衍生負債	34	14,096	25,770
			23,883,243	20,391,613
Net assets	淨資產		3,476,643	6,918,542
Equity	權益			
Capital and reserves attributable to the equity holders of the Company	本公司權益持有人應佔資本及權益			
Share capital	股本	35	4,866,950	4,866,950
Reserves	儲備	36	(2,052,053)	1,229,115
			2,814,897	6,096,065
Minority interests	少數股東權益		661,746	822,477
Total equity	總權益		3,476,643	6,918,542

These financial statements have been approved for issue by the Board of Directors on 19 April 2007.

本財務報表已經在二零零七年四月十九日由董事會通過並許可發出。

Li Fenghua

Director

李豐華

董事

Cao Jianxiong

Director

曹建雄

董事

The notes on pages 101 to 227 are an integral part of these financial statements.

註釋101頁至227頁為財務報表的整體部分。

Balance Sheet

資產負債表

(Prepared in accordance with International Financial Reporting Standards)

(按國際財務報告準則編製)

As at 31 December 2006

於二零零六年十二月三十一日

			2006	2005
			二零零六年	二零零五年
		Note	RMB'000	RMB'000
		註釋	人民幣千元	人民幣千元
Non-current assets	非流動資產			
Intangible assets	無形資產	14	1,032,679	751,591
Property, plant and equipment	物業、機器及設備	15	31,606,868	32,162,125
Lease prepayments	預付租賃款	16	497,668	481,600
Advanced payments on acquisition of aircraft	飛機預付款	17	7,006,853	8,157,515
Investments in subsidiaries	投資於附屬公司	18	3,882,670	2,512,490
Investments in associates	投資於聯營公司	19	377,872	620,659
Investments in jointly controlled entities	投資於共同控制實體	20	59,552	59,552
Available-for-sale financial assets	可出售財務資產		31,806	35,282
Other long-term assets	其他長期資產	21	994,729	2,596,521
Derivative assets	衍生資產	34	73,269	70,886
			45,563,966	47,448,221
Current assets	流動資產			
Flight equipment spare parts	飛機設備零件		931,415	906,605
Trade receivables and notes receivable	應收賬款及應收票據	22	1,260,572	1,260,283
Amounts due from related companies	應收有關聯公司款項	41	351,209	203,113
Prepayments, deposits and other receivables	預付款、存款及其它應收款	23	2,173,904	688,543
Cash and cash equivalents	現金及現金等價物	24	1,109,834	940,609
Derivative assets	衍生資產	34	113,532	53,036
Non-current assets held for sale	待售非流動資產	37	882,426	-
			6,822,892	4,052,189
Current liabilities	流動負債			
Sales in advance of carriage	預售機位		891,659	808,231
Trade payables and notes payable	應付賬款及應付票據	25	4,674,301	2,975,827
Amounts due to related companies	應付有關聯公司款項	41	246,362	205,189
Other payables and accrued expenses	其他應付款及預提費用	26	6,683,039	5,132,878
Current portion of obligations under finance leases	融資租賃負債的流動部份	27	2,636,057	2,361,974
Current portion of borrowings	貸款的流動部分	28	13,004,878	15,375,864
Current portion of provision for aircraft overhaul expenses	飛機大修費用準備的流動部分	29	20,900	15,589
Income tax payable	應付稅項		-	2,210
Derivative liabilities	衍生負債	34	124,722	34,844
Liabilities directly associated with non-current assets held for sale	與待售非流動資產直接相關的負債	37	442,935	-
			28,724,853	26,912,606
Net current liabilities	流動淨負債		(21,901,961)	(22,860,417)
Total assets less current liabilities	總資產減流動負債		23,662,005	24,587,804

Balance Sheet

資產負債表

(Prepared in accordance with International Financial Reporting Standards)

(按國際財務報告準則編製)

As at 31 December 2006

於二零零六年十二月三十一日

			2006 二零零六年	2005 二零零五年
		Note 註釋	RMB'000 人民幣千元	RMB'000 人民幣千元
Non-current liabilities	非流動負債			
Obligations under finance leases	融資租賃負債	27	7,511,373	7,363,308
Borrowings	貸款	28	10,841,915	9,457,436
Provision for aircraft overhaul expenses	飛機大修費用準備	29	408,690	333,246
Other long-term liabilities	其他長期負債	30	438,461	201,902
Deferred tax liabilities	遞延稅項負債	31	-	160,067
Post-retirement benefit obligations	退休後福利準備	32(b)	1,144,653	1,085,637
Long-term portion of staff housing allowances	職工住房補貼的長期部份	33(b)	413,386	415,735
Derivative liabilities	衍生負債	34	14,096	25,770
			20,772,574	19,043,101
Net assets	淨資產		2,889,431	5,544,703
Equity	權益			
Capital and reserves attributable to the equity holders of the Company	本公司權益持有人應佔資本及權益			
Share capital	股本	35	4,866,950	4,866,950
Reserves	儲備	36	(1,977,519)	677,753
Total equity	總權益		2,889,431	5,544,703

These financial statements have been approved for issue by the Board of Directors on 19 April 2007.

本財務報表已經在二零零七年四月十九日由董事會通過並許可發出。

Li Fenghua

Director

李豐華

董事

Cao Jianxiong

Director

曹建雄

董事

The notes on pages 101 to 227 are an integral part of these financial statements.

註釋101頁至227頁為財務報表的整體部分。

Consolidated Cash Flow Statement

綜合現金流量表

(Prepared in accordance with International Financial Reporting Standards)

(按國際財務報告準則編製)

For the year ended 31 December 2006

截至二零零六年十二月三十一日止年度

			2006 二零零六年	2005 二零零五年
		Note 註釋	RMB'000 人民幣千元	RMB'000 人民幣千元
Cash flows from operating activities	營運活動的現金流量			
Cash generated from operations	營運產生的現金	38	3,458,510	3,369,783
Interest paid	已付利息		(2,097,077)	(1,357,402)
Income tax paid	已付所得稅		(22,740)	(59,932)
Net cash inflow from operating activities	營運活動產生的淨現金		1,338,693	1,952,449
Cash flows from investing activities	投資活動的現金流量			
Additions of property, plant and equipment	購入物業、機器及設備		(879,756)	(2,676,050)
Proceeds from disposal of property, plant and equipment	出售物業、機器及設備所得款		328,419	32,923
Acquisition of land use rights	購入土地使用權		(37,158)	(31,780)
Acquisition of available-for-sale financial assets	購入可持作買賣的財務資產		(6,751)	(1,256)
Advanced payments on acquisition of aircraft	飛機、發動機及飛行設備的預付款		(4,560,694)	(7,751,197)
Refund of advanced payments upon delivery of aircraft	收回飛機預付款		3,744,513	-
Repayment of other payables (instalment payment for acquisition of an airline business)	償還其他應付款 (購入一航空業務的分期付款)		(30,000)	(30,000)
Decrease/(increase) in bank deposits	銀行存款的淨減少(增加)		-	270
Interest received	已收利息		120,161	128,700
Dividend received	已收股息		8,617	-
Acquisitions of controlling interests in associates, net cash outflow	增購聯營公司的控制權益淨現金流出	40	(366,529)	(40,704)
Net cash outflow from investing activities	投資活動產生的淨現金		(1,679,178)	(10,369,094)

Consolidated Cash Flow Statement

綜合現金流量表

(Prepared in accordance with International Financial Reporting Standards)

(按國際財務報告準則編製)

For the year ended 31 December 2006

截至二零零六年十二月三十一日止年度

	Note	2006	2005
	註釋	二零零六年	二零零五年
		RMB'000	RMB'000
		人民幣千元	人民幣千元
Cash flows from financing activities	融資活動的現金流量		
Proceeds from draw down of short-term bank loans	短期銀行貸款所得款	14,748,954	14,307,315
Repayments of short-term bank loans	償還短期銀行貸款	(15,133,553)	(8,872,754)
Proceeds from draw down of long-term bank loans	長期銀行貸款所得款	6,909,927	5,135,286
Repayments of long-term bank loans	償還長期銀行貸款	(4,179,412)	(3,843,483)
Principal repayments of finance lease obligations	償還融資租賃負債的本金	(2,539,995)	(1,157,334)
Proceeds from issuance of notes payable	發行應付票據所得款	7,696,014	4,228,783
Repayments of notes payable	償還應付票據	(6,014,279)	(3,376,072)
Proceeds from issuance of debentures	發行債券所得款	-	1,951,600
Repayment of debentures	償還債券	(2,000,000)	-
Placement of finance lease deposits	支付融資租賃飛機押金	(803)	-
Refund of deposits for finance leases upon maturities	收到到期融資租賃飛機押金	1,047,534	-
Capital injection from a minority shareholder on subsidiaries	從附屬公司少數股東收到的投資	1	-
2004 dividend paid	向本公司權益持有人支付2004年股利	(60,000)	(97,339)
Dividends paid to minority shareholders of subsidiaries	向附屬公司的少數股東支付股利	(53,550)	(90,000)
Net cash inflow from financing activities	融資活動產生淨現金	420,838	8,186,002
Net increase/(decrease) in cash and cash equivalents	現金及現金等價物淨增加/(減少)	80,353	(230,643)
Cash and cash equivalents at 1 January	一月一日的現金及現金等價物	1,864,001	2,114,447
Exchange adjustments	匯率調整	43,132	(19,803)
Cash and cash equivalents at 31 December	十二月三十一日的現金及現金等價物	1,987,486	1,864,001

The notes on pages 101 to 227 are an integral part of these financial statements.

註釋101頁至227頁為財務報表的整體部分。

Consolidated Statement of Changes in Equity

綜合權益變動表

(Prepared in accordance with International Financial Reporting Standards)

(按國際財務報告準則編製)

For the year ended 31 December 2006

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		Attributable to equity holders of the Company 本公司股東權益				
		Share Capital 股本 RMB'000 人民幣千元	Reserves 儲備 RMB'000 人民幣千元	Sub-total 合計 RMB'000 人民幣千元	Minority interests 少數股東權益 RMB'000 人民幣千元	Total equity 總權益 RMB'000 人民幣千元
Balance at 1 January 2005	二零零五年一月一日結餘	4,866,950	1,657,174	6,524,124	820,835	7,344,959
Cash flow hedges, net of tax	現金流量套期，扣除稅項	-	136,587	136,587	-	136,587
Dividend relating to 2004	二零零四年的股利	-	(97,339)	(97,339)	-	(97,339)
Dividend paid to minority interest in subsidiaries	支付少數股東股利	-	-	-	(90,000)	(90,000)
Contribution from minority interest in subsidiaries	附屬公司少數股東權益增加	-	-	-	63,063	63,063
Loss for the year	年度虧損	-	(467,307)	(467,307)	28,579	(438,728)
Balance at 31 December 2005	二零零五年十二月三十一日結餘	4,866,950	1,229,115	6,096,065	822,477	6,918,542
Balance at 1 January 2006	二零零六年一月一日結餘	4,866,950	1,229,115	6,096,065	822,477	6,918,542
Cash flow hedges, net of tax	現金流量套期，扣除稅項	-	8,441	8,441	-	8,441
Revaluation reserve, net of tax, arising from the acquisition of a controlling interest in an associate	由於進一步收購聯營公司控制權益，使其成為附屬公司所引起的重估儲備，扣除稅項	-	23,816	23,816	-	23,816
Dividend paid to minority interests in subsidiaries	支付附屬公司少數股東股利	-	-	-	(42,892)	(42,892)
Loss for the year	年度虧損	-	(3,313,425)	(3,313,425)	(139,340)	(3,452,765)
Additions through acquisitions of subsidiaries (Note 40)	業務收購附屬公司增加(註釋40)	-	-	-	21,501	21,501
Balance at 31 December 2006	二零零六年十二月三十一日結餘	4,866,950	(2,052,053)	2,814,897	661,746	3,476,643

The notes on pages 101 to 227 are an integral part of these financial statements.

註釋101頁至227頁為財務報表的整體部分。

Notes to the Financial Statements

財務報表註釋

(Prepared in accordance with International Financial Reporting Standards)
(按國際財務報告準則編製)

For the year ended 31 December 2006
截至二零零六年十二月三十一日止年度

1. CORPORATE INFORMATION

China Eastern Airlines Corporation Limited (the “Company”), a joint stock company limited by shares was incorporated in the People’s Republic of China (the “PRC”) on 14 April 1995. The address of its registered office is 66 Airport Street, Pudong International Airport, Shanghai, the PRC. The Company and its subsidiaries (together, the “Group”) are principally engaged in the operation of civil aviation, including the provision of passenger, cargo, and mail delivery and other extended transportation services.

The Company is majority owned by China Eastern Air Holding Company (“CEA Holding”), a state-owned enterprise incorporated in the PRC.

The Company’s shares are traded on The Stock Exchange of Hong Kong Limited, The New York Stock Exchange and The Shanghai Stock Exchange.

During the year ended 31 December 2006, the Company acquired additional equity interests of 56% in China Eastern Airlines Wuhan Co., Ltd. (“CEA Wuhan”). Further details of the acquisition are set out in Note 40 to the financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) 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.

1. 公司資料

中國東方航空股份有限公司(「本公司」)是於一九九五年四月十四日在中華人民共和國(「中國」)成立的一間股份有限公司。本公司註冊地址為中國上海浦東國際機場機場路66號。本公司及其附屬公司(「本集團」)主要經營民航業務，包括客運、貨運、郵運及其他延伸的航空業務。

本公司大部份權益現由一家位於中國名為中國東方航空集團公司(「中國東航集團」)的國有企業擁有。

本公司的股份在香港聯合交易所有限公司、紐約證券交易所及上海證券交易所上市。

於二零零六年十二月三十一日止年度，本公司進一步收購中國東方航空武漢公司(「東航武漢」)56%的股權。有關收購的詳細資料已於本財務報告的註釋40中列明。

2. 重要會計政策摘要

編制本綜合財務報表採用的主要會計政策載於下文。除另有說明外，此等政策在所呈報的所有年度內貫徹應用。

(a) 編製基準

本集團的綜合財務報表是根據國際財務報告準則(「財務準則」)及香港公司條例的披露規定編制。綜合財務報表已按照歷史成本法編制，並就物業、機器及設備、可供出售財務資產、按公平值透過損益記賬的財務資產和財務負債(包括衍生工具)的重估而作出修訂。

Notes to the Financial Statements

財務報表註釋

(Prepared in accordance with International Financial Reporting Standards)

(按國際財務報告準則編製)

For the year ended 31 December 2006

截至二零零六年十二月三十一日止年度

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(a) Basis of preparation (Cont'd)

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 4 to the financial statements. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Although these estimates are based on management's best knowledge of current events and actions, actual results ultimately may differ from those estimates.

The Group incurred a net loss attributable to equity holders of the Company of approximately RMB3,313 million for the current financial year and as at 31 December 2006 the Group's accumulated losses were approximately RMB3,335 million and its current liabilities exceeded its current assets by approximately RMB24,792 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 of Directors consider 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 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.

2. 重要會計政策摘要(續)

(a) 編製基準(續)

編製符合財務準則的財務報表需要使用若干關鍵會計估算。這亦需要管理層在應用本公司會計政策過程中行使其判斷。涉及高度的判斷或高度複雜性的範疇，或涉及對綜合財務報表屬重大假設和估算的範疇，在財務報表註釋4中披露。此等假設和估算會影響在財務報表日所列示的資產和負債、或有資產及負債的披露、以及當期的收入及支出。此等估計雖然已按管理層對當時的事項及行動的最佳知識作基準，惟實際結果有可能會與估計出現差異。

本集團二零零六年度本公司權益持有人應佔綜合虧損為人民幣3,313百萬元，截止二零零六年十二月三十一日，本集團累積虧損為人民幣3,335百萬元，流動負債大於流動資產人民幣24,792百萬元。但基於本集團獲取融資的歷史、與各大銀行及財務機構的良好合作關係、已取得的借貸信用額度及經營狀況，董事會認為本集團可以繼續獲取足夠的融資來源，來保證經營所需的資金。基於以上所述，本公司及本集團的財務報表並沒有包括任何在不能持續經營基礎下需要的調整，所以董事會以持續經營為基礎而編制本年度會計報表。

Notes to the Financial Statements

財務報表註釋

(Prepared in accordance with International Financial Reporting Standards)

(按國際財務報告準則編製)

For the year ended 31 December 2006

截至二零零六年十二月三十一日止年度

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(a) Basis of preparation (Cont'd)

In 2006, the Group adopted the following amendments and interpretations to existing standards which are relevant to its operations. The adoption of these amendments and interpretations did not have any significant impact on its results of operations and financial position. In summary:

- International Accounting Standard (“IAS”) No. 39 and IFRS 4 (Amendment) – Financial Guarantee Contracts
- IAS 19 (Amendment) – Employee Benefits: Actuarial Gains and Losses, Group Plans and Disclosures
- IAS 39 (Amendment) – The Fair Value option
- International Financial Reporting Interpretations Committee (“IFRIC”) Interpretation 4 – Determining whether an Arrangement contains a Lease

The following new/revised standards and interpretations to existing standards have been published which are relevant to the Group's operations that are mandatory for accounting periods beginning on or after 1 March 2006 or later periods. The Group is assessing the impact of these new/revised standards and interpretations but management do not believe these new/revised standards and interpretations will have a significant impact on its results of operations or financial position.

2. 重要會計政策摘要(續)

(a) 編製基準(續)

在二零零六年，本集團採用了以下與其經營活動有關對現有準則的修訂及詮釋。採納該等對現有準則的修訂及詮釋並沒有對本集團經營業績及財務狀況造成重大影響。概括如下：

國際會計準則(「會計準則」)第39號及財務準則第4號(經修訂) – 財務擔保合約

會計準則第19號(修訂) – 僱員福利：精算的收益和損失，集團計劃及披露

會計準則第39號(經修訂) – 選擇以公允價值入賬

國際財務報告準則詮釋委員會(「財務準則詮釋」) – 詮釋第4號 – 釐定安排是否包含租賃

以下所示的新頒布或經修訂的準則和對現有準則的詮釋自二零零六年三月一日或以後日期開始的會計年度生效，並與本集團經營活動有關。本集團已經對採用這些新頒布或經修訂的準則及詮釋的影響進行了評估，並相信這些新頒布及經修訂的準則及詮釋不會對本集團經營業績及財務狀況造成重大影響。

Notes to the Financial Statements

財務報表註釋

(Prepared in accordance with International Financial Reporting Standards)

(按國際財務報告準則編製)

For the year ended 31 December 2006

截至二零零六年十二月三十一日止年度

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(a) Basis of preparation (Cont'd)

- IFRS 7 – Financial Instruments: Disclosures (effective for annual periods beginning on or after 1 March 2006)
- IFRS 8 – Operating segments (effective for annual periods beginning on or after 1 January 2009)
- IAS 1 (Amendment) – Presentation of Financial Statements: Capital disclosures (effective for annual periods beginning on or after 1 January 2007)
- IFRIC Interpretation 8 – Scope of IFRS 2 (effective for annual periods beginning on or after 1 May 2006)
- IFRIC Interpretation 9 – Reassessment of Embedded Derivatives (effective for annual periods beginning on or after 1 June 2006)
- IFRIC Interpretation 10 – Interim Financial Reporting and Impairment (effective for annual periods beginning on or after 1 November 2006)
- IFRIC Interpretation 11 – IFRS 2 – Group and Treasury Share Transactions (effective for annual periods beginning on or after 1 March 2007)
- IFRIC Interpretation 12 – Service Concession Arrangements (effective for annual periods beginning on or after 1 January 2008)

2. 重要會計政策摘要(續)

(a) 編製基準(續)

財務準則第7號－金融工具：披露(自二零零六年三月一日起的會計年度生效)

財務準則第8號－經營分類(自二零零九年一月一日起的會計年度生效)

會計準則第1號(修訂)－權益的相關披露(自二零零七年一月一日起的會計年度生效)

財務準則詮釋第8號－香港財務報告準則第2號的範圍(自二零零六年五月一日起的會計年度生效)

財務準則詮釋第9號－重新評估內含衍生工具(自二零零六年六月一日起的會計年度生效)

財務準則詮釋第10號－中期報告及減值(自二零零六年十一月一日起的會計年度生效)

財務準則詮釋第11號－財務準則第2號－集團及庫存股份交易(自二零零七年三月一日起的會計年度生效)

財務準則詮釋第12號－服務經營權安排(自二零零八年一月一日起的會計年度生效)

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財務報表註釋

(Prepared in accordance with International Financial Reporting Standards)

(按國際財務報告準則編製)

For the year ended 31 December 2006

截至二零零六年十二月三十一日止年度

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(b) Consolidation

The consolidated financial statements include the financial statements of the Company and all of its subsidiaries made up to 31 December.

(i) Subsidiaries

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

2. 重要會計政策摘要(續)

(b) 集團會計

綜合賬目包括本公司及其所有附屬公司截至十二月三十一日止的財務報表。

(i) 附屬公司

附屬公司指本集團有權管控其財政及營運政策的所有實體(包括特殊目的實體)，一般附帶超過半數投票權的股權。在評定本集團是否控制另一實體時，目前可行使或可兌換的潛在投票權的存在及影響均予考慮。

附屬公司在控制權轉移至本集團之日全面綜合入賬。附屬公司在控制權終止之日起停止綜合入賬。

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財務報表註釋

(Prepared in accordance with International Financial Reporting Standards)

(按國際財務報告準則編製)

For the year ended 31 December 2006

截至二零零六年十二月三十一日止年度

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(b) Consolidation (Cont'd)

(i) Subsidiaries (Cont'd)

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group, including those acquired from holding companies. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

2. 重要會計政策摘要(續)

(b) 集團會計(續)

(i) 附屬公司(續)

會計收購法乃用作本集團收購附屬公司的入賬方法，包括從控股公司收購的附屬公司。收購的成本根據於交易日期所給予資產、所發行的股本工具及所產生或承擔的負債的公平值計算，另加該收購直接應佔的成本。在企業合併中所收購可識別的資產以及所承擔的負債及或然負債，首先以該等於收購日期的公平值計量，而不論任何少數股東權益的數額。收購成本超過本集團應佔所收購可識別資產淨值公平值的數額記錄為商譽。若收購成本低於所購入附屬公司資產淨值的公平值，該差額直接在損益表確認。

集團內公司之間的交易、交易的結餘及未實現收益予以對銷。除非交易提供所轉讓資產減值之憑證，否則未實現虧損亦予以對銷。附屬公司的會計政策已按需要作出改變，以確保與本集團採用的政策符合一致。

Notes to the Financial Statements

財務報表註釋

(Prepared in accordance with International Financial Reporting Standards)

(按國際財務報告準則編製)

For the year ended 31 December 2006

截至二零零六年十二月三十一日止年度

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(b) Consolidation (Cont'd)

(i) Subsidiaries (Cont'd)

Minority interests represents the interests of outside members in the operating results and net assets of subsidiaries. The Group applies a policy of treating transactions with minority interests as transactions with parties external to the Group. Disposals to minority interests result in gains and losses for the Group that are recorded in the income statement. Purchases from minority interests result in goodwill, being the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary.

In the Company's balance sheet, the investments in subsidiaries are stated at cost less provision for impairment losses, if any. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

(ii) Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost. The Group's investments in associates includes goodwill (net of any accumulated impairment loss) identified on acquisition.

2. 重要會計政策摘要(續)

(b) 集團會計(續)

(i) 附屬公司(續)

少數股東權益是指外間股東在附屬公司應佔營運業績及資產淨值的權益。本集團與少數股東交易採用視同集團外第三方交易的政策。本集團向少數股東出售資產的收益和損失於損益表中列示。本集團從購買少數股東權益所產生的商譽為換出資產與取得附屬公司淨資產價值的差額。

在本公司之資產負債表內，於附屬公司之投資按成本值扣除減值虧損準備列賬，如有。附屬公司之業績由本公司按已收及應收股息入賬。

(ii) 聯營公司

聯營公司指所有本集團對其有重大影響力而無控制權的實體，通常附帶有20%-50%投票權的股權。聯營公司投資以權益會計法入賬，初始以成本確認。本集團於聯營公司之投資包括收購時已識別的商譽(扣除任何累計減值虧損)。

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(b) Consolidation (Cont'd)

(ii) Associates (Cont'd)

The Group's share of its associates' post-acquisition profits or losses is recognised in the income statement, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

2. 重要會計政策摘要(續)

(b) 集團會計(續)

(ii) 聯營公司(續)

本集團應佔收購後聯營公司的溢利或虧損於損益表內確認，而應佔收購後儲備的變動則於儲備賬內確認。投資賬面值會根據累計之收購後儲備變動而作出調整。如本集團應佔一家聯營公司之虧損等於或超過其在該聯營公司之權益，包括任何其他無抵押應收款，本集團不會確認進一步虧損，除非本集團已代聯營公司承擔責任或作出付款。

本集團與其聯營公司之間交易的未實現收益按集團在聯營公司權益的數額對銷。除非交易提供所轉讓資產減值之憑證，否則未實現虧損亦予以對銷。聯營公司的會計政策已按需要作出改變，以確保與本集團採用的政策符合一致。

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(b) Consolidation (Cont'd)

(ii) Associates (Cont'd)

In the Company's balance sheet, the investments in associates are stated at cost less provision for impairment losses, if any. The results of associates are accounted for by the Company on the basis of dividends received and receivable.

(iii) Jointly controlled entities

A jointly controlled entity is an entity in which the Group has joint control over its economic activity established under a contractual arrangement. The Group's investments in jointly controlled entities includes goodwill (net of any accumulated impairment loss) identified on acquisition.

The Group's interests in jointly controlled entities are accounted for by the equity method of accounting based on the audited financial statements or management accounts of the jointly controlled entities. The Group's share of its jointly controlled entities' post-acquisition profits or losses is recognised in the income statement, and its share of post-acquisition movements is adjusted against the carrying amount of the investment. When the Group's share of losses in a jointly controlled entity equals or exceeds its interest in that entity, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the jointly controlled entity.

2. 重要會計政策摘要(續)

(b) 集團會計(續)

(ii) 聯營公司(續)

在本公司之資產負債表內，於聯營公司之投資按成本值扣除減值虧損準備(如有)列賬。聯營公司之業績由本公司按已收及應收股息入賬。

(iii) 共同控制實體

共同控制實體是指本集團，在合約條款下，對其經營活動擁有共同控制決定權的實體。本集團對共同控制實體的投資包括購買時確認的商譽，並以成本值減去減值準備列出。

本集團根據審計報告或管理層提供的公司財務報告，按權益法確認對共同控制實體的權益份額。本集團自收購日起將共同控制實體的盈利或虧損按照所佔權益的比例列示，自收購日後的累計變動乃用作調整投資成本。當本集團所攤佔的共同控制實體虧損已超過或等於其投資成本，包括任何其他非抵押的應收款，除了本集團對共同控制實體存有債務責任或代墊費用外，本集團無須進一步確認任何損失。

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(b) Consolidation (Cont'd)

(iii) Jointly controlled entities (Cont'd)

Unrealised gains on transactions between the Group and its jointly controlled entities are eliminated to the extent of the Group's interest in the jointly controlled entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of jointly controlled entities have been changed where necessary to ensure consistency with the policies adopted by the Group.

In the Company's balance sheet, the investments in jointly controlled entities are stated at cost less provision for impairment losses. The results of jointly controlled entities are accounted for by the Company on the basis of dividends received and receivable.

(c) Segmental reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that is subject to risks and returns that are different from those of segments operating in other economic environments.

In accordance with the Group's internal financial reporting, the Group has determined that business segments be presented as the primary reporting format and geographical as the secondary reporting format.

2. 重要會計政策摘要(續)

(b) 集團會計(續)

(iii) 共同控制實體(續)

本集團與共同控制實體之間交易的未實現利潤按照本集團佔該控制實體的權益比例進行抵銷，未實現虧損亦採用相同方法進行抵銷，除非轉移的資產出現減值迹象。在有需要時，對共同控制實體採用的會計政策加以進行修改，以確保其與本集團採用的會計政策一致。

在公司資產負債表上所列的投資於共同控制實體的權益是按成本值扣除減值準備列賬。本公司將共同控制實體的業績以已收或應收股息入賬。

(c) 分部報告

業務分部指從事提供產品或服務的一組資產和業務，而產品或服務的風險和回報與其他業務分部的不同。地區分部指在某個特定經濟環境中從事提供產品或服務，其產品或服務的風險和回報與在其他經濟環境中營運的分部的不同。

按照本集團之內部財務報告，本集團已決定將業務分部資料作為主要分部報告，而地區分布資料列作為次級分部形式呈列。

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(c) Segmental reporting (Cont'd)

The Group has two business segments, namely passenger (including cargo carried by passenger flights) and cargo and logistics, which are structured and managed separately, according to the nature of their operations and the services they provide.

In respect of the geographical segment, the analysis of turnover and operating profit is based on the following criteria:

- (i) Traffic revenue from services within the PRC (excluding the Hong Kong Special Administrative Region (“Hong Kong”)) is classified as domestic operations. Traffic revenue from inbound and outbound services between the PRC and Hong Kong or overseas markets is classified under Hong Kong or the relevant overseas locations.
- (ii) Revenue from ticket handling services, airport ground services and other miscellaneous services are classified on the basis of where the services are performed.

(d) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the “functional currency”). The consolidated financial statements are presented in Chinese Renminbi (“RMB”), which is the Company's functional and presentation currency.

2. 重要會計政策摘要(續)

(c) 分部報告(續)

本集團分為兩個業務分部，分別為客運分部(包括客機提供的貨運服務)及貨運及物流分部。該等分部依據其所提供的服務及運營性質在結構上分開管理。

區域性的營業額及經營溢利乃根據以下基準作出分析：

- (i) 於中國境內(不包括中國香港特別行政區(「香港」))提供服務所賺取的運輸收入屬於國內業務收入。提供中國與香港或海外市場間去程及回程服務所賺取的運輸收入按海外航線的始發點或終點劃歸為所屬地區業務收入。
- (ii) 提供售票服務收入，機場地勤服務收入及其他不同服務所賺取的收入按提供該服務所在地劃歸為該地區的業務收入。

(d) 外幣換算

(i) 功能及列賬貨幣

本集團每個實體的財務報表所列項目均以該實體營運所在的主要經濟環境的貨幣計量(「功能貨幣」)。綜合財務報表以人民幣呈報，人民幣為本公司的功能及列賬貨幣。

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(d) Foreign currency translation (Cont'd)

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in equity as qualifying cash flow hedges.

Changes in the fair value of monetary securities denominated in foreign currency classified as available for sale are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in the amortised cost are recognised in profit or loss, and other changes in the carrying amount are recognised in equity.

Translation differences on non-monetary financial assets and liabilities are reported as part of the fair value gain or loss. When a gain or loss on a non-monetary item is recognised directly in equity, any exchange component of that gain or loss is recognised directly in equity. Conversely, when a gain or loss on a non-monetary item is recognised in the income statement, any exchange component of that gain or loss is recognised in the income statement.

2. 重要會計政策摘要(續)

(d) 外幣換算(續)

(ii) 交易及結餘

外幣交易採用交易日的匯率換算為功能貨幣。除了符合在權益中遞延入賬的現金流量對沖和淨投資對沖外，結算此等交易產生的匯兌盈虧以及將外幣計值的貨幣資產和負債以年終匯率換算產生的匯兌盈虧在損益表確認。

以外幣為單位被分類為可供出售的貨幣性證券的公平值變動，按照證券的攤銷成本變動與該證券賬面值的其他變動所產生的匯兌差額進行分析。與攤銷成本變動有關的匯兌差額在損益表中確認，賬面值的其他變動則於權益中確認。

非貨幣性金融資產及負債的交易差額以公允值計量損益。當一項非貨幣性項目的損益直接於權益中確認時，由匯率產生的損益也直接確認於權益。相反，當一項非貨幣性項目的損益直接於損益表中確認時，由匯率產生的損益也直接確認於損益表。

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(e) Revenue recognition and sales in advance of carriage

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and the provision of services in the ordinary course of the Group's activities. Revenue is shown net of business and value-added taxes, returns, rebates and discounts and after eliminating sales within the Group.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

(i) Traffic revenues

Passenger, cargo and mail revenues are recognised as traffic revenues when the transportation services are provided. The value of sold but unused tickets is recognised as sales in advance of carriage ("SIAC").

(ii) Commission income

Commission income represents amounts earned from other carriers in respect of sales made by the Group's agents on their behalf, and is recognised in the income statement upon ticket sales.

2. 重要會計政策摘要(續)

(e) 收入的確認與預售機位

收益指本集團在通過活動過程中出售貨品及提供服務的已收或應收代價的公平值。收益在扣除營業及增值稅、退貨、回扣和折扣，以及對銷集團內部銷售後列賬。

當收益的數額能夠可靠計量、未來經濟利益有可能流入有關實體，而本集團每項活動均符合具體條件時(如下文所述)，本集團便會將收益確認。除非與銷售有關的所有或然事項均已解決，否則收益的數額不被視為能夠可靠計量。本集團會根據其往績並考慮客戶類別、交易種類和每項安排的特點作出估計。

(i) 運輸收入

客運、貨運與郵運收入於提供運輸服務時確認為運輸收入。售出但未使用的機票金額則作為預售機位。

(ii) 佣金收入

佣金收入包括由本集團代理人為其他航空公司售票而賺取的款項。佣金收入於機票出售時確認。

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(e) Revenue recognition and sales in advance of carriage (Cont'd)

(iii) Other operating income

Revenues from other operating businesses, including income derived from the provision of ground services and cargo handling services, are recognised when the services are rendered.

(iv) Rental income

Rental income from subleases of aircraft is recognised on a straight-line basis over the terms of the respective leases. Rental income from leasing office premises and cargo warehouses is recognised on a straight-line basis over the lease term.

(f) Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deducted from the related cost in the income statement.

Government grants relating to property, plant and equipment are recognised as a reduction of the carrying amount of the asset. The grant is recognised as income over the life of a depreciable asset by way of a reduced depreciation charge.

2. 重要會計政策摘要(續)

(e) 收入的確認與預售機位(續)

(iii) 其他營運收入

其他營運收入包括提供地勤服務的收入及貨運處理服務的收入，此等收入均在提供服務時確認。

(iv) 租金收入

飛機的分租收入以直線法在各自租賃期內確認。出租辦公場所及貨庫取得的租金收入在租賃期內以直線法確認。

(f) 政府補貼

政府補貼在本集團已滿足補貼附帶的條件及有合理的保證相關的補貼將可收取時，按公允價值確認。

與支出有關之政府補貼將予相關支出扣除於損益表中。

與購買物業、機器及設備有關的政府補貼將在資產賬面值中扣除；並按有關資產的可使用年期以遞減折舊法在損益表中分期予以確認。

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(g) Interest income

Interest income is recognised on a time-proportion basis using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognised using the original effective interest rate.

(h) Retirement benefits

The Group participates in defined contribution retirement schemes regarding pension and medical benefits for employees organised by the municipal governments of the relevant provinces. The contributions to the schemes are charged to the income statement as and when incurred.

In addition, the Group provides retirees with post-retirement benefits including retirement subsidies, transportation subsidies, social function activity subsidies as well as other welfare. The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets, together with adjustments for unrecognised actuarial gains or losses and past service costs. The defined benefit obligation is calculated annually using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of government bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions in excess of the greater of 10% of the value of plan assets or 10% of the defined benefit obligation are charged or credited to income over the employees' expected average remaining working lives.

2. 重要會計政策摘要(續)

(g) 利息收入

利息收入採用實際利息法按時間比例基準確認。倘應收賬款出現減值，本集團會將賬面值減至可收回款額，即估計的未來現金流量按該工具之原實際利率貼現值，並繼續將貼現計算並確認為利息收入。已減值貸款之利息收入利用原實際利率確認。

(h) 僱員退休後福利

本集團就退休金及醫療福利參與各省份市政府管轄的定額供款計劃。此等計劃供款在發生當期從損益表中扣除。

此外，本集團提供退休僱員的福利包括退休津貼、交通津貼、社交活動津貼以及其他福利。於資產負債表內就定額退休福利計劃確認的負債為資產負債表日退休後福利負債的現值減計劃資產的公允值，同時包括未確認精算損益及以前服務費用的調整。定額退休福利負債每年根據單位貸記法評估的方法計算。定額退休福利負債的現值是依據未來現金流出及與福利負債支付貨幣相同且到期日與相關的退休福利負債基本相同的政府債券的利率折算。因調整經驗或改變精算假設而產生的精算損益，在超過計劃資產的10%與定額福利負債的10%兩者間較高者時，按僱員的預計平均尚可工作年限平均計入損益表。

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(h) Retirement benefits (Cont'd)

Past-service costs are recognised immediately in income, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortised on a straight-line basis over the vesting period.

(i) Maintenance and overhaul costs

In respect of aircraft under operating leases, the Group has the responsibility to fulfill certain return conditions under relevant leases. In order to fulfill these return conditions, major overhauls are required to be conducted on a regular basis. Accordingly, the present value of estimated costs of major overhauls for aircraft under operating leases are provided at each balance sheet date. The provision in each period is estimated using historical major overhaul costs incurred during each overhaul and the estimated period between overhauls using the ratios of actual flying hours and estimated flying hours between overhauls. Differences between the estimated cost and the actual cost of the overhaul are included in the income statement in the period of overhaul.

In respect of aircraft owned by the Group or held under finance leases, costs of overhauls are capitalised as a component of property, plant and equipment and are depreciated over the appropriate maintenance cycles. When each overhaul is performed, its cost is recognised in the carrying amount of the item of property, plant and equipment and is depreciated over the estimated period between overhauls, on a straight-line basis. Upon completion of an overhaul, any remaining carrying amount of the cost of the previous overhaul is derecognised and charged to the income statement.

2. 重要會計政策摘要(續)

(h) 僱員退休後福利(續)

以前服務費用直接確認為收入，除非該等退休計劃變化需視乎僱員於特定期間（「受益期」）之剩餘服務而定。在此情況下，以前服務費用則在受益期內按直線法攤銷。

(i) 維修與大修費用

對於經營性租賃的飛機，本集團有責任滿足有關租賃規定的交還條件。要達致該等條件，需對有關飛機進行定期大修，故在結算日須對經營性租賃飛機的估計大修費用之現值進行預提。大修費用的預提是按照每個大修的預計費用，按當期的實際飛行時間與大修之間的預計飛行時間兩者的比例計算，自經營溢利中扣除。估計費用與實際費用的差額計入大修當期的損益表中。

對於本公司自置及融資租賃的飛機，大修費用作為物業、機器及設備的一部分進行資本化，並於估計的大修期間內攤銷。當一項大修進行時，大修費用的成本會包括在物業、機器及設備的賬面價值中，並以直線法按大修周期內進行攤銷。當一項大修完成時，將以往大修費用的餘額全部沖減並記入損益表。

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(i) Maintenance and overhaul costs (Cont'd)

All other routine repairs and maintenance costs incurred in restoring such assets to their normal working condition are charged to the income statement as and when incurred.

Improvements are capitalised and depreciated over their expected useful lives to the Group.

(j) Income tax

The Group provides for current income tax based on the results for the year as adjusted for items which are not assessable or deductible for current income tax purposes. Current income tax of the Group is determined in accordance with the relevant tax rules and regulations applicable in the jurisdictions where the Group operates.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

2. 重要會計政策摘要(續)

(i) 維修與大修費用(續)

所有其他使物業、機器及設備回復其正常運行狀態所發生的例行維修與保養費用於發生當期從損益表中扣除。

改良所產生的費用予以資本化並按本集團預計的可使用年限提取折舊。

(j) 稅項

本集團的稅項準備是根據當年的業績，依照本集團營運的司法權區的適用有關稅務規則與規例，扣除毋須納稅或不可扣減的項目後計算。本集團的稅項是按與其所在地之有關稅務規則與規例而釐定。

遞延所得稅利用負債法就資產和負債的稅基與資產和負債在綜合財務報表的賬面值之差額產生的暫時差異全數撥備。然而，若遞延所得稅來自在交易(不包括企業合併)中對資產或負債的初步確認，而在交易時不影響會計損益或應課稅盈虧，則不作記賬。遞延稅項採用在結算日前已頒佈或實質頒佈，並在有關之遞延所得稅資產實現或遞延所得稅負債結算時預期將會適用之稅率(及法例)而釐定。

遞延所得稅資產是就可能未來應課稅盈利而就此可使用暫時差異而確認。

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(j) Income tax (Cont'd)

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, associates and jointly controlled entities, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

(k) Property, plant and equipment

Property, plant and equipment is recognised initially at cost which comprises purchase price, advance payments on acquisition and any directly attributable costs of bringing the assets to the condition for their intended use.

Subsequent to initial recognition, property, plant and equipment is stated at revalued amount less accumulated depreciation and accumulated impairment losses, if any. Independent valuations are performed at least once every five years, or sooner if considered necessary by the Directors. In the intervening years, the Directors review the carrying values of property, plant and equipment and adjustment is made where they are materially different from fair value. Increases in the carrying amount arising on revaluation are credited to the revaluation reserve. Decreases in valuation of property, plant and equipment are first offset against increases from earlier valuations of the same asset and are thereafter charged to the income statement. All other decreases in valuation are charged to the income statement. Any subsequent increases are credited to the income statement up to the amount previously charged. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset, and the net amount is restated to the revalued amount of the asset.

2. 重要會計政策摘要(續)

(j) 稅項(續)

遞延稅項就附屬公司、聯營公司及共同控制實體投資產生之暫時差異而撥備，但假若本集團可以控制暫時差異之撥回時間，而暫時差異在可預見將來有可能不會撥回則除外。

(k) 物業、機器及設備

物業、機器及設備於購入時按成本列賬，成本包括資產的購買價、預付款及其他用於令此資產達至現時用途的費用。

期後物業、機器及設備乃按評估值減去累計折舊及累計減值準備列賬(如有)。獨立評估最少每五年或如董事認為有需要時於更早的時候進行一次。於進行獨立評估之間的年度，董事會對物業、機器及設備的賬面值進行審閱，並於出現重大改變時予以調整。評估增值的賬面價值增加乃列入重估儲備。評估減值則先沖減該資產先前的重估儲備，不足抵銷的數額從損益表中扣除。其他評估減值則於損益表中扣除。期後任何增值，以先前已扣減的金額為限撥入損益表。評估當日累計折舊與物業、機器及設備成本進行抵銷。抵銷後的淨值將成為物業、機器及設備的重估價值。

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(k) Property, plant and equipment (Cont'd)

Costs of overhaul for aircraft owned by the Group or held under finance leases are capitalised as a component of property, plant and equipment and are depreciated over the appropriate maintenance cycles (Note 2(i)).

All other repairs and maintenance is charged in the income statement during the financial period in which it is incurred.

Depreciation of property, plant and equipment is calculated using the straight-line method to write down their costs or revalued amounts to their residual values over their estimated useful lives, as follows:

Aircraft, engines and flight equipment	
– Components related to overhaul costs	2 to 8 years
– Others	20 years
Buildings	15 to 35 years
Other property, plant and equipment	5 to 20 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

2. 重要會計政策摘要(續)

(k) 物業、機器及設備(續)

本集團自購及融資租賃的飛機的大修費用會資本化，並會確認為物業、機器及設備的成本，其並會按適用的維修週期折舊(註釋2(i))。

所有其他維修及保養在產生的財政期間內於損益表支銷。

物業、機器及設備的折舊乃根據資產的預計可用年限及估計殘值以直線法攤銷其成本或評估值。用於計算每年折舊費用的預計可使用年限列示如下：

飛機、發動機及飛行設備	
– 與大修費用有關的部件	– 2至8年
– 其他	– 20年
樓宇	– 15至35年
其他物業、機器及設備	– 5至20年

物業、機器及設備的剩餘價值及有效使用年限在必要時於資產負債表日重新估計並作調整。

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(k) Property, plant and equipment (Cont'd)

Gains and losses on disposals are determined by comparing the proceeds with the assets' carrying amount and are recognised within office, administrative and other expenses, in the income statements. When revalued assets are sold, the amounts included in the revaluation reserve are transferred to retained profits.

Construction in progress represents buildings under construction and plant and equipment, being mainly flight simulators, pending installation. This includes the costs of construction or acquisition and interest capitalised. No depreciation is provided on construction in progress until the asset is completed and ready for use.

(l) Intangible assets

(i) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary, associate, jointly controlled entity or business at the date of acquisition. Goodwill on acquisition of subsidiaries and businesses is included in 'intangible assets'. Goodwill on acquisition of associates and jointly controlled entities is included in 'investments in associates' and 'investments in jointly controlled entities'. Recognised goodwill is tested annually for impairment and carried at cost less accumulated impairment losses, if any. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

2. 重要會計政策摘要(續)

(k) 物業、機器及設備(續)

出售物業、機器及設備的收益或虧損乃所得收入淨額與資產賬面值的差額，並於損益表中的辦公、管理及其他費用予以確認。當出售曾被評估的資產時，有關重估儲備結餘均撥至保留溢利。

在建工程為興建中的樓宇及待安裝的廠房及設備(主要為飛機模擬機)。在建工程按建造或購置成本列賬，並計入資本化的利息。在資產完成建造並投入使用前，不計提折舊。

(l) 無形資產

(i) 商譽

商譽指於收購日期收購成本超過本集團應佔所收購附屬公司、聯營公司及共同控制實體的可識辨資產公允值淨額。收購附屬公司及業務的商譽包括在無形資產內。收購聯營公司及共同控制實體的商譽包括在聯營公司及共同控制實體投資內。商譽每年就減值進行測試，並按成本減累計減值虧損列賬。商譽的減值損失不得在以後轉回。出售某個實體的盈虧包括與被出售實體有關的商譽的賬面值。

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(l) Intangible assets (Cont'd)

(i) Goodwill (Cont'd)

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose.

(ii) Sponsorship fees

Sponsorship fees paid in relation to the 2010 Shanghai Expo have been capitalised and are being amortised on a straight-line basis over the period of the sponsorship program. The cost of the intangible asset is calculated based on the expected cash payment and the fair value of the services to be provided.

(iii) Computer software costs

Expenditure on computer software costs is capitalised and amortised using the straight-line method over the expected useful lives of the software, which vary from 5 to 6 years.

2. 重要會計政策摘要(續)

(l) 無形資產(續)

(i) 商譽(續)

就減值測試而言，商譽會分配至現金產生單位。此項分配是對預期可從商譽產生的業務合併中得益的現金產生單位或現金產生單位的組別而作出的。

(ii) 贊助款

對二零一零年上海世博的贊助款將予以資本化，並按直線法在贊助期內予以攤銷。此贊助款的成本是用將來的現金付款及所提供的服務公允值計算。

(iii) 電腦軟件

電腦軟件的支出將予以資本化，並按直線法按估計可使用年期五至六年內攤銷。

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(m) Impairment of investments in subsidiaries, associates, jointly controlled entities and non-financial assets

Assets that have an indefinite useful life or which are not yet available for use are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Assets other than goodwill that have suffered an impairment are reviewed for possible reversal of the impairment at each balance sheet date.

(n) Lease prepayments

Lease prepayments represent acquisition costs of land use rights less accumulated amortisation. Amortisation is provided over the lease period of the land use rights on a straight-line basis.

(o) Advanced payments on acquisition of aircraft

Advanced payments on acquisition of aircraft represent payments to aircraft manufacturers to secure deliveries of aircraft in future years and the related interest capitalised. The balance is transferred to property, plant and equipment upon delivery of the aircraft.

2. 重要會計政策摘要(續)

(m) 附屬公司、聯營公司、共同控制實體及非財務資產的減值

沒有確定使用年期或尚未可供使用之資產無需攤銷，但至少每年就減值進行測試，及當有事件出現或情況改變顯示賬面值可能無法收回時就減值進行檢討。減值虧損按資產之賬面值超出其可收回金額之差額確認。可收回金額以資產之公平值扣除銷售成本或使用價值兩者之間較高者為準。於評估減值時，資產按可分開識辨現金流量(現金產生單位)的最低層次組合。除商譽外，已蒙受減值的資產在每個資產負債表日期均就減值是否可以撥回進行檢討。

(n) 預付租賃款

預付租賃款乃土地使用權的購入成本減除累計攤銷。預付租賃款按土地使用權的使用年限以直線法進行攤銷。

(o) 飛機預付款

為確保日後接收飛機而支付給飛機製造商的合同預付款，均連同相應利息資本化確認為資產，並於飛機付運時轉至物業、機器及設備。

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(p) Borrowing costs

Interest attributable to loans for advance payments used to finance the acquisition of aircraft and other qualifying assets is capitalised as an additional cost of the related asset. Interest is capitalised at the Group's weighted average interest rate on borrowings or, where applicable, the interest rate related to specific borrowings during the period of time that is required to complete and prepare the asset for its intended use.

All other borrowing costs are charged to the income statement in the period in which they are incurred.

(q) Long-term bank deposits

Held-to-maturity long-term bank deposits placed to secure future lease obligations are classified as held-to-maturity financial assets and included under other long-term assets in the balance sheet. Held-to-maturity financial assets are initially recognised in the balance sheet at fair value plus transaction costs. Subsequently, they are stated at amortised cost less impairment losses.

(r) Flight equipment spare parts

Flight equipment spare parts are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method. The cost of flight equipment spare parts comprises the purchase price (net of discounts), freight charges, duty and value added tax and other miscellaneous charges. Net realisable value is the estimated replacement cost of the flight equipment spare parts.

2. 重要會計政策摘要(續)

(p) 借貸成本

為購買新飛機及其他資產發生的融資利息予以資本化為有關資產的額外成本。資本化的利息根據本集團借貸的加權平均利率計算，在可能情況下，按有關特定貸款的利率計算。利息資本化於有關物業、機器及設備投入使用時終止。

其他借貸成本在發生時在損益表中確認為當期費用。

(q) 長期銀行存款

持至到期日的長期銀行存款乃用以作為融資租賃的抵押品，列為持有至到期日的金融資產並在資產負債表中的其他長期資產賬目中列賬。持至到期日的財務資產於獲得時在資產負債表中按公允價值加交易費用確認，其後以扣除減值損失的攤餘成本列賬。

(r) 飛機設備零件

飛機設備零件按成本和可實現淨值較低者列賬。成本按加權平均法計算。飛機設備零件的成本包括買入價(扣除折扣的淨額)、運費、稅款、增值稅及其他各項雜費。可實現淨值根據飛機設備零件的重置價值估計。

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(s) Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the assets is reduced through the use of an allowance account, and the amount of the loss is recognised in the income statement. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited in the income statement.

(t) Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

2. 重要會計政策摘要(續)

(s) 應收賬款

應收賬款最初按公允價值確認，其後則以實際利息法，按攤銷成本值扣除減值準備計算。如有客觀證據顯示集團無法按照應收款項的原來條款全數收回欠款，則須為應收賬款作出減值準備。當債務人遇到重大財政困難，例如破產、財政重組、或債務人未能履行償債義務時，可認為該應收賬款需計提減值準備。撥備額為資產賬面金額與估計未來現金流量按實際利率計算的貼現現值兩者的差額。資產的賬面值透過使用備付賬戶削減，而有關的虧損數額則在損益表內確認。如一項應收賬款無法收回，該應收賬目將與備付賬戶撤銷。之前已撤銷的款項如其後收回，將撥回損益表內確認為收入。

(t) 現金及現金等價物

現金及現金等價物包括現金、銀行通知存款、原到期日為三個月或以下的其他短期高流動性投資。

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(u) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any differences between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

(v) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2. 重要會計政策摘要(續)

(u) 貸款

貸款初步按公允值並扣除產生的交易成本確認。貸款其後按攤銷成本列賬；所得款(扣除交易成本)與贖回價值的任何差額利用實際利息法於貸款期間內在損益表確認。

除非本集團有無條件權利將負債的結算遞延至結算日後最少12個月，否則貸款分類為流動負債。

(v) 撥備

當本集團因已發生的事件須承擔現有的法律性或推定性的責任，而有可能需要資源流出以償付責任，金額亦能可靠估計時，則本集團需確立撥備。

如有多項類似責任，其需要在償付中流出資源的可能性，根據責任的類別整體考慮。即使在同一責任類別內所包含的任何一個項目相關的資源流出的可能性極低，仍須確認撥備。

減值準備的金額以解除責任所需支出的現值加以確認。支出的現值將運用能反映出當時市場評估貨幣資金時間性價值以及相對於該責任的風險的稅前比率來確定。因時間推移導致的減值準備的增加則被確認為財務費用。

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(w) Leases

(i) *A Group company is the lessee*

Finance leases

The Group leases certain property, plant and equipment. Leases of property, plant and equipment where the Group has acquired substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in other short-term and other long-term payables. The interest element of the finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. Leased assets are depreciated using a straight-line basis over their expected useful lives to residual values.

For sale and leaseback transactions resulting in a finance lease, differences between sales proceeds and net book values are deferred and amortised over the minimum lease terms.

2. 重要會計政策摘要(續)

(w) 租賃

(i) *集團內的公司為承租人*

融資租賃

本集團租賃若干物業、機器及設備。融資租賃是指將擁有資產的風險及回報實質上轉讓予集團的租賃。融資租賃的原值乃按在開始時按租賃資產的公允值或最低租賃付款的現值較低者入賬。

每期租金均分攤為資本性支出及財務費用，以達到租賃利率為結欠本金的固定比率。有關租賃負債，除了財務費用，包括在其他應付款的流動及長期部分。財務費用於租約期內在損益表中支銷，以達到租賃利率為結欠餘額的固定比率。融資租賃的物業、機器及設備的折舊乃根據資產的預計可用年限以直線法攤銷其成本至其估計殘值。

有關售後回租形成一項融資租賃，出售價及賬面淨值的差異將予以遞延及按最低租賃期攤銷。

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(w) Leases (Cont'd)

(i) A Group company is the lessee (Cont'd)

Operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

For sale and leaseback transactions resulting in an operating lease, differences between sales proceeds and net book values are recognised immediately in the income statement, except to the extent that any profit or loss is compensated for by future lease payments at above or below market value.

(ii) A Group company is the lessor

When assets are leased out under a finance lease, the present value of the lease payments is recognised as a receivable. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance income. Lease income is recognised over the term of the lease using the net investment method, which reflects a constant periodic rate of return.

Assets leased out under operating leases are included in property, plant and equipment in the balance sheet. They are depreciated over their expected useful lives on a basis consistent with similar property, plant and equipment. Rental income is recognised on a straight-line basis over the lease term.

2. 重要會計政策摘要(續)

(w) 租賃(續)

(i) 集團內的公司為承租人(續)

經營性租賃

如租賃擁有權的重大部份風險和回報由出租人保留，分類為營運租賃。根據營運租賃支付的款項(扣除自出租人收取之任何獎勵金後)於租賃期內以直線法在損益表支銷。

有關售後回租形成一項經營性租賃，出售價及賬面淨值的差異，除卻相關損益由低於或高於市價的未來租賃付款額補償的部份外，則所有損益應立即予以確認。

(ii) 集團內的公司為出租人

當資產以融資租賃方式分租，其租金收入的現值乃確認為應收款項。應收款項的總額與其現值的差額，確認為未實現融資收入。租賃收入於租賃期內以投資淨額方法確認入賬以反映租賃期內的固定回報率。

以經營租賃方式分租的資產乃包括在資產負債表的物業、機器及設備中，並按同類物業、機器及設備的預計可使用年限計提折舊，產生的租金收入按直線法於租賃期內確認入賬。

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(x) Derivative financial instruments

Derivative financial instruments are initially recognised in the balance sheet at fair value and are subsequently remeasured at their fair value. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

Derivative financial instruments that do not qualify for hedge accounting are accounted for as trading instruments and any unrealised gains or losses, being changes in fair value of the derivatives, are recognised in the income statement immediately.

Changes in the fair value of derivatives that are designated and qualify as fair value hedges and that are highly effective, are recorded in the income statement, along with any changes in the fair value of the hedged assets or liabilities that are attributable to the hedged risk.

2. 重要會計政策摘要(續)

(x) 金融衍生工具

金融衍生工具在發生時於資產負債表以公允值確認，其後以公允值重新計算。確認後公允值變動的處理按金融衍生工具的性質而決定。

本集團於訂立交易時就對沖工具與對沖項目之關係，以至其風險管理目標及執行多項對沖交易之策略作檔記錄。本集團亦於訂立對沖交易時和按持續經營基準，記錄其對於該等用於對沖交易之衍生工具，是否高度有效地抵銷對沖項目公允值或現金流量變動的評估。

若金融衍生工具不符合套期會計原則便會被視為買賣工具，其由公允價值轉變而產生的未實現損益均會在損益表內立即予以確認。

若被界定為非常有效的公允值套期，其公允值的變動將在損益表內與其相對應的資產或負債公允值的變動一同反映。

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(x) Derivative financial instruments (Cont'd)

Derivative financial instruments that qualify for hedge accounting and which are designated as a specific hedge of the variability in cashflows of a highly probable forecast transaction, are accounted for as follows:

- (i) the effective portion of any change in fair value of the derivative financial instrument is recognised directly in equity. Where the forecast transaction or firm commitment results in the recognition of an asset or a liability, the gains and losses previously deferred in equity are included in the initial measurement of the cost of the asset or liability. Otherwise, the cumulative gain or loss on the derivative financial instrument is removed from equity and recognised in the income statement in the same period during which the hedged forecast transaction affects net profit or loss.
- (ii) the ineffective portion of any change in fair value is recognised in the income statement immediately.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised in the income statement when the committed or forecast transaction ultimately occurs. When a committed or forecast transaction is no longer expected to occur, the cumulative gain or loss that was recorded in equity is immediately transferred to the income statement.

2. 重要會計政策摘要(續)

(x) 金融衍生工具(續)

若金融衍生工具符合套期會計原則，並且是針對可預期及很可能發生的交易的現金流量，其會計處理如下：

- (i) 被視為有效套期的金融衍生工具的損益會直接於儲備中確認。當預計的交易或固定的承諾確認為一項資產或負債時，以前與之相關的確認的儲備將包括在此資產或負債的成本。當套期預測交易影響淨收益或損失時，有關金融衍生工具的累積損益便會在同期間由儲備內轉至損益表內確認。
- (ii) 無效部份的損益會立即於損益表內予以確認。

當一套期工具到期或出售時，或當一套期不再符合套期會計處理方法時，所有於當日在儲備的累計利潤或虧損，可在其承諾或預計交易確認時方於損益表確認。當承諾或預計交易不可能發生時，其累計利潤或虧損則需立即予損益表中列支。

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(y) Dividend

Dividend distribution to the Company's shareholders is recognised as a liability in the financial statements in the period in which the dividends are approved by the Company's shareholders.

(z) Available-for-sale financial assets

Investments in securities other than subsidiaries, associates and jointly controlled entities, being held for non-trading purposes, are classified as available-for-sale financial assets and are initially recognised at fair value plus transaction costs. At each balance sheet date, the fair value is remeasured, with any resulting gain or loss being recognised directly in equity, except for impairment losses. When these investments are derecognised, the cumulative gain or loss previously recognised directly in equity is recognised in the income statement.

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset is impaired. In the case of equity securities classified as available for sale, a significant or prolonged decline in the fair value of the securities below its cost is considered an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss, measured as the difference between the acquisition cost and the current fair value less any impairment loss on that financial asset previously recognised in the income statement, is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement.

(aa) Comparatives

Where necessary, prior year amounts have been reclassified to conform with changes in presentation in the current year.

2. 重要會計政策摘要(續)

(y) 股利

分配予本公司股東之股利於本公司股東批准該股利當期確認為本集團之負債。

(z) 可供出售財務資產

投資於證券作非買賣用途，除附屬公司、聯營公司及共同控制實體，分類為可供出售財務資產。可供出售財務資產，初步按公允值加交易成本確認。本集團在每個結算日評估財務資產的公允值，除減值損失外，所有盈虧會直接在儲備中反映。當有關投資已終止確認，連同轉撥自儲備之累計收益或損失，將會計入損益表。

本集團在每個結算日評估是否有客觀證據證明某項財務資產或某組財務資產經已減值。對於分類為可供出售的股權證券，在厘定證券是否已經減值時，會考慮證券公允值有否大幅或長期跌至低於其成本值。若可供出售財務資產存在此等證據，累計虧損—按收購成本與當時公允值的差額，減該財務資產之前在損益表確認的任何減值虧損計算—自權益中剔除並在損益表記賬。在損益表確認的股權工具減值虧損不會透過損益表撥回。

(aa) 比較資料

如有需要，以前年度數據會隨著本年列表方法的改變而重新分類。

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3. FINANCIAL RISK MANAGEMENT

(a) Financial risk factors

The Group's activities expose it to a variety of financial risks: business risk, market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk, and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group uses derivative financial instruments to hedge certain risk exposures.

(i) Business risk

The operations of the air transportation industry are substantially influenced by global political and economic development. Accidents, wars, natural disasters, etc. may have a material impact on the Group's operations or the industry as a whole. In addition, the Group conducts its principal operations in the PRC and accordingly is subject to special considerations and significant risks not typically associated with companies in 'Western' countries. These include risks associated with, among others, the political, economic and legal environment, competition and the influence of the Civil Aviation Administration of China ("CAAC") in the PRC civil aviation industry.

(ii) Foreign currency risk

The Group's finance lease obligations as well as certain bank and other loans are denominated in US dollars, Japanese Yen and Euros, and certain expenses of the Group are denominated in currencies other than RMB. The Group generates foreign currency revenues from ticket sales made in overseas offices and would normally generate sufficient foreign currencies after payment of foreign currency expenses, to meet its foreign currency liabilities repayable within one year. The Group also enters into certain foreign currency forward contracts to hedge against foreign currency risk. Details of foreign currency forward contracts are disclosed in Note 34(b) to the financial statements.

3. 金融風險管理

(a) 金融風險因素

本集團的活動承受著多種的財務風險：商業風險、市場風險（包括貨幣風險、公平值利率風險、現金流量利率風險及價格風險）、信貸風險及流動資金風險。本集團的整體風險管理計劃專注於財務市場的難預測性，並尋求儘量減低對本集團財務表現的潛在不利影響。本集團利用衍生金融工具對沖若干承受的風險。

(i) 商業風險

民航業務在很大程度上受全球政治，經濟因素影響。任何突發事件、戰爭、自然災害等均有可能對本集團及整個民航行業造成重大影響。此外，本集團的主要業務是在中國境內，因此而承擔的商業風險與在「西方」國家的航空公司所涉及的風險有相當大的區別。這些商業風險包括政治、經濟和法律環境的風險，航空客運、貨運及郵運服務行業的競爭，以及民航總局對中國民航業的影響。

(ii) 外匯風險

本集團的融資租賃負債及某些貸款是以美元、日元及歐元結算，而本集團的部份開支亦是以人民幣以外的貨幣作結算。本集團從駐外辦事處的機票銷售收入中獲得外匯，而外匯收入扣除外匯支出後，一般能滿足一年內須償還的外幣負債。本集團也通過若干遠期外匯套期合約以對沖外匯風險。有關遠期外匯套期合約已詳列於在財務報表註釋34(b)。

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3. FINANCIAL RISK MANAGEMENT (Cont'd)

(a) Financial risk factors (Cont'd)

(iii) Interest rate risk

The Group has significant bank borrowings at floating variable rates and is exposed to risk arising from changes in market interest rates. To hedge against the variability in the cash flows arising from a change in market interest rates, the Group has entered into certain interest rate swaps to swap variable rates into fixed rates. The interest rates and terms of repayment of borrowings made to the Group and interest rate swaps are disclosed in Notes 28 and 34(a) to the financial statements.

(iv) Price risk

The Group's results of operations may be significantly affected by fluctuations in fuel prices which is a significant expense for the Group. While international fuel prices are determined by worldwide market demand and supply, domestic fuel prices are regulated by CAAC. The Group has entered into certain financial derivatives to hedge against fuel price risk. Details of fuel option contracts are disclosed in Note 34(c) to the financial statements.

(v) Credit risk

The Group has no significant concentrations of credit risk. The Group has policies in place to ensure that blank tickets are made to sales agents with an appropriate credit history. A major portion of sales are conducted through sales agents and the majority of these agents are connected to various settlement plans and/or clearing systems which have tight requirements on the credit standing of these agents.

3. 金融風險管理(續)

(a) 金融風險因素(續)

(iii) 利率風險

本集團有大部份採用浮動利率的銀行借款，因而須承擔市場利率波動的風險。本集團已通過利率互換的安排，主要是利用浮息轉換為定息利率掉期，以對沖市場的利率變動。本集團的利率、償還條款及利率互換已詳列於財務報表註釋28及34(a)。

(iv) 價格風險

由於航油為本集團一項主要營運支出，因此本集團的業績很容易受到航油價格波動所影響。國外航油價格主要受環球市場供求情況影響，而國內航油價格則受民航總局監管。本集團已利用一些金融衍生工具來對沖航油價格波動風險。有關燃油期權合約已詳列於在財務報表註釋34(c)。

(v) 信貸風險

本集團並無重大集中的信貸風險。本集團已有既定政策只將空白機票銷售予有良好信貸記錄的銷售代理人。本集團大部份銷售通過代理人進行，並且大部份代理人均已參與各種結算計劃或結算系統，這些系統對信貸均有嚴格的要求。

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3. FINANCIAL RISK MANAGEMENT (Cont'd)

(a) Financial risk factors (Cont'd)

(v) Credit risk (Cont'd)

Transactions in relation to derivative financial instruments are only carried out with financial institutions of high reputation. The Group has policies that limit the amount of credit exposure to any one financial institution.

(vi) Liquidity risk

The Group's primary cash requirements have been for additions of and upgrades to aircraft, engines and flight equipment and payments on related borrowings/debts. The Group finances its working capital requirements through a combination of funds generated from operations and both short and long term bank loans. The Group generally finances the acquisition of aircraft through long-term finance leases and bank loans.

The Group operates with a working capital deficit. As at 31 December 2006, the Group's net current liabilities amounted to RMB24,792 million (2005: RMB25,572 million). For the year ended 31 December 2006, the Group recorded a net cash inflow from operating activities of RMB1,338 million (2005: RMB1,952 million), a net cash outflow from investing activities and financing activities of RMB1,258 million (2005: RMB2,183 million), and an increase in cash and cash equivalents of RMB80 million (2005: decrease of RMB231 million).

3. 金融風險管理(續)

(a) 金融風險因素(續)

(v) 信貸風險(續)

金融衍生工具僅通過信譽優良的財務機構進行交易。同時，本集團亦有政策減低集中於單一財務機構的信貸風險。

(vi) 流動資金風險

本集團的主要現金需求用於飛機、發動機及飛行設備的添置或改良及償還其相關貸款或負債。本集團通過營運業務及銀行短期及長期貸款所得的綜合資金來滿足其營運資金的需求。本集團通常以融資租賃和銀行貸款的方式來購買飛機。

本集團是在流動資金短缺的條件下營運。於二零零六年十二月三十一日，本集團的淨流動負債約為人民幣255.39億元(二零零五年：人民幣255.98億元)。在截至二零零六年十二月三十一日止年度，本集團錄得的營運現金淨流入約為人民幣13.38億元(二零零五年：人民幣19.52億元)，投資活動及融資活動的淨現金流出約為人民幣12.58億元(二零零五年：人民幣21.83億元)，現金及現金等價物減少約人民幣0.80億元(二零零五年：增加人民幣2.31億元)。

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3. FINANCIAL RISK MANAGEMENT (Cont'd)

(a) Financial risk factors (Cont'd)

(vi) Liquidity risk (Cont'd)

The Directors of Company believe that cash from operations and short-term bank borrowings will be sufficient to meet the Group's operating cashflow. Due to the dynamic nature of the underlying businesses, the Group's treasury policy aims at maintaining flexibility in funding by keeping credit lines available. The Directors of the Company believe that the Group has obtained sufficient general credit facilities from PRC banks for financing future capital commitments and for working capital purposes.

(b) Fair value estimation of financial assets and liabilities

The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the Group is the current bid price; the quoted market price used for financial liabilities is the current asking price.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date. Quoted market prices or dealer quotes for similar instruments are used for long-term debt. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of interest-rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward foreign exchange contracts is determined using forward exchange market rates at the balance sheet date. The fair value of fuel option contracts is determined using quoted market values.

3. 金融風險管理(續)

(a) 金融風險因素(續)

(vi) 流動資金風險(續)

本公司董事認為本集團將可通過營運及銀行短期貸款取得足夠的營運資金。由於行業的性質多變，本集團透過保留已承諾的信用額以期取得較靈活的籌資方法。本公司董事相信本集團已向中國境內銀行獲得充足的信貸額度，用以應付未來資本性開支及日常營運所需資金。

(b) 金融資產和金融負債的公允價值評估

在活躍市場買賣的金融工具(例如公開買賣的衍生工具、買賣證券和可供出售證券)之公允值根據結算日的市場報價列賬。本集團持有的財務資產的市場報價為當時買盤價；而財務負債的適當市場報價為當時賣盤價。

沒有在活躍市場買賣的金融工具的公允值利用估值技術釐定。本集團利用多種方法，並根據每個結算日當時的市場情況作出假設。長期債務利用類似工具的市場報價或交易商報價釐定。其他技術，例如估計貼現現金流量，用以釐定其餘金融工具的公允值。利率掉期的公允值按估計未來現金流量的現值計算。遠期外匯合約的公允值利用結算日遠期市場匯率厘定。航油期權合約的公允值利用市場報價厘定。

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3. FINANCIAL RISK MANAGEMENT (Cont'd)

(b) Fair value estimation (Cont'd)

The carrying value less impairment provision for trade receivables and payables are assumed to approximate their fair values. The fair values of other long-term receivables are based on cash flows discounted using a rate based on the borrowing rate. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

Estimates and judgments used in preparing the financial statements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Estimated impairment of property, plant and equipment and intangible assets

The Group tests annually whether property, plant and equipment and intangible assets have been impaired in accordance with the accounting policy stated in Note 2(m) to the financial statements. The recoverable amounts of cash generating units have been determined based on value-in-use calculations. These calculations require the use of estimates which are disclosed in Note 14 to the financial statements.

3. 金融風險管理(續)

(b) 公允值評估(續)

應收款和應付款的賬面值在減除減值準備後被接近其公允值。長期應收賬款的公允值，乃是由貼現現金流量及借款利率所決定。作為披露目的，財務負債公允值的估計按未來合約現金流量以本集團類似金融工具可得的現有市場利率貼現計算。

4. 關鍵會計估算及判斷

編制財務報表時所採用的估算和判斷會被根據過往經驗和其他因素持續進行評估，包括在有關情況下相信對未來事件的合理預測。本集團對未來作出估算和假設。所得的會計估算如其定義，很少會與其實際結果相同。很大機會導致下個財政年度的資產和負債的賬面值作出重大調整的估算和假設討論如下。

(a) 預計物業、機器及設備和無形資產減值

根據財務報表註釋2(m)所述的會計政策，本集團須每年測試物業、機器及設備及無形資產是否出現減值。現金產生單位的可收回金額按照使用價值計算而厘定。此等計算需要利用估算(見註釋14)。

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4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (Cont'd)

(b) Valuation of property, plant and equipment

The Group's property, plant and equipment is subsequently stated at revalued amounts less accumulated depreciation in accordance with the accounting policy stated in Note 2(k) to the financial statements. Revaluations of property, plant and equipment will be performed at sufficiently regular intervals, at least every five years, by independent professional valuers. In each of the intervening years valuations will be undertaken by the Directors of the Company. If the subsequent revalued amounts differ materially from carrying amounts, the carrying amounts will be adjusted to the revalued amounts. Their recorded value is impacted by management judgment, including valuations performed by the management and/or independent professional valuers, estimates of useful lives, residual value and impairment charges. If different judgments or estimates had been utilized, material differences could have resulted in the amount of revaluation and related depreciation charges.

(c) Fair value estimation

The carrying amounts of the Group's current financial assets, including cash and cash equivalents, trade receivables, prepayments, other receivables, amounts due from related companies and current financial liabilities including trade payables and note payables, other payables and accrued expenses and amounts due to related companies, approximate their fair values due to their short maturities.

4. 關鍵會計估算及判斷(續)

(b) 物業、機器及設備

根據註釋2(k)所述的會計政策，本集團的物業、機器及設備是按評估值減去累計折舊列賬。物業、機器及設備的估值是根據外部獨立估值師最少每五年一次定期進行的估值列賬。於進行兩次獨立評估之間的年度，公司董事會審閱物業、機器及設備賬面價值。所記錄的價值受到管理層的判斷所影響，包括管理層及／或獨立專業估值師所作的估值、對可使用年期的估計、剩餘價值及減值支出。如果運用不同的判斷或評估，則重估的金額及有關的折舊支出可能有重大分別。

(c) 公允值的估計

本集團之流動財務資產包括現金及現金等價物、應收賬款、預付款、其他應收款，應收有關聯公司款項以及流動財務負債包括應付賬款及應付票據，其他預付款及預提費用以及應付有關聯公司款項，由於其短期到期日流動財務資產之賬面價值貼近其公允值。

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4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (Cont'd)

(d) Revenue recognition

The Group recognises passenger, cargo and mail revenues in accordance with the accounting policy stated in Note 2(e) to the financial statements. Unused tickets are recognised in traffic revenues based on current estimates. Management periodically evaluate the balance in the SIAC and record any adjustments, which can be material, in the period the evaluation is completed. These adjustments result from differences between the estimates of certain revenue transactions and the timing of recognising revenue for any unused air tickets and the related sales price, and are impacted by various factors, including a complex pricing structure and interline agreements throughout the industry, which affect the timing of revenue recognition.

(e) Overhaul costs

The amount of overhaul costs charged/amortised to operating profits is impacted by management's estimates of the expected flying hours and overhaul costs, which are largely based on past experience of overhauls of the same or similar models of aircraft. Different judgments or estimates could significantly affect the estimated overhaul provision and materially impact the results of operations.

4. 關鍵會計估算及判斷(續)

(d) 收入的確認

根據註釋2(e)所述的會計政策，本集團於提供運輸服務時確認為客運、貨運與郵運收入。未被使用的客票於管理層認為承運責任已消除時確認為收入。管理層定期對預售機位進行評估，由評估產生的任何可能重大的調整，均反映在評估完成當期的損益表中。此等調整是由於對收入交易的估算、未被使用的客票確認為收入的時間及相關銷售價格的估計不同而產生不同的判斷結果，這受各種因素的影響，包括複雜的價格結構及承運人之間的互運協議，均會影響收入的確認時間。

(e) 大修費用

於損益表中確認的大修費用受估計大修期間內的飛行小時與預計費用影響，這大部份是根據過去相同或類似型號的飛機大修的歷史經驗。不同的判斷或估計對預計的大修準備有重大影響，並對經營結果有重大影響。

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4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (Cont'd)

(f) Retirement benefits

The Group operates and maintains defined retirement benefit plans which provide retirees with benefits including transportation subsidies, social activity subsidies as well as other welfare. The cost of providing the aforementioned benefits in the defined retirement benefit plan is actuarially determined and recognised over the employees' service period by utilising various actuarial assumptions and using the projected unit credit method in accordance with the accounting policy stated in Note 2(h) to the financial statements. These assumptions include, without limitation, the selection of discount rate, annual rate of increase of per capita benefit payment and employees' turnover rate. The discount rate is based on management's review of local high quality corporate bonds. The annual rate of increase of benefit payments is based on the general local economic conditions. The employees' turnover rate is based on historical trends of the Group. Additional information regarding the retirement benefit plans is disclosed in Note 32 to the financial statements.

4. 關鍵會計估算及判斷(續)

(f) 退休福利

本集團實施及保持的定利退休福利計劃包括為退休僱員提供交通津貼、社交活動津貼以及其他福利。如註釋2(h)所示，提供的上述定利退休福利計劃下的福利費用根據各種精算假設按單位貸記法計算，並在僱員的服務期內確認。這些假設包括，但不限於折現率、人均福利的年增長率及僱員流失率等。折現率是在管理層對當地高品質企業基金審閱的基礎上確定的，人均福利的年增長率取決於當地經濟狀況，僱員流失率是根據本集團歷史趨勢確定的。關於僱員退休福利計劃的其他情況見註釋32。

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4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (Cont'd)

(g) Deferred income tax

In assessing the amount of deferred tax assets that need to be recognised in accordance with the accounting policy stated in Note 2(j) to the financial statements, the Group considers future taxable income and ongoing prudent and feasible tax planning strategies. In the event that the Group's estimates of projected future taxable income and benefits from available tax strategies are changed, or changes in current tax regulations are enacted that would impact the timing or extent of the Group's ability to utilise the tax benefits of net operating loss carry forwards in the future, adjustments to the recorded amount of net deferred tax assets and taxation expense would be made.

(h) Current tax

The Group make provision for current tax based on the estimated income tax liabilities. The estimated income tax liabilities are primarily computed based on the tax filings as prepared by our Company and based on management's interpretation of relevant tax rulings.

(i) Classification of leases

The Group classifies leases into finance leases or operating leases in accordance with the accounting policies stated in Note 2(w) to the financial statements. Whether a lease is a finance lease or operating lease depends on the substance of the transactions rather than the form of the contract. In determining whether a lease is a finance lease or an operating lease, significant estimates and judgment are required. In making these estimates, and judgment, the Group evaluates among other factors, if the present value of the minimum lease payments amounts to at least substantially all of the fair value of the leased asset at the inception of the lease. To evaluate a lease based on this model, a number of assumptions, such as the incremental borrowing rate of interest, interest rate implicit in the lease and residual values of the aircraft at the end of the lease period have been made. Any changes to these assumptions would affect the classification of the lease.

4. 關鍵會計估算及判斷(續)

(g) 遞延稅項

根據財務報表註釋2(j)所述的會計政策，在考慮確認遞延所得稅資產的金額時，本集團會考慮預計未來應課稅溢利及可行的持續稅項計劃策略。在有證據顯示本集團的預計未來應課稅溢利及適用的稅項計劃策略的利益有變時，或在現行稅法的改變對本集團的稅務虧損結餘沖銷未來應課稅溢利的可用性有變時，本集團會調整已確認的遞延所得稅淨資產及所得稅。

(h) 即期稅項

本集團根據估計所得稅負債作出即期稅項撥備。所得稅負債估計金額主要依據本公司編製的稅務資料和管理層對相關稅務規例的詮釋而釐定。

(i) 租賃的分類

根據註釋2(w)所述的會計政策，本集團租賃分類為融資租賃或經營性租賃。其分類是取決於交易的實質性質，而不是於合同的條款。在釐定租賃是融資租賃或經營性租賃時，需要作出重大估算和判斷。在作出此等估算及判斷時，本集團評估(包括其他因素)於租賃開始日時，其最低租賃付款的現值實質上等同租賃資產的公允價值。在應用此模型評估租賃時，需要一些假設，如增量借款利率、租賃內含利率及於租賃期終止時飛機的剩餘價值。若以上假設出現任何轉變，將會影響租賃的分類。

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5. 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.

5. 收入

本集團主要經營民航業務，包括客運、貨運、郵運及其他延伸的運輸服務。

		Group 集團	
		2006	2005
		二零零六年	二零零五年
		RMB'000	RMB'000
		人民幣千元	人民幣千元
Revenues	收入		
Traffic revenues	運輸收入		
– Passenger	– 客運	31,229,591	21,367,747
– Cargo and mail	– 貨運及郵運	5,776,671	5,087,244
Ground service income	地面服務收入	781,130	806,755
Cargo handling income	貨物處理收入	289,530	292,488
Commission income	佣金收入	125,576	185,827
Rental income from operating subleases of aircraft	飛機經營性分租 收入	–	183,260
Others	其他	263,169	198,175
		38,465,667	28,121,496
Less: Business tax (Note)	減：營業稅(註釋)	(976,792)	(667,053)
		37,488,875	27,454,443

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.

註釋：

除國際及地區航線回程運輸收入免徵營業稅外，本集團的運輸收入、佣金收入，地面服務收入及貨物處理收入需根據中國各種營業稅規則及條例按3%至5%計繳中國營業稅。

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6. OTHER OPERATING INCOME, NET

6. 其他營業收益，淨額

		Group 集團	
		2006 二零零六年 RMB'000 人民幣千元	2005 二零零五年 RMB'000 人民幣千元
Government subsidies (Note)	政府補貼(註釋)	462,370	193,069
Net fair value (losses)/gains on financial instruments	衍生金融工具公允 值淨(損失)/收益		
- forward foreign exchange contracts	- 外匯互換合約	26,744	25,002
- fuel hedging (losses)/income	- 航油套期(損失)/收益	(64,849)	27,208
		424,265	245,279

Note:

The government subsidies represent (i) subsidies granted by local government to the Company in consideration of the relocation of the Company's international flights and related facilities from Shanghai Hongqiao Airport to Pudong International Airport; (ii) subsidies granted by various local municipalities to encourage the Group to operate certain routes to places where these municipalities are located; and (iii) other subsidies granted by the Central Government.

註釋：

政府補貼主要為(i)政府補償本公司將國際航線及相關設施從虹橋國際機場轉到浦東國際機場而給予的補貼及(ii)各地方政府為鼓勵本集團經營的當地航線而給予的補貼及(iii)中央政府所給予的其他補貼。

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7. 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 reporting format. For the year ended 31 December 2005, the Group principally operated in one business segment, which was the operation of civil aviation, including the provision of passenger, cargo, mail delivery and other extended transportation services. In view of the growth of the China cargo and logistic transportation services, the Group has decided to report it as a separate business segment.

In the prior year's financial statements, the Group's corporate general and administrative expenses (the "Corporate Expenses") were allocated to respective segments. In order to better reflect the impact of recent business acquisitions and a rapid increase in business volumes, Corporate Expenses have not been allocated on a geographical basis because the basis of such an allocation cannot be performed on a non-arbitrary basis. Accordingly, the analysis of segment results for both 2006 and 2005 has been presented on this basis.

7. 分部資料

(a) 以業務分部為主要分部形式

本集團根據業務及地區分部形式披露分部資料，並且將業務分部作為主要分部形式。截至二零零五年十二月三十一日止年度，本集團只有一個業務分部，即航空業務，包括客運、貨運、郵運及其他衍生之運輸業務。由於貨運及物流運輸服務業務的增長，本集團決定於二零零六年將貨運及物流作為一個獨立業務分部分別披露。

以前年度的財務報表中，本集團的公司管理費用（「公司費用」）於各分部中分配。由於當前業務收購及業務量激增，公司費用按此類分配的基礎並不能以公平之原則作判斷，從而本集團對二零零六年及二零零五年的公司費用未按照地區分部形式分配。

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截至二零零六年十二月三十一日止年度

7. SEGMENT INFORMATION (Cont'd)

(a) Primary reporting format by business segment (Cont'd)

- (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 2006 are as follows:

7. 分部資料(續)

(a) 以業務分部為主要分部形式(續)

- (1) 客機業務分部包括客機提供的貨運服務。
- (2) 分部間轉移及交易需以與無關聯之第三方相同的商業條款及條件為前提。

截至二零零六年止年度的分部業績如下列示：

		Passenger 客運 RMB'000 人民幣千元	Cargo and logistics 貨運及物流 RMB'000 人民幣千元	Unallocated 未分配 RMB'000 人民幣千元	Total 合計 RMB'000 人民幣千元
Traffic revenues	運輸收入	33,489,978	2,842,836	-	36,332,814
Other revenues and operating income	其他收入及其他 營業收益	1,066,296	709,069	140,525	1,915,890
Total segment revenue	分部收入合計	34,556,274	3,551,905	140,525	38,248,704
Inter-segment revenue	分部間收入	(759,829)	-	-	(759,829)
Revenues	收入	33,796,445	3,551,905	140,525	37,488,875
Operating (loss)/profit - segment results	經營(虧損)/溢利 - 分部業績	(2,770,861)	(242,526)	21,947	(2,991,440)
Interest income	利息收入	112,181	6,247	1,733	120,161
Finance costs	利息支出	(776,647)	(93,026)	(7,906)	(877,579)
Share of results of associates	攤佔聯營公司 業績	103,566	-	-	103,566
Share of results of jointly controlled entities	攤佔共同控制 實體業績	29,595	-	-	29,595
(Loss)/profit before income tax	稅前(虧損)/ 溢利	(3,302,166)	(329,305)	15,774	(3,615,697)
Income tax	稅項	198,088	(30,262)	(4,894)	162,932
(Loss)/profit for the year	年度(虧損)/溢利	(3,104,078)	(359,567)	10,880	(3,452,765)

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7. SEGMENT INFORMATION (Cont'd)

(a) Primary reporting format by business segment (Cont'd)

The segment results for the year ended 31 December 2005 are as follows:

		Passenger 客運 RMB'000 人民幣千元	Cargo and logistics 貨運及物流 RMB'000 人民幣千元	Unallocated 未分配 RMB'000 人民幣千元	Total 合計 RMB'000 人民幣千元
Traffic revenues	運輸收入	23,182,516	2,731,636	-	25,914,152
Other revenues and operating income	其他收入及其他 營業收益	1,012,076	574,776	97,911	1,684,763
Total segment revenue	分部收入合計	24,194,592	3,306,412	97,911	27,598,915
Inter-segment revenue	分部間收入	(144,472)	-	-	(144,472)
Revenues	收入	24,050,120	3,306,412	97,911	27,454,443
Operating (loss)/profit - segment results	經營(虧損)/溢利 - 分部業績	(165,559)	167,414	12,393	14,248
Interest income	利息收入	120,155	6,149	2,396	128,700
Finance costs	利息支出	(623,536)	(83,518)	4	(707,050)
Share of results of associates	攤佔聯營公司 業績	(9,030)	-	-	(9,030)
Share of results of jointly controlled entities	攤佔共同控制 實體業績	(4,300)	-	-	(4,300)
(Loss)/profit before income tax	稅前(虧損)/ 溢利	(682,270)	90,045	14,793	(577,432)
Income tax	稅項	153,226	(11,415)	(3,107)	138,704
(Loss)/profit for the year	當年(虧損)/溢利	(529,044)	78,630	11,686	(438,728)

7. 分部資料(續)

(a) 以業務分部為主要分部形式(續)

截至二零零五年止年度的分部業績如下列示：

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7. SEGMENT INFORMATION (Cont'd)

(a) Primary reporting format by business segment (Cont'd)

Other segment items included in the income statement for the year ended 31 December 2006 are as follows:

		Passenger 客運 RMB'000 人民幣千元	Cargo and logistics 貨運及物流 RMB'000 人民幣千元	Unallocated 未分配 RMB'000 人民幣千元	Total 合計 RMB'000 人民幣千元
Depreciation	折舊	3,937,182	524,150	32,240	4,493,572
Amortisation	攤銷	72,737	-	-	72,737
Revaluation deficits of property plant and equipment	物業、機器及 設備評估 減值損失	1,035,343	-	-	1,035,343

Other segment items included in the income statement for the year ended 31 December 2005 are as follows:

		Passenger 客運 RMB'000 人民幣千元	Cargo and logistics 貨運及物流 RMB'000 人民幣千元	Unallocated 未分配 RMB'000 人民幣千元	Total 合計 RMB'000 人民幣千元
Depreciation	折舊	3,434,649	445,501	17,992	3,898,142
Amortisation	攤銷	13,580	-	-	13,580

7. 分部資料(續)

(a) 以業務分部為主要分部形式(續)

截至二零零六年十二月三十一日止年度包含於利潤表中的其他分部項目列示如下：

截至二零零五年十二月三十一日止年度包含於利潤表中的其他分部項目列示如下：

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7. SEGMENT INFORMATION (Cont'd)

(a) Primary reporting format by business segment (Cont'd)

Segment assets and liabilities comprise operating assets and liabilities that are directly attributable to the segment.

The segment assets and liabilities at 31 December 2006 and capital expenditure for the year then ended are as follows:

		Passenger 客運 RMB'000 人民幣千元	Cargo and logistics 貨運及物流 RMB'000 人民幣千元	Unallocated 未分配 RMB'000 人民幣千元	Total 合計 RMB'000 人民幣千元
Segment assets	分部資產	54,778,224	5,185,564	463,188	60,426,976
Investments in associates	投資於聯營公司	498,295	10,760	114,335	623,390
Investments in jointly controlled entities	投資於共同控制 實體	115,540	-	-	115,540
Total assets	資產合計	55,392,059	5,196,324	577,523	61,165,906
Segment liabilities	分部負債	(53,632,097)	(3,992,814)	(64,352)	(57,689,263)
Capital expenditure (Note 14 & 15)	資本性支出 (註釋14及15)	15,566,384	1,170,712	52,623	16,789,719

The segment assets and liabilities at 31 December 2005 and capital expenditure for the year then ended are as follows:

		Passenger 客運 RMB'000 人民幣千元	Cargo and logistics 貨運及物流 RMB'000 人民幣千元	Unallocated 未分配 RMB'000 人民幣千元	Total 合計 RMB'000 人民幣千元
Segment assets	分部資產	52,560,982	5,182,541	425,553	58,169,076
Investments in associates	投資於聯營公司	510,059	7,187	112,500	629,746
Investments in jointly controlled entities	投資於共同控制 實體	100,520	-	-	100,520
Total assets	資產合計	53,171,561	5,189,728	538,053	58,899,342
Segment liabilities	分部負債	(48,461,886)	(3,473,228)	(45,686)	(51,980,800)
Capital expenditure (Note 14 & 15)	資本性支出 (註釋14及15)	12,170,540	1,044,973	14,838	13,230,351

7. 分部資料(續)

(a) 以業務分部為主要分部形式(續)

業務分部資產及負債由該分部直接佔有的經營資產及負債構成。

截至二零零六年十二月三十一日止年度之分部資產、負債及資本性支出列示如下：

截至二零零五年十二月三十一日止年度之分部資產、負債及資本性支出列示如下：

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7. SEGMENT INFORMATION (Cont'd)

(b) Secondary reporting format by geographical segment

The Group's two business segments operate in four main geographical areas, even though they are managed on a worldwide basis.

The Group's revenues (net of business tax) by geographical segment are analysed as follows:

		Group 集團	
		2006 二零零六年 RMB'000 人民幣千元	2005 二零零五年 RMB'000 人民幣千元
Domestic (the PRC, excluding Hong Kong)	國內(中國, 不包括香港)	20,803,441	13,357,972
Hong Kong	香港	3,244,846	3,150,123
Japan	日本	3,582,962	2,644,372
Other countries	其他國家	9,857,626	8,301,976
Total	合計	37,488,875	27,454,443

The major revenue-earning assets of the Group are its aircraft, all of which are registered in the PRC. Since the Group's aircraft are deployed flexibly across its route network, there is no suitable basis of allocating such assets and the related liabilities to geographical segments and hence segment assets and capital expenditure by geographic segment have not been presented.

7. 分部資料(續)

(b) 以區域分部作次要報告形式

儘管業務遍及全球，本集團之兩個業務分部於四個主要的地理區域經營。

本集團分地區分佈之收入(減去營業稅後淨額)分析如下：

本集團主要收入來源於其飛機資產，此等飛機均註冊於中華人民共和國。由於本集團之飛機可在不同航線中自由使用，沒有將此等資產及相關負債在地區分布中合理分配的基礎，因此並未按照地區分部來披露資產及資本性支出。

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8. WAGES, SALARIES AND BENEFITS

8. 工資、薪金及福利

		Group 集團	
		2006 二零零六年 RMB'000 人民幣千元	2005 二零零五年 RMB'000 人民幣千元
Wages, salaries, bonus and allowances	工資、薪金、花紅及補貼	2,476,924	1,579,292
Employee welfare and benefits	僱員福利及利益	295,185	166,267
Defined contribution retirement schemes (Note 32(a))	定額退休金計劃 (註釋32(a))	298,363	280,218
Post-retirement benefits (Note 32(b))	僱員退休後福利費用 (註釋32(b))	146,968	102,459
Staff housing fund (Note 33(a))	員工住房基金 (註釋33(a))	228,000	195,000
Staff housing allowance (Note 33(b))	職工住房補貼 (註釋33(b))	30,656	36,231
		3,476,096	2,359,467

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8. WAGES, SALARIES AND BENEFITS (Cont'd)

(a) Emoluments of Directors, supervisors and senior management

Details of the emoluments paid to the Company's Directors, supervisors and senior management are as follows:

		2006 二零零六年		
		Salaries and allowances 薪金及補貼 RMB'000 人民幣千元	Bonus 花紅 RMB'000 人民幣千元	Total 總額 RMB'000 人民幣千元
Executive Directors		執行董事		
Li Fenghua*	李豐華*	-	-	-
Luo Chaogeng*	羅朝庚*	-	-	-
Cao Jainxiong*	曹建雄*	-	-	-
Wan Mingwu*	萬明武*	-	-	-
Zhong Xiong*	鍾雄*	-	-	-
Luo Zhuping	羅祝平	157	-	157
Independent non-executive Directors		獨立非執行董事		
Hu Honggao*	胡鴻高*	-	-	-
Peter Lok *	樂鞏南*	-	-	-
Wu Baiwang*	吳百旺*	-	-	-
Zhou Ruijin*	周瑞金*	-	-	-
Xie Rong*	謝榮*	-	-	-
Supervisors		監事		
Li Wenxin*	李文新*	-	-	-
Ba Shengji*	巴勝基*	-	-	-
Yang Xingen	楊新根	149	-	149
Yang Jie	楊潔	100	-	100
Liu Jiashun*	劉家順*	-	-	-
Vice executive Directors		副執行董事		
Zhang Jianzhong	張建中	176	-	176
Li Yangmin	李養民	156	-	156
Fan Ru	樊儒	454	-	454
Finance controller		財務總監		
Luo Weide	羅偉德	173	-	173
Total	合計	1,365	-	1,365

8. 工資、薪金及福利(續)

(a) 董事、監事及高級行政人員的酬金

支付給公司董事、監事及高級行政人員的酬金包括下列各項：

2006 二零零六年		
Salaries and allowances 薪金及補貼 RMB'000 人民幣千元	Bonus 花紅 RMB'000 人民幣千元	Total 總額 RMB'000 人民幣千元

Executive Directors		執行董事		
Li Fenghua*	李豐華*	-	-	-
Luo Chaogeng*	羅朝庚*	-	-	-
Cao Jainxiong*	曹建雄*	-	-	-
Wan Mingwu*	萬明武*	-	-	-
Zhong Xiong*	鍾雄*	-	-	-
Luo Zhuping	羅祝平	157	-	157
Independent non-executive Directors		獨立非執行董事		
Hu Honggao*	胡鴻高*	-	-	-
Peter Lok *	樂鞏南*	-	-	-
Wu Baiwang*	吳百旺*	-	-	-
Zhou Ruijin*	周瑞金*	-	-	-
Xie Rong*	謝榮*	-	-	-
Supervisors		監事		
Li Wenxin*	李文新*	-	-	-
Ba Shengji*	巴勝基*	-	-	-
Yang Xingen	楊新根	149	-	149
Yang Jie	楊潔	100	-	100
Liu Jiashun*	劉家順*	-	-	-
Vice executive Directors		副執行董事		
Zhang Jianzhong	張建中	176	-	176
Li Yangmin	李養民	156	-	156
Fan Ru	樊儒	454	-	454
Finance controller		財務總監		
Luo Weide	羅偉德	173	-	173
Total	合計	1,365	-	1,365

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8. WAGES, SALARIES AND BENEFITS (Cont'd)

(a) Emoluments of Directors, supervisors and senior management (Cont'd)

8. 工資、薪金及福利(續)

(a) 董事、監事及高級行政人員的酬金(續)

		2005 二零零五年		
		Salaries and allowances 薪金及補貼 RMB'000 人民幣千元	Bonus 花紅 RMB'000 人民幣千元	Total 總額 RMB'000 人民幣千元
Executive Directors	執行董事			
Li Fenghua*	李豐華*	-	-	-
Luo Chaogeng*	羅朝庚*	-	-	-
Cao Jainxiong*	曹建雄*	-	-	-
Wan Mingwu*	萬明武	-	-	-
Zhong Xiong*	鍾雄*	-	-	-
Luo Zhuping	羅祝平	103	59	162
Independent non-executive Directors	獨立非執行董事			
Hu Honggao*	胡鴻高*	-	-	-
Peter Lok *	樂鞏南*	-	-	-
Wu Baiwang*	吳百旺*	-	-	-
Zhou Ruijin*	周瑞金*	-	-	-
Xie Rong*	謝榮*	-	-	-
Supervisors	監事			
Li Wenxin*	李文新*	-	-	-
Ba Shengji*	巴勝基*	-	-	-
Yang Xingen	楊新根	86	55	141
Yang Jie	楊潔	66	49	115
Liu Jiashun*	劉家順*	-	-	-
Vice executive Directors	副執行董事			
Wu Jiuhong	吳九洪	119	231	350
Zhou Liguó	周禮國	126	352	478
Zhang Jianzhong	張建中	101	93	194
Tong Guozhao	佟國照	121	352	473
Li Yangmin	李養民	90	55	145
Finance controller	財務總監			
Luo Weide	羅偉德	111	75	186
Total	合計	923	1,321	2,244

* Certain Directors of the Company received emoluments from CEA Holding, the parent company, part of which is in respect of their services to the Company and its subsidiaries. No apportionment has been made as it is impracticable to apportion this amount between their services to the Group and their services to CEA Holding.

* 本公司部分董事向本公司及其附屬公司提供服務，並從母公司中國東航集團支取其酬金。由於公司董事認為難以將董事的服務分配到本集團及中國東航集團，因此此分類沒有在此表中反映。

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8. WAGES, SALARIES AND BENEFITS (Cont'd)

(a) Emoluments of Directors, supervisors and senior management (Cont'd)

During the year ended 31 December 2006, no Directors and supervisors waived their emoluments (2005: Nil).

(b) Five highest paid individuals

One (2005: None) of the vice executive Directors, whose emoluments are reflected in the above analysis were among the five highest paid individuals in the Group for the year. The emoluments payable to the remaining four (2005: five) highest paid individuals are as follows:

		Group 集團	
		2006 二零零六年	2005 二零零五年
		RMB'000 人民幣千元	RMB'000 人民幣千元
Wages, salaries, bonus and allowances	工資、薪金、花紅及補貼	1,736	1,679

The emoluments fell within the following band:

		Number of individuals 人數	
		2006 二零零六年	2005 二零零五年
Emolument band	酬金級別		
Below HK\$1,000,000	1,000,000港元以下	4	5

During the year ended 31 December 2006, no emoluments were paid by the Group to the Directors, supervisors or the five highest paid individuals as an inducement to join or upon joining the Group, or as a compensation for loss of office (2005: Nil).

8. 工資、薪金及福利(續)

(a) 董事、監事及高級行政人員的酬金(續)

於截至二零零六年十二月三十一日止年度，並無任何一位董事及監事放棄其酬金(二零零五年：無)。

(b) 五位最高薪人員的酬金

本集團五位最高薪人員中，其中一位為副執行董事(二零零五年：無)，其酬金已包括在以上董事酬金中，其餘四位(二零零五年：五位)最高薪人士的酬金詳情如下：

酬金級別如下：

於截至二零零六年十二月三十一日止年度，本集團沒有就招聘或辭退人員而補償給予董事、監事或五位最高薪人員任何酬金(二零零五：無)。

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9. OPERATING LOSS/PROFIT

Operating loss/profit is stated after charging and crediting the following items:

9. 經營虧損／溢利

經營虧損／溢利以扣除或貸記下列項目列示：

		Group 集團	
		2006 二零零六年	2005 二零零五年
		RMB'000 人民幣千元	RMB'000 人民幣千元
Charging:	扣除：		
Depreciation of property, plant and equipment	物業、機器及設備折舊	4,493,572	3,898,142
Operating lease rentals	經營性租賃租金		
– aircraft	– 飛機	2,954,751	1,785,615
– land and buildings	– 土地及樓宇	276,715	212,027
Amortisation of intangible assets	無形資產攤銷	72,737	13,580
Amortisation of lease prepayments	預付租賃款攤銷	30,869	25,219
Consumption of flight equipment spare parts	飛機設備零件消耗	326,248	239,134
Allowances for obsolescence of flight equipment spare parts	飛機設備零件陳舊準備	31,734	–
Deficits on revaluation of property, plant and equipment	物業、機器及設備評估減值損失	1,035,343	–
Provision for impairment of trade and other receivables	應收及其他應收款減值準備	97,805	25,325
Auditors' remuneration	核數師酬金	20,120	10,000
Crediting:	及計入：		
Reversal of allowances for obsolescence of flight equipment spare parts	沖減飛機設備零件陳舊準備	–	13,930
Gain on disposals of property, plant and equipment	處理物業、機器及設備溢利	36,207	8,073

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10. FINANCE COSTS

10. 利息支出

		Group 集團	
		2006 二零零六年 RMB'000 人民幣千元	2005 二零零五年 RMB'000 人民幣千元
Interest relating to obligations under finance leases	融資租賃負債利息		
- wholly repayable within five years	- 須於五年內全數償還	244,962	195,764
- not wholly repayable within five years	- 毋須於五年內全數償還	298,991	128,869
		543,953	324,633
Interest on loans from banks and financial institutions	銀行及其他金融機構貸款利息		
- wholly repayable within five years	- 須於五年內全數償還	1,387,469	746,788
- not wholly repayable within five years	- 毋須於五年內全數償還	193,067	243,433
		1,580,536	990,221
Interest relating to notes payable	應付票據利息	91,280	52,639
Amortisation of the discount on zero coupon debentures	零息率債券折扣攤銷	25,456	22,944
Interest relating to long-term payables	長期應付款利息	4,961	6,999
		2,246,186	1,397,436
Less: Amounts capitalised into advance payments on acquisition of aircraft (Note 17)	減：資本化為飛機預付款的金額(註釋17)	(424,316)	(279,989)
		1,821,870	1,117,447
Net foreign exchange gains (Note)	淨匯兌收益(註釋)	(888,402)	(414,640)
Fair value (gains)/losses on financial instruments	衍生金融工具(收益)/損失		
- transfer from equity in respect of interest rate swaps qualified as cash flow hedges	- 利率掉期：現金流套期、權益轉入	(55,889)	4,243
		877,579	707,050

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10. FINANCE COSTS (Cont'd)

Note:

The exchange gain for the year ended 31 December 2006 primarily relates to the revaluation of the Group's foreign currency denominated borrowings and obligations under finance leases.

11. INCOME TAX

Income tax (credited)/charged to the consolidated income statement is as follows:

Provision for PRC income tax	中國所得稅準備
Deferred taxation (Note 31)	遞延稅項(註釋31)

Group 集團	
2006 二零零六年	2005 二零零五年
RMB'000 人民幣千元	RMB'000 人民幣千元
48,072	(81,734)
(211,004)	(56,970)
(162,932)	(138,704)

The Company is subject to PRC income tax at a reduced rate of 15%, pursuant to the Circular Hu Shui Er Cai (2001) No. 104 issued by the Shanghai Municipal Tax Bureau. Developments relating to the reform of the Corporate Income Tax Law are described in Note 44 to the financial statements.

Two of the major subsidiaries of the Group, namely China Cargo Airlines Co. Ltd. and Shanghai Eastern Flight Training Co., Ltd, are subject to PRC income tax at a reduced rate of 15%, pursuant to the preferential tax policy in Pudong, Shanghai. Shanghai Eastern Logistics Co., Ltd. ("Eastern Logistics"), another subsidiary of the Group, was exempted from PRC income tax in 2005 pursuant to the circular Hu Di Shui Er Shui (2004) No.68 issued by the Shanghai Municipal Tax Bureau. Eastern Logistics is subject to PRC income tax at a reduced rate of 15% in 2006. Other subsidiaries of the Group are generally subject to the PRC corporate income tax at the standard rate of 33%.

10. 利息支出(續)

註譯：

於截至二零零六年十二月三十一日止年度的匯兌收益主要為集團外幣貸款及融資租賃於年末的匯兌轉換。

11. 稅項

自綜合損益表(計入)/扣除的稅項如下：

根據上海市地方稅務局頒布的滬稅二財(2001) 104號通告，本公司的所得稅稅率獲減至15%。有關新企業所得稅法的改革詳見註釋44。

本公司兩個主要附屬公司中國貨運航空有限公司及上海東方飛行培訓有限公司，其所得稅稅率根據上海浦東稅務優惠政策獲減至15%。根據上海市國家稅務局滬地稅二稅(2004) 68號通告，上海東方遠航物流有限公司(「東航物流」)於二零零五年的所得稅予以免稅。於二零零六年，東航物流的適用稅率為15%。本集團的其他子公司的適用稅率為中國標準所得稅稅率33%。

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11. INCOME TAX (Cont'd)

On 16 March 2007, the National People's Congress approved the Corporate Income Tax Law of the People's Republic of China which may impact on the future income tax rates of the Group. Details refer to Post Balance Sheet Event (Note 44(b)).

Tax on the Group's consolidated income statement differs from the theoretical amount that would arise using the taxation rate of the home country of the Company as follows:

11. 稅項(續)

二零零七年三月十六日，全國人民代表大會通過了《中華人民共和國企業所得稅法》，並且會影響本集團的未來所得稅率，詳見結算日後事項(註釋44(b))。

本集團就綜合損益表的稅項，與本公司原屬國家適用的稅率而應產生之理論稅額的差額如下：

		Group 集團	
		2006 二零零六年 RMB'000 人民幣千元	2005 二零零五年 RMB'000 人民幣千元
Loss before income tax	除稅前虧損	(3,615,697)	(577,432)
Adjusted by:	調整：		
Share of result of associates and jointly controlled entities	攤佔聯營公司及共同控制實體的業績	(133,161)	13,330
		(3,748,858)	(564,102)
Tax calculated at enacted tax rate of 15%	按15%稅率計算的所得稅費用	562,329	84,615
Effect attributable to subsidiaries charged at tax rate of 17.5% or 33%	附屬公司17.5%或33%所得稅稅率的影響	27,969	18,334
Effect attributable to subsidiaries with income tax exemptions	附屬公司豁免的所得稅收入	-	33,852
Income not subject to taxation	毋須繳稅的收入	-	4,462
Expenses not deductible for tax purposes	不可扣稅的費用	(13,852)	(5,642)
Gain arising from intra-group property, plant and equipment disposal subject to taxation	集團公司間處理固定資產須繳稅的收入	(46,578)	-
Reversal of income tax provision made in prior years as a result of tax clearance with local tax bureau	與當地稅務局清算後沖回以前年度多提準備未予確認的稅務虧損	-	81,807
Utilisation of previously recognised tax losses	使用以前年度確認的稅務虧損	(23,130)	-
Unrecognised tax losses	未予確認的稅務虧損	(327,739)	(86,074)
Other temporary differences not recognised	其他未確認暫時性差異	(16,067)	-
Others	其他	-	7,350
Tax credit	稅項貸項	162,932	138,704

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11. INCOME TAX (Cont'd)

The Group operates international flights to overseas destinations. There was no material overseas taxation for the years ended 31 December 2006 and 2005, as there are double tax treaties between the PRC and the corresponding jurisdictions (including Hong Kong) relating to aviation businesses.

12. DIVIDEND

No interim dividend was paid during both the current and prior years.

The Board of Directors of the Company has not recommended any dividend in respect of the year ended 31 December 2006. No final dividend was paid in respect of the year ended 31 December 2005.

13. LOSS PER SHARE

The calculation of basic loss per share is based on the loss attributable to equity holders of the Company of RMB3,313,425,000 (2005: RMB467,307,000) and the weighted average number of shares of 4,866,950,000 (2005: 4,866,950,000) in issue during the year.

The Company has no potentially dilutive ordinary shares.

11. 稅項(續)

本集團經營國際航線，飛往某些海外目的地。由於中國與相關的司法權區(包括香港)達成了豁免雙重徵稅的共識，本集團於截至二零零六年及二零零五年十二月三十一日止年度並無重大海外稅款。

12. 股息

本公司在本年度及上年度內並沒有派發中期股息。

本公司董事會已建議截至二零零六年十二月三十一日止年度不派發任何股息。

13. 每股虧損

每股基本虧損乃按本公司權益持有人應佔綜合虧損人民幣3,313,425,000元(二零零五年：人民幣467,307,000元)和年內已發行的加權平均股數4,866,950,000股(二零零五年：4,866,950,000股)計算。

本公司並無潛在攤薄的普通股。

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14. INTANGIBLE ASSETS

14. 無形資產

		Group 集團			
		Goodwill (Note (a)) 商譽 (註釋(a)) RMB'000 人民幣千元	Sponsorship fees (Note (b)) 贊助費 (註釋(b)) RMB'000 人民幣千元	Computer software 電腦 軟件 RMB'000 人民幣千元	Total 總計 RMB'000 人民幣千元
Cost	成本				
At 1 January 2005	於二零零五年一月一日	79,176	-	46,396	125,572
Additions through business acquisitions	業務收購 增加	609,135	-	-	609,135
Other additions	其他添置	-	-	38,568	38,568
At 31 December 2005	於二零零五年 十二月三十一日	688,311	-	84,964	773,275
At 1 January 2006	於二零零六年一月一日	688,311	-	84,964	773,275
Additions through the acquisition of of a controlling interest in an associate (Notes 19 & 40)	由於收購聯營公司 的控制權益 所引起的增加 (註釋19及40)	304,832	-	28	304,860
Other additions	其他添置	-	320,000	33,617	353,617
Disposals	出售	-	-	(36)	(36)
At 31 December 2006	於二零零六年 十二月三十一日	993,143	320,000	118,573	1,431,716
Accumulated amortisation	累計攤銷				
At 1 January 2005	於二零零五年一月一日	-	-	7,852	7,852
Charge for the year	本年攤銷	-	-	13,580	13,580
At 31 December 2005	於二零零五年 十二月三十一日	-	-	21,432	21,432
At 1 January 2006	於二零零六年一月一日	-	-	21,432	21,432
Charge for the year	本年攤銷	-	52,870	19,867	72,737
Disposals	出售	-	-	(7)	(7)
At 31 December 2006	於二零零六年 十二月三十一日	-	52,870	41,292	94,162
Net book amount	賬面淨值				
At 31 December 2005	於二零零五年 十二月三十一日	688,311	-	63,532	751,843
At 31 December 2006	於二零零六年 十二月三十一日	993,143	267,130	77,281	1,337,554

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14. INTANGIBLE ASSETS (Cont'd)

14. 無形資產(續)

		Company 公司			
		Goodwill	Sponsorship fees	Computer software	Total
		(Note (a))	(Note (b))	software	Total
		商譽	贊助費	電腦 軟件	總計
		(註釋(a))	(註釋(b))	軟件	總計
		RMB'000	RMB'000	RMB'000	RMB'000
		人民幣千元	人民幣千元	人民幣千元	人民幣千元
Cost	成本				
At 1 January 2005	於二零零五年一月一日	79,176	-	45,240	124,416
Additions through business acquisitions	業務收購 增加	609,135	-	-	609,135
Other additions	其他添置	-	-	38,568	38,568
At 31 December 2005	於二零零五年 十二月三十一日	688,311	-	83,808	772,119
At 1 January 2006	於二零零六年一月一日	688,311	-	83,808	772,119
Additions	添置	-	320,000	33,617	353,617
Disposals	出售	-	-	(36)	(36)
At 31 December 2006	於二零零六年 十二月三十一日	688,311	320,000	117,389	1,125,700
Accumulated amortisation	累計攤銷				
At 1 January 2005	於二零零五年一月一日	-	-	7,171	7,171
Charge for the year	本年攤銷	-	-	13,357	13,357
At 31 December 2005	於二零零五年 十二月三十一日	-	-	20,528	20,528
At 1 January 2006	於二零零六年一月一日	-	-	20,528	20,528
Charge for the year	本年攤銷	-	52,870	19,630	72,500
Disposals	出售	-	-	(7)	(7)
At 31 December 2006	於二零零六年 十二月三十一日	-	52,870	40,151	93,021
Net book amount	賬面淨值				
At 31 December 2005	於二零零五年 十二月三十一日	688,311	-	63,280	751,591
At 31 December 2006	於二零零六年 十二月三十一日	688,311	267,130	77,238	1,032,679

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14. INTANGIBLE ASSETS (Cont'd)

Notes:

(a) *Impairment tests for goodwill*

The Group operates in two cash-generating units ("CGU") which are passenger (including cargo carried by passenger flights) and cargo and logistics.

The recoverable amount of a CGU is determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated growth rates stated below. The growth rate does not exceed the long-term average growth rate for the aviation businesses in which the CGU operates.

Key assumptions used for value-in-use calculations

- Gross margin	14%-17%
- Growth rate	10%-16%
- Discount rate	10%

Management determined budgeted gross margin based on past performance and its expectations for market development. The weighted average growth rate used is consistent with the forecasts included in industry reports. The discount rate used is pre-tax and reflects specific risks relating to the Company's business.

(b) *Sponsorship fees*

In March 2006, the Company entered into an agreement (the "Sponsorship Agreement") with the Bureau of 2010 Expo Shanghai (the "Bureau") which designated the Group as the exclusive airline passenger carrier in the PRC to sponsor the 2010 Shanghai Expo. The Company will be entitled to a number of rights, including but not limited to the use of the Expo logo in the Group's products, priority to purchase advertising space at the Expo site etc. In return, the Company is required to pay a total sponsorship fee of RMB320 million, RMB160 million of which would be paid in cash by installments, the remaining RMB160 million would be settled by value-in-kind services ("VIK") (in the form of goods or services) to support the 2010 Shanghai Expo. Accordingly, an intangible asset has been recognised and amortised on straight-line basis over the beneficial period from the effective date of the Sponsorship Agreement to the completion of the Expo. The outstanding sponsorship fee of RMB279 million has also been recognised as other long-term liabilities (Note 30) in the Group's balance sheet.

14. 無形資產 (續)

註釋：

(a) *商譽的減值測試*

本集團從事兩個現金產生單元分別為客運(包括客機運貨)以及貨運及物流。

現金產生單元的可收回金額根據使用價值計算。計算方式利用稅前現金流量預測，依據管理層批核的五年期財政預算。超過該五年期的現金流量採用以下所述的估計增長率作出推算。該增長率不超過現金產生單位營運的鞋類零售業務的長期平均增長率。

使用價值計算的主要假設如下：

- 毛利率	14%-17%
- 增長率	10%-16%
- 貼現率	10%

管理層根據過往表現及其對市場發展的預測釐定預算毛利率。所採用的加權平均增長率與行業報告所載的預測符合一致。所採用的貼現率為稅前比率並反映相關分部的特定風險。

(b) *贊助費*

於二零零六年三月，本公司與上海市二零一零年世博會事務協調局簽訂贊助協議並被確定為二零一零年上海世博會唯一中國航空客運合作夥伴。本公司可享有的權益包括(但不限於)使用世博會的徽號於本集團的產品上、享有選購世博會會址廣告空位的優先權等。本公司需要支付人民幣320百萬元的贊助費，以支持二零一零年世博會，其中人民幣160百萬元為分期支付的現金，餘下的人民幣160百萬元會以現金等值物支付(主要為貨物或服務)。在集團資產負債表中此贊助費已被確認為無形資產。此無形資產在贊助協議生效日以至世博完結的受益期內以直線法予以攤銷，此贊助款的金額為人民幣279百萬元，其相應的應付款已確認為其他長期負債(註釋30)。

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15. PROPERTY, PLANT AND EQUIPMENT

15. 物業、機器及設備

		Group 集團					
		Aircraft, engines and flight equipment 飛機、發動機及飛機設備		Buildings 樓宇	Other property, plant and equipment 其他物業、 機器及設備	Construction in progress 在建工程	Total 合計
		Owned 自置	Held under finance leases 以融資 租賃持有				
		RMB'000 人民幣千元	RMB'000 人民幣千元	RMB'000 人民幣千元	RMB'000 人民幣千元	RMB'000 人民幣千元	RMB'000 人民幣千元
Valuation or cost	評估值/成本值						
At 1 January 2005	於二零零五年 一月一日	26,142,685	13,452,651	2,254,015	2,274,961	188,654	44,312,966
Transfers from construction in progress	從在建工程轉入	-	-	33,582	116,985	(150,567)	-
Transfers from advance payments on acquisition of aircraft (Note 17)	從飛機預付款 轉入(註釋17)	445,949	1,191,167	-	-	-	1,637,116
Additions through business acquisitions	業務收購 增加	4,781,327	2,155,855	72,222	293,429	13,577	7,316,410
Other additions	其他添置	1,952,356	991,640	71,451	424,455	189,220	3,629,122
Disposals	出售	(67,354)	-	(6,281)	(125,299)	-	(198,934)
At 31 December 2005	於二零零五年 十二月三十一日	33,254,963	17,791,313	2,424,989	2,984,531	240,884	56,696,680
Accumulated depreciation	累計折舊						
At 1 January 2005	於二零零五年 一月一日	9,638,471	3,264,609	392,209	1,123,681	-	14,418,970
Charge for the year	本年度折舊	2,307,706	1,161,395	87,284	341,757	-	3,898,142
Disposals	出售	(66,030)	-	(159)	(79,111)	-	(145,300)
At 31 December 2005	於二零零五年 十二月三十一日	11,880,147	4,426,004	479,334	1,386,327	-	18,171,812
Net book amount	賬面淨值						
At 31 December 2005	於二零零五年 十二月三十一日	21,374,816	13,365,309	1,945,655	1,598,204	240,884	38,524,868
At 1 January 2005	於二零零五年 一月一日	16,504,214	10,188,042	1,861,806	1,151,280	188,654	29,893,996

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15. PROPERTY, PLANT AND EQUIPMENT (Cont'd)

15. 物業、機器及設備(續)

		Group 集團					
		Aircraft, engines and flight equipment 飛機、發動機及飛機設備		Buildings 樓宇	Other property, plant and equipment 其他物業、 機器及設備	Construction in progress 在建工程	Total 合計
		Owned 自置 RMB'000 人民幣千元	Held under finance leases 以融資 租賃持有 RMB'000 人民幣千元	RMB'000 人民幣千元	RMB'000 人民幣千元	RMB'000 人民幣千元	RMB'000 人民幣千元
Valuation or cost At 1 January 2006	評估值/成本值 於二零零六年 一月一日	33,254,963	17,791,313	2,424,989	2,984,531	240,884	56,696,680
Reclassification upon a purchase	添置後重分類	2,011,940	(2,011,940)	-	-	-	-
Transfers from construction in progress	從在建工程轉入	-	-	52,832	242,669	(295,501)	-
Transfers from advance payments on acquisition of aircraft (Note 17)	從飛機預 付款轉入 (註釋17)	3,797,430	2,591,545	-	-	-	6,388,975
Additions through the acquisitions of controlling interests in associates (Note 40)	由於收購 聯營公司控制 權益所引起 的增加 (註釋40)	78,291	305,663	303,064	33,292	2,447	722,757
Other additions	其他添置	5,612,187	2,724,601	-	384,743	297,979	9,019,510
Valuation deficit	評估減值損失	(939,655)	(95,688)	-	-	-	(1,035,343)
Transfer to non-current assets held for sale (Note (b) & 37)	轉入待售非 流動資產 (註釋(b)及37)	(2,108,763)	(202,898)	-	-	-	(2,311,661)
Disposals by sale and leaseback (Note (c))	售後回租交易之 處置(註釋(c))	(7,940,164)	-	-	-	-	(7,940,164)
Other disposals	其他出售	(314,615)	-	(41,639)	(131,322)	-	(487,576)
At 31 December 2006	於二零零六年 十二月三十一日	33,451,614	21,102,596	2,739,246	3,513,913	245,809	61,053,178
Accumulated depreciation At 1 January 2006	累計折舊 於二零零六年 一月一日	11,880,147	4,426,004	479,334	1,386,327	-	18,171,812
Reclassification upon a purchase	添置後重分類	940,464	(940,464)	-	-	-	-
Charge for the year	本年度折舊	2,600,331	1,418,781	106,441	368,019	-	4,493,572
Transfer to non-current assets held for sale (Note b & 37)	轉入待售非 流動資產 (註釋(b)及37)	(1,346,228)	(121,049)	-	-	-	(1,467,277)
Disposals	出售	(97,146)	-	(3,703)	(94,546)	-	(195,395)
At 31 December 2006	於二零零六年 十二月三十一日	13,977,568	4,783,272	582,072	1,659,800	-	21,002,712
Net book amount At 31 December 2006	賬面淨值 於二零零六年 十二月三十一日	19,474,046	16,319,324	2,157,174	1,854,113	245,809	40,050,466
At 1 January 2006	於二零零六年 一月一日	21,374,816	13,365,309	1,945,655	1,598,204	240,884	38,524,868

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15. PROPERTY, PLANT AND EQUIPMENT (Cont'd)

15. 物業、機器及設備(續)

		Company 公司					
		Aircraft, engines and flight equipment 飛機、發動機及飛機設備			Other property, plant and equipment 其他物業、 機器及設備	Construction in progress 在建工程	Total 合計
		Owned 自置	Held under finance leases 以融資 租賃持有	Buildings 樓宇			
		RMB'000 人民幣千元	RMB'000 人民幣千元	RMB'000 人民幣千元	RMB'000 人民幣千元	RMB'000 人民幣千元	RMB'000 人民幣千元
Valuation or cost	評估值/成本值						
At 1 January 2005	於二零零五年 一月一日	20,068,300	13,452,651	1,370,995	1,491,533	77,534	36,461,013
Transfer to a subsidiary	轉入附屬公司	(779,895)	-	-	-	-	(779,895)
Transfers from construction in progress	從在建工程轉入	-	-	18,847	16,582	(35,429)	-
Transfers from advance payments on acquisition of aircraft (Note 17)	從飛機預 付款轉入 (註釋17)	445,949	682,020	-	-	-	1,127,969
Additions through business acquisitions	業務收購 增加	4,781,327	2,155,855	72,222	293,429	13,577	7,316,410
Other additions	其他添置	1,138,394	375,995	14,195	341,339	33,120	1,903,043
Disposals	出售	(67,354)	-	(2,836)	(106,801)	-	(176,991)
At 31 December 2005	於二零零五年 十二月三十一日	25,586,721	16,666,521	1,473,423	2,036,082	88,802	45,851,549
Accumulated depreciation	累計折舊						
At 1 January 2005	於二零零五年 一月一日	6,847,515	3,264,609	264,374	829,672	-	11,206,170
Transfer to a subsidiary	轉入附屬公司	(599,975)	-	-	-	-	(599,975)
Charge for the year	本年度折舊	1,780,387	1,119,334	53,914	265,721	-	3,219,356
Disposals	出售	(66,030)	-	(104)	(69,993)	-	(136,127)
At 31 December 2005	於二零零五年 十二月三十一日	7,961,897	4,383,943	318,184	1,025,400	-	13,689,424
Net book amount	賬面淨值						
At 31 December 2005	於二零零五年 十二月三十一日	17,624,824	12,282,578	1,155,239	1,010,682	88,802	32,162,125
At 1 January 2005	於二零零五年 一月一日	13,220,785	10,188,042	1,106,621	661,861	77,534	25,254,843

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15. PROPERTY, PLANT AND EQUIPMENT (Cont'd)

15. 物業、機器及設備(續)

		Company 公司					
		Aircraft, engines and flight equipment 飛機、發動機及飛機設備			Other property, plant and equipment 其他物業、 機器及設備	Construction in progress 在建工程	Total 合計
		Owned 自置 RMB'000 人民幣千元	Held under finance leases 以融資 租賃持有 RMB'000 人民幣千元	Buildings 樓宇 RMB'000 人民幣千元	RMB'000 人民幣千元	RMB'000 人民幣千元	RMB'000 人民幣千元
Valuation or cost At 1 January 2006	評估值/成本值 於二零零六年 一月一日	25,586,721	16,666,521	1,473,423	2,036,082	88,802	45,851,549
Reclassification upon a purchase	添置後重分類	2,011,940	(2,011,940)	-	-	-	-
Transfer to a subsidiary	轉入附屬公司	(482,982)	-	-	-	-	(482,982)
Transfers from construction in progress	從在建工程轉入	-	-	25,507	12,210	(37,717)	-
Transfers from advanced payments on acquisition of aircraft (Note 17)	從飛機預 付款轉入 (註釋17)	3,744,513	1,843,577	-	-	-	5,588,090
Other additions	其他添置	4,812,055	2,345,391	40,491	271,479	100,145	7,560,561
Valuation deficit	評估減值損失	(939,655)	(95,688)	-	-	-	(1,035,343)
Transfer to non-current assets held for sale (Note 37)	轉入待售非流動 資產(註釋37)	(2,108,763)	(202,898)	-	-	-	(2,311,661)
Disposals by sale and leaseback (Note (c))	售後回租交易之 處置(註釋(c))	(7,940,164)	-	-	-	-	(7,940,164)
Other disposals	其他出售	(313,016)	-	(36,277)	(107,363)	-	(456,656)
At 31 December 2006	於二零零六年 十二月三十一日	24,370,649	18,544,963	1,503,144	2,212,408	151,230	46,782,394
Accumulated depreciation At 1 January 2006	累計折舊 於二零零六年 一月一日	7,961,897	4,383,943	318,184	1,025,400	-	13,689,424
Reclassification upon a purchase	添置後重分類	940,464	(940,464)	-	-	-	-
Transfer to a subsidiary	轉入附屬公司	(458,832)	-	-	-	-	(458,832)
Charge for the year	本年度折舊	1,939,393	1,317,355	54,726	274,242	-	3,585,716
Transfer to non-current assets held for sale (Note 37)	轉入待售非流動 資產(註釋37)	(1,346,228)	(121,049)	-	-	-	(1,467,277)
Disposals	出售	(97,146)	-	(2,997)	(73,362)	-	(173,505)
At 31 December 2006	於二零零六年 十二月三十一日	8,939,548	4,639,785	369,913	1,226,280	-	15,175,526
Net book amount At 31 December 2006	賬面淨值 於二零零六年 十二月三十一日	15,431,101	13,905,178	1,133,231	986,128	151,230	31,606,868
At 1 January 2006	於二零零六年 一月一日	17,624,824	12,282,578	1,155,239	1,010,682	88,802	32,162,125

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15. PROPERTY, PLANT AND EQUIPMENT (Cont'd)

Notes:

- (a) On 31 December 2006, the Group's aircraft, engines and flight equipment were revalued by the Directors of the Company on a market value basis or replacement cost basis based on the valuations conducted by independent valuers.

The result of the revaluation revealed a deficit of RMB1,035 million for certain aircraft and related equipment which has been charged to the income statement. Except for the aircraft and related equipment referred to above, the revalued amounts of all other assets under revaluation are not materially different from their carrying amounts. Accordingly, the carrying values of these assets have not been adjusted in the consolidated financial statements as at 31 December 2006.

Had the property, plant and equipment of the Group and the Company been stated at cost less accumulated depreciation and impairment losses, the carrying amounts of property, plant and equipment would have been as follows:

	Group 集團		Company 公司	
	2006 二零零六年	2005 二零零五年	2006 二零零六年	2005 二零零五年
	RMB'000 人民幣千元	RMB'000 人民幣千元	RMB'000 人民幣千元	RMB'000 人民幣千元
At 31 December	40,475,461	37,943,085	32,108,040	31,796,398

- (b) In December 2006, the Board of Directors passed a resolution to dispose the aircraft and the related equipment with the valuation deficit as described in the note 15(a) above and have been actively seeking buyers subsequent to the pass of the resolution. The assets have been reclassified as "Non-current assets held for sales" at 31 December 2006 (Note 37).

15. 物業、機器及設備(續)

註釋：

- (a) 於二零零六年十二月三十一日，本公司的董事以市場價格或重置成本法並參照獨立評估師的報告對本集團的飛機、發動機及飛機設備作出重估。

評估就若干飛機及相關設備所產生的評估減值損失約人民幣1,035百萬元已於損益表中列支。除却上述的飛機及相關設備外，其餘資產的重估值與帳面值沒有重大差異。因此，於二零零六年十二月三十一日之綜合財務報表就該等資產的帳面值沒有作出修改。

假若本集團及本公司的物業、機器及設備以成本扣除累計折舊及減值損失列賬，物業、機器及設備的淨值將如下列：

- (b) 於二零零六年十二月，董事會通過有關出售以上所述存有評估減值損失的飛機及其相關設備的議案。本公司在通過議案後已積極尋找可能的買家。於二零零六年十二月三十一日，此等資產歸類為待售非流動資產(註釋37)。

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15. PROPERTY, PLANT AND EQUIPMENT (Cont'd)

Notes: (Cont'd)

- (c) During the year, the Group entered into sale and leaseback transactions for certain newly acquired aircraft. These leaseback transactions are classified as operating leases and the related gains arising from these sales and leaseback transactions have been recognised in the income statement.
- (d) As at 31 December 2006, aircraft owned by the Group and the Company with an aggregate net book amount of approximately RMB9,044 million and RMB8,310 million respectively (2005: RMB9,074 million) were pledged as collateral under certain loan arrangements (Note 28).

16. LEASE PREPAYMENTS

15. 物業、機器及設備(續)

註釋：(續)

- (c) 本集團於本年度就若干新引進的飛機簽訂售後回租協議。有關售後回租形成經營性租賃，其相關的收益在本年度損益表中確認。
- (d) 於二零零六年十二月三十一日，本集團及本公司賬面淨值約為人民幣9,044百萬元及人民幣8,310百萬元(二零零五年：人民幣9,074百萬元)的飛機已用作若干貸款協定的抵押品(註釋28)。

16. 預付租賃款

		Group 集團		Company 公司	
		2006 二零零六年 RMB'000 人民幣千元	2005 二零零五年 RMB'000 人民幣千元	2006 二零零六年 RMB'000 人民幣千元	2005 二零零五年 RMB'000 人民幣千元
Cost	成本				
At 1 January	一月一日結餘	1,134,644	965,462	582,621	486,168
Additions through business acquisitions (Note 40)	業務收購增加 (註釋40)	75,302	74,339	-	74,339
Other additions	其他增加	37,158	94,843	33,932	22,114
At 31 December	十二月三十一日結餘	1,247,104	1,134,644	616,553	582,621
Accumulated amortisation	累積攤銷				
At 1 January	一月一日結餘	161,873	136,654	101,021	89,687
Charge for the year	本年攤銷	30,869	25,219	17,864	11,334
At 31 December	十二月三十一日結餘	192,742	161,873	118,885	101,021
Net book amount	賬面淨值				
At 31 December	十二月三十一日結餘	1,054,362	972,771	497,668	481,600

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16. LEASE PREPAYMENTS (Cont'd)

Lease prepayments represent unamortised prepayments for land use rights.

The Group's land use rights are located in the PRC and the majority of these land use rights have terms of 50 years from the date of grant. As at 31 December 2006, the majority of these land use rights had remaining terms ranging from 40 to 55 years (2005: from 41 to 49 years).

17. ADVANCED PAYMENTS ON ACQUISITION OF AIRCRAFT

		Group 集團		Company 公司	
		2006	2005	2006	2005
		二零零六年	二零零五年	二零零六年	二零零五年
		RMB'000	RMB'000	RMB'000	RMB'000
		人民幣千元	人民幣千元	人民幣千元	人民幣千元
At 1 January	一月一日結餘	9,072,673	2,678,603	8,157,515	2,678,603
Additions	增加	4,560,694	7,751,197	4,059,327	6,341,709
Interest capitalised (Note 10)	資本化利息 (註釋10)	424,316	279,989	378,101	265,172
Transfers to property, plant and equipment (Note 15)	轉至物業、 機器及設備 (註釋15)	(6,388,975)	(1,637,116)	(5,588,090)	(1,127,969)
At 31 December	十二月三十一日結餘	7,668,708	9,072,673	7,006,853	8,157,515

Included in the Group's and the Company's balance as at 31 December 2006 is accumulated interest capitalised of RMB516 million (2005: RMB410 million), at an average interest rate of 5.7% (2005: 4.0%).

16. 預付租賃款(續)

預付租賃款乃指未攤銷的預付土地使用權租賃款項。

本集團所有的土地使用權均位於中國，而大部份土地使用權許可權年限為自頒發日起計五十年。於二零零六年十二月三十一日，大部份的土地使用權剩餘許可權年期為四十一至五十五年(二零零五年：四十一至四十九年)。

17. 飛機預付款

於二零零六年十二月三十一日，本集團及本公司結餘中的累積資本化利息合計約為人民幣516百萬元(二零零五年：人民幣410百萬元)，平均資本化利率為5.7%(二零零五年：4.0%)。

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18. INVESTMENTS IN SUBSIDIARIES

18. 投資於附屬公司

		Company 公司	
		2006 二零零六年	2005 二零零五年
		RMB'000 人民幣千元	RMB'000 人民幣千元
Unlisted shares, at cost	非上市投資的成本值	2,831,235	2,163,864
Amounts due from subsidiaries	應收附屬公司款項	1,051,435	348,626
		3,882,670	2,512,490

Amounts due from subsidiaries are unsecured, non-interest bearing and are not repayable before 1 January 2008.

應收附屬公司款項均為無擔保、免息及不須於二零零八年一月一日前償還。

Particulars of the principal subsidiaries, all of which are limited liability companies established and operating in the PRC or Hong Kong, are as follows:

本集團的主要附屬公司均為在中國或香港成立及營運的有限責任公司，其具體情況如下：

Company 公司名稱	Place and date of establishment 成立地點及日期	Paid-up capital 實收資本		Attributable equity interest 應佔股本權益		Principal activities 主要業務
		2006	2005	2006	2005	
		二零零六年	二零零五年	二零零六年	二零零五年	
		RMB'000 人民幣千元	RMB'000 人民幣千元			
China Eastern Airlines Jiangsu Co., Ltd. 中國東方航空江蘇 有限公司	PRC 3 May 1993 中國 一九九三年 五月三日	880,000	880,000	63%	63%	Provision of airline services 提供航空服務
China Eastern Airlines Wuhan Co., Ltd. ("CEA Wuhan") 中國東方航空武漢 有限責任公司 (「東航武漢」)	PRC 16 August 2002 中國 二零零二年 八月十六日	600,000	600,000	96%	40%	Provision of airline services 提供航空服務
China Cargo Airlines Co., Ltd. 中國貨運航空有限公司	PRC 22 July 1998 中國 一九九八年 七月二十二日	500,000	500,000	70%	70%	Provision of cargo carriage services 提供貨物運輸服務

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18. INVESTMENTS IN SUBSIDIARIES (Cont'd)

18. 投資於附屬公司(續)

Company 公司名稱	Place and date of establishment 成立地點及日期	Paid-up capital 實收資本		Attributable equity interest 應佔股本權益		Principal activities 主要業務
		2006	2005	2006	2005	
		二零零六年 RMB'000 人民幣千元	二零零五年 RMB'000 人民幣千元	二零零六年	二零零五年	
Shanghai Eastern Flight Training Co., Ltd. 上海東方飛行培訓 有限公司	PRC 18 December 1995 中國 一九九五年 十二月十八日	473,000	473,000	95%	95%	Provision of flight training services 提供飛行訓練服務
Shanghai Eastern Airlines Investment Co., Ltd. 上海東航投資有限公司	PRC 8 May 2002 中國 二零零二年 五月八日	412,500	412,500	99%	99%	Investment holding 投資控股
Shanghai Eastern Airlines Logistics Co., Ltd. 上海東方遠航物流 有限公司	PRC 23 August 2004 中國 二零零四年 八月二十三日	200,000	200,000	70%	70%	Provision of cargo logistics services 提供貨運物流服務
Eastern Airlines Hotel Co., Ltd. 東航大酒店有限公司	PRC 18 March 1998 中國 一九九八年 三月十八日	70,000	70,000	86%	86%	Provision of hotel services primarily to crew members 主要是為飛行人員提供 酒店服務
Shanghai Eastern Maintenance Co., Ltd. 上海東方飛機維修 有限公司	PRC 27 November 2002 中國 二零零二年 十一月二十七日	25,658	25,658	60%	60%	Provision of aircraft repair and maintenance services 提供飛機修理及 大修服務
China Eastern Airlines Development (HK) Co., Ltd. 中國東方航空發展 (香港)有限公司	PRC 20 May 1995 中國 一九九五年 五月二十日	10,047	10,162	80%	40%	Provision of ticket sales and logistics 提供銷售機票及商品 運輸服務
China Eastern Airlines (Shantou) Economics Development Co., Ltd. 東方航空(汕頭)經濟 發展有限公司	PRC 18 March 1998 中國 一九九八年 三月十八日	10,000	10,000	55%	55%	Provision of airline equipment sales 生產銷售航空用品

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19. INVESTMENTS IN ASSOCIATES

19. 投資於聯營公司

		Group		Company	
		集團	集團	公司	公司
		2006	2005	2006	2005
		二零零六年	二零零五年	二零零六年	二零零五年
		RMB'000	RMB'000	RMB'000	RMB'000
		人民幣千元	人民幣千元	人民幣千元	人民幣千元
Unlisted investments, at cost	非上市投資的成本值	544,266	763,240	377,872	620,659
Goodwill	商譽	-	47,060	-	-
Share of post acquisition results/reserves	攤佔收購後業績／儲備	79,124	(180,554)	-	-
		623,390	629,746	377,872	620,659

The movement on investments in associates is as follows:

投資於聯營公司的變動如下：

		Group		Company	
		集團	集團	公司	公司
		2006	2005	2006	2005
		二零零六年	二零零五年	二零零六年	二零零五年
		RMB'000	RMB'000	RMB'000	RMB'000
		人民幣千元	人民幣千元	人民幣千元	人民幣千元
At 1 January	一月一日結餘	629,746	633,212	620,659	615,095
Cost of additional investment	增加投資的成本	-	5,564	-	5,564
Reduction as a result of the acquisition of a controlling interest in an associate (Note 40)	由於收購聯營公司控制權益所引起的減少(註釋40)	(109,922)	-	(242,787)	-
Share of results	攤佔業績	103,566	(9,030)	-	-
At 31 December	十二月三十一日結餘	623,390	629,746	377,872	620,659

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19. INVESTMENTS IN ASSOCIATES (Cont'd)

Particulars of the principal associates, all of which are limited liability companies established and operating in the PRC, are as follows:

Company 公司名稱	Place and date of establishment 成立地點及日期	Paid-up capital 實收資本 RMB'000 人民幣千元	Attributable equity interest 應佔股本權益		Principal activities 主要業務
			2006 二零零六年	2005 二零零五年	
Qingdao Liuting International Airport Co., Ltd. 青島流亭國際機場 有限責任公司	PRC 1 December 2000 中國 二零零零年 十二月一日	450,000	25%	25%	Provision of airport operation services 提供機場營運服務
Eastern Air Group Finance Co., Ltd. ("EAGF") 東航集團財務有限 責任公司 ("東航財務")	PRC 6 December 1995 中國 一九九五年 十二月六日	400,000	25%	25%	Provision of financial services to group companies of CEA Holding 為中國東航集團轄下 公司提供財務服務
China Eastern Air Catering Investment Co., Ltd. 東方航空食品投資 有限公司	PRC 17 November 2003 中國 二零零三年 十一月十七日	350,000	45%	45%	Provision of air catering services 提供航空餐食服務
Jiangsu Huayu General Aviation Co., Ltd. 江蘇華宇通用航空 有限公司	PRC 1 Dec 2004 中國 二零零四年 十二月一日	110,000	27%	27%	Provision of aviation support services 提供航空支援服務
Eastern Aviation Import & Export Co., Ltd. ("EAIEC") 東方航空進出口 有限公司 ("東航進出口")	PRC 9 June 1993 中國 一九九三年 六月九日	80,000	45%	45%	Provision of aviation equipment, spare parts and tools trading 從事飛機、飛行設備及 飛行設備零件貿易
Collins Aviation Maintenance Service Shanghai Ltd. 上海科林斯航空維修 服務有限公司	PRC 27 September 2002 中國 二零零二年 九月二十七日	57,980	35%	35%	Provision of airline electronic product maintenance services 提供航線電子產品 維修服務

19. 投資於聯營公司(續)

本集團的主要聯營公司均為中國成立及營運的有限責任公司，其具體情況如下：

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19. INVESTMENTS IN ASSOCIATES (Cont'd)

19. 投資於聯營公司(續)

Company 公司名稱	Place and date of establishment 成立地點及日期	Paid-up capital 實收資本 RMB'000 人民幣千元	Attributable equity interest 應佔股本權益		Principal activities 主要業務
			2006	2005	
			二零零六年	二零零五年	
Shanghai Dongmei Aviation Travel Co., Ltd. ("SDATC") 上海東美航空旅遊 有限公司 (「東美公司」)	PRC 17 October 2004 中國 二零零四年 十月十七日	51,369	27.16%	45%	Provision of traveling and accommodation agency services 提供旅遊及酒店 住宿代理服務
Shanghai Hongpu Civil Airport Communication Co., Ltd. 上海虹浦民用機場 通信有限公司	PRC 18 October 2002 中國 二零零二年 十月十八日	25,000	30%	30%	Provision of cable and wireless communication services 提供有線及無限 通訊服務
Eastern Aviation Advertising Services Co., Ltd. 上海東方航空傳媒 有限公司	PRC 4 March 1986 中國 一九八六年 三月四日	10,000	45%	45%	Provision of aviation advertising agency services 從事代理民航 廣告業務

Note:

The Group's aggregated share of the revenues, results, assets and liabilities of its associates are as follows:

註釋：

本集團攤佔聯營公司的收入、業績、資產及負債詳見下表：

		Assets 資產 RMB'000 人民幣千元	Liabilities 負債 RMB'000 人民幣千元	Revenues 收入 RMB'000 人民幣千元	Profit/(loss) 溢利/ (虧損) RMB'000 人民幣千元
2006	二零零六年	1,728,738	1,105,449	1,221,191	103,566
2005	二零零五年	1,807,387	1,177,641	887,928	(9,030)

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20. INVESTMENTS IN JOINTLY CONTROLLED ENTITIES

20. 投資於共同控制實體

		Group 集團		Company 公司	
		2006 二零零六年 RMB'000 人民幣千元	2005 二零零五年 RMB'000 人民幣千元	2006 二零零六年 RMB'000 人民幣千元	2005 二零零五年 RMB'000 人民幣千元
Unlisted investments, at cost	非上市投資的 成本值	59,552	59,552	59,522	59,552
Share of post-acquisition results/reserves	攤佔收購後 業績/儲備	55,988	40,968	-	-
		115,540	100,520	59,522	59,552

The movement on investments in jointly controlled entities is as follows:

投資於共同控制實體的變動如下：

		Group 集團		Company 公司	
		2006 二零零六年 RMB'000 人民幣千元	2005 二零零五年 RMB'000 人民幣千元	2006 二零零六年 RMB'000 人民幣千元	2005 二零零五年 RMB'000 人民幣千元
At 1 January	一月一日結餘	100,520	52,948	59,552	7,680
Cost of additional investment	增加投資的成本	-	51,872	-	51,872
Dividend received during the year	本年收到的股息	(14,575)	-	-	-
Share of results	攤佔業績	29,595	(4,300)	-	-
At 31 December	十二月三十一日結餘	115,540	100,520	59,552	59,552

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20. INVESTMENTS IN JOINTLY CONTROLLED ENTITIES (Cont'd)

Particulars of the principal jointly controlled entities, all of which are limited liability companies established and operating in the PRC are as follows:

Company 公司名稱	Place and date of establishment 成立地點及日期	Paid-up capital 實收資本 RMB'000 人民幣千元	Attributable equity interest 應佔股本權益		Principal activities 主要業務
			2006 二零零六年	2005 二零零五年	
Shanghai Technologies Aerospace Co., Ltd. ("STA") (Note (a)) 上海科技宇航有限公司 〔科技宇航〕 (註釋(a))	PRC 28 September 2004 中國 二零零四年 九月二十八日(註釋(a))	113,843	51%	51%	Provision of repair and maintenance services 提供飛機修理及 維修服務
Shanghai Eastern Union Aviation Wheels & Brakes Overhaul Engineering Co., Ltd ("Wheels & Brakes") 上海東聯航空機輪剎車 大修工程有限公司 〔機輪剎車〕	PRC 28 December 1995 中國 一九九五年 十二月二十八日	17,484	40%	40%	Provision of spare parts repair and maintenance services 提供零件維修服務
Eastern China Kaiya System Integration Co., Ltd. 上海民航華東凱亞系統 集成有限公司	PRC 21 May 1999 中國 一九九九年 五月二十一日	10,000	41%	41%	Provision of computer systems development 提供電腦系統 發展服務

Notes:

(a) Under a Joint Venture Agreement dated 10 March 2003, the Company has agreed to share control over the economic activities of STA. Any strategic financial and operating decisions relating to the activities of STA require the unanimous consent of the Company and the other joint venture partner.

20. 投資於共同控制實體(續)

本集團的主要共同控制實體均為中國成立及營運的有限責任公司，其具體情況如下：

註釋：

(a) 根據本公司與科技宇航另一合作投資方於二零零三年三月十日簽署的聯合投資協議，本公司同意另一合作投資方共同享有科技宇航經濟活動的控制權。任何與科技宇航活動有關的財務及經營決策都要求本公司與科技宇航另一合作投資方取得一致的同意。

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20. INVESTMENTS IN JOINTLY CONTROLLED ENTITIES (Cont'd)

Notes: (Cont'd)

- (b) The Group's aggregated share of the revenues, results, assets and liabilities of its jointly controlled entities is as follows:

20. 投資於共同控制實體(續)

註釋：(續)

- (b) 本集團攤佔共同控制體的收入、業績、資產及負債詳見下表：

		Assets 資產	Liabilities 負債	Revenues 收入	Profit/(loss) 溢利/ (虧損)
		RMB'000 人民幣千元	RMB'000 人民幣千元	RMB'000 人民幣千元	RMB'000 人民幣千元
2006	二零零六年	314,348	125,479	171,471	29,595
2005	二零零五年	142,667	42,147	133,570	(4,300)

21. OTHER LONG-TERM ASSETS

21. 其他長期資產

		Group 集團		Company 公司	
		2006 二零零六年 RMB'000 人民幣千元	2005 二零零五年 RMB'000 人民幣千元	2006 二零零六年 RMB'000 人民幣千元	2005 二零零五年 RMB'000 人民幣千元
Deposits relating to aircraft under operating leases (Note (a))	與飛機經營性租賃相關的存款(註釋(a))	532,878	446,323	449,055	425,850
Held-to-maturity financial assets (Note (b))	持有至到期的金融資產(註釋(b))	389,871	2,026,220	389,871	2,026,220
Prepaid staff benefits (Note (c))	預付員工福利(註釋(c))	54,898	62,096	44,524	54,178
Rental and renovation deposits	租賃及設備訂金	31,338	34,777	31,338	34,777
Prepaid customs duty and value added tax	預付關稅及增值稅	-	4,756	-	4,756
Other long-term receivables	其他長期應收款項	90,280	131,386	79,941	50,740
		1,099,265	2,705,558	994,729	2,596,521

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21. OTHER LONG-TERM ASSETS (Cont'd)

Notes:

- (a) The fair value of deposits relating to aircraft under operating leases of both the Group and the Company are RMB480 million and RMB414 million (2005: RMB446 million and RMB426 million), which are determined using the expected future payments discounted at market interest rates prevailing at the year end of 2.5%-4.0% (2005: 4.4%).
- (b) Held-to-maturity financial assets comprise long-term bank deposits which are pledged as collateral under certain finance lease arrangements (Note 27). The deposits have maturities of 1-2 years. The fair value of long-term bank deposits of both the Group and the Company are RMB1,249 million (2005: RMB2,114 million), which are determined using the expected future payments discounted at market interest rates prevailing at the year end of 2.6% (2005: 2.5% to 6.5%).

21. 其他長期資產(續)

註釋：

- (a) 本集團及本公司與飛機經營性租賃相關的存款之公允價值分別為人民幣480百萬元及人民幣414百萬元(二零零五年：人民幣446百萬元及人民幣426百萬元)，而其公允價值是根據預期支付款項及年末主要市場利率2.5%至4.0%計算的(二零零五年：4.4%)。
- (b) 持至到期日的財務資產包括長期銀行存款為融資租賃協議下的擔保金(見註釋27)。長期銀行存款的平均期限為一至兩年。本集團及本公司長期銀行存款之公允價值為人民幣1,249百萬元(二零零五年：人民幣2,114百萬元)，其公允價值是根據預期支付款項及年末主要市場利率2.6%計算的(二零零五年：2.5%至6.5%)。

		Group 集團		Company 公司	
		2006	2005	2006	2005
		二零零六年	二零零五年	二零零六年	二零零五年
		RMB'000	RMB'000	RMB'000	RMB'000
		人民幣千元	人民幣千元	人民幣千元	人民幣千元
Held-to-maturity financial assets	持至到期的財務資產	1,199,250	2,026,220	1,195,650	2,026,220
Less: Held-to-maturity financial assets – current portion (Note 23)	減：持至到期日的財務資產－流動部份(註釋23)	(809,379)	-	(805,779)	-
Held-to-maturity financial assets – Long term portion	持至到期日的財務資產－長期部份	389,871	2,026,220	389,871	2,026,220

- (c) Prepaid staff benefits represent subsidies to certain employees as an encouragement to purchase motor vehicles. The employees are required to serve the Group for six years from the date of receipt of the subsidies. If the employee leaves before the end of the six-year period, a refund by the employee is required calculated on a pro-rata basis. These subsidies are amortised over six years on the straight-line basis.

- (c) 預付員工福利為鼓勵員工購買汽車而發放的汽車補貼。接受補貼的員工需要自接受該補貼起為本集團服務六年以不需要償還所收到的補貼。若員工在六年期限之前離開本集團，該員工需要按所服務年期的比例償還補貼。此補貼以直線法分六年攤銷。

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22. TRADE RECEIVABLES AND NOTES RECEIVABLE

The credit terms given to trade customers are determined on an individual basis, with the credit periods generally ranging from half a month to three months.

The aging analysis of trade receivables and notes receivable is as follows:

22. 應收賬款及應收票據

給予顧客的信貸額及還款期按個別情況釐定，通常由半個月至三個月不等。

應收賬款及應收票據的賬齡分析如下：

		Group		Company	
		集團	公司	集團	公司
		2006	2005	2006	2005
		二零零六年	二零零五年	二零零六年	二零零五年
		RMB'000	RMB'000	RMB'000	RMB'000
		人民幣千元	人民幣千元	人民幣千元	人民幣千元
Less than 31 days	少於三十一日	1,556,144	1,580,082	955,992	1,031,946
31 to 60 days	三十一至六十日	147,439	134,095	83,669	56,918
61 to 90 days	六十一至九十日	44,602	122,377	24,300	108,014
91 to 180 days	九十一日至 一百八十日	132,977	34,097	90,573	14,603
181 to 365 days	一百八十一日至 三百六十五日	102,534	13,302	87,187	11,523
Over 365 days	超過三百六十五日	112,934	127,466	108,403	118,986
		2,096,630	2,011,419	1,350,124	1,341,990
Less: provision for impairment of receivables	減：應收賬款 減值準備	(93,775)	(93,010)	(89,552)	(81,707)
Trade receivables and notes receivable, net	應收賬款及應收 票據淨值	2,002,855	1,918,409	1,260,572	1,260,283

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23. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

23. 預付款、存款及其他應收款

		Group		Company	
		集團		公司	
		2006	2005	2006	2005
		二零零六年	二零零五年	二零零六年	二零零五年
		RMB'000	RMB'000	RMB'000	RMB'000
		人民幣千元	人民幣千元	人民幣千元	人民幣千元
Held-to-maturity financial assets – current portion (Note 21(b))	持有至到期的金融資產 – 流動部份 (註釋21(b))	809,379	-	805,779	-
Rebates receivable on aircraft acquisitions	添置飛機應收回扣款	627,641	102,582	593,202	78,314
Prepaid aircraft operating lease rentals	預付飛機經營性租賃租金	315,470	191,211	270,998	174,248
Prepayment for acquisition of flight equipment and other assets	購買飛行設備及其他資產預付款	178,577	179,206	162,749	179,206
Custom duties and value added tax recoverable (Note (a))	應收關稅及增值稅返還款 (註釋a)	87,684	124,917	24,550	66,887
Rental deposits	租賃訂金	86,822	49,303	71,159	37,116
Deposits with banks and a financial institution with original maturity over three months but less than a year (Note (b))	超過三個月但少於一年的短期存款 (註釋b)	38,343	175,332	20,143	8,888
Others	其他	332,076	174,720	225,324	143,884
		2,475,992	997,271	2,173,904	688,543

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23. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES (Cont'd)

Notes:

- (a) Pursuant to the Caiguanshui 【2004】 No. 63 issued by the Ministry of Finance on 29 December 2004, PRC airlines (including the Company, China Cargo Airlines Co., Ltd. and China Eastern Airlines Jiangsu Co., Ltd.) are subject to reduced custom duties and value added tax on imported flight equipment and overseas repair costs in relation to those aircraft flying on international and regional routes with effect from 1 January 2005. During the period from 1 January 2005 to 31 October 2006, the Group had been continuing to pay duties and value added tax at the standard rates and hence is entitled to a refund for over payment in excess of the reduced rates. From 1 November 2006 onwards, the Group started to pay the custom and duties and value added tax at the reduced rates. As at 31 December 2006, the Group's related refundable amount of the custom duties and value added tax amounted to RMB88 million (2005: RMB125 million).
- (b) As at 31 December 2006, the effective interest rate on deposits with banks with original maturity over three months but less than a year was 0.7% (2005: 0.7%).

24. CASH AND CASH EQUIVALENTS

The carrying amounts of the Group's and Company's cash and cash equivalents are denominated in the following currencies:

		Group 集團		Company 公司	
		2006 二零零六年	2005 二零零五年	2006 二零零六年	2005 二零零五年
		RMB'000 人民幣千元	RMB'000 人民幣千元	RMB'000 人民幣千元	RMB'000 人民幣千元
Renminbi	人民幣	1,251,901	1,281,206	426,705	415,462
US Dollars	美元	435,944	333,099	412,160	306,254
Japanese Yen	日元	68,950	76,591	54,871	55,803
Euro	歐元	66,454	37,420	61,029	28,163
Pounds Sterling	英鎊	17,416	22,979	17,416	22,979
Canadian Dollars	加元	14,525	14,187	14,525	14,187
Singapore Dollars	新加坡元	13,032	15,943	13,032	15,943
Australian Dollars	澳元	7,563	18,969	7,563	18,969
Others	其他	111,701	63,607	102,533	62,849
		1,987,486	1,864,001	1,109,834	940,609

23. 預付款、存款及其他應收款 (續)

註釋：

- (a) 根據財政部二零零四年十二月二十九日簽發的財管稅【2004】63號文，對國內航空公司(包括本公司、中國貨運航空有限公司及中國東方航空江蘇有限公司)國際及地區航線上飛行的飛機的進口飛行設備送往國外大修的費用，從二零零五年一月一日起減低關稅及增值稅。自二零零五年一月一日起至二零零六年十月三十日期間，本集團已按標準稅率支付有關關稅及增值稅，故能享有超額支付部份的返還款。自二零零六年十一月一日起，本集團開始按減低的關稅及增值稅率繳納關稅及增值稅。於二零零六年十二月三十一日，本集團應收關稅及增值稅返還款約為人民幣88百萬元(二零零五年：人民幣125百萬元)。
- (b) 於二零零六年十二月三十一日，原到期日超過三個月但不超過一年銀行存款的有效利率為0.7%(二零零五年：0.7%)。

24. 現金及現金等價物

本集團及本公司現金及現金等價物的賬面價值列示如下：

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25. TRADE PAYABLES AND NOTES PAYABLE

The aging analysis of trade payables and notes payable is as follows:

		Group		Company	
		2006	2005	2006	2005
		二零零六年	二零零五年	二零零六年	二零零五年
		RMB'000	RMB'000	RMB'000	RMB'000
		人民幣千元	人民幣千元	人民幣千元	人民幣千元
Less than 31 days	少於三十一日	1,374,384	1,416,293	1,146,144	1,593,009
31 to 60 days	三十一至六十日	577,883	397,187	493,877	364,480
61 to 90 days	六十一至九十日	781,666	195,869	745,800	163,058
91 to 180 days	九十一至 一百八十日	2,030,629	846,775	1,980,677	605,039
181 to 365 days	一百八十一至 三百六十五日	243,296	212,025	226,510	212,025
Over 365 days	超過三百六十五日	82,352	45,749	81,293	38,216
		5,090,210	3,113,898	4,674,301	2,975,827

As at 31 December 2006, all notes payable totaling RMB3,471 million (2005: RMB1,775 million) were unsecured. Discount rates ranged from 2.4% to 3.3% (2005: 2.9% to 3.2%) and all notes are repayable within six months.

25. 應付賬款及應付票據

應付賬款及應付票據的賬齡分析如下：

於二零零六年十二月三十一日，所有應付票據合計人民幣3,471百萬元（二零零五年：人民幣1,775百萬元）均無擔保。折現率為2.4%至3.3%（二零零五年：2.9%至3.2%），所有應付票據將於六個月內支付。

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26. OTHER PAYABLES AND ACCRUED EXPENSES

26. 其他應付款及預提費用

		Group 集團		Company 公司	
		2006	2005	2006	2005
		二零零六年	二零零五年	二零零六年	二零零五年
		RMB'000	RMB'000	RMB'000	RMB'000
		人民幣千元	人民幣千元	人民幣千元	人民幣千元
Accrued fuel cost	預提飛機燃料費用	1,824,714	1,415,797	1,636,726	1,262,586
Duties and levies payable	應付關稅及其他稅項	1,227,450	755,373	1,045,405	707,060
Other accrued operating expenses	預提其他營運費用	1,036,090	739,415	850,401	605,902
Accrued take-off and landing charges	預提飛機起降費用	1,022,127	810,226	755,936	607,370
Accrued aircraft overhaul expenses	預提飛機大修費用	834,075	745,627	697,149	587,400
Deposits received from ticketing agents	從票務銷售代理收取的訂金	448,176	353,805	318,568	299,218
Accrued salaries, wages and benefits	預提工資、薪金及福利	343,560	271,963	271,477	238,234
Staff welfare payable	應付員工福利款	142,703	39,433	107,082	31,915
Staff housing fund payable (Note 33(a))	應付員工住房基金(註釋33(a))	123,277	136,510	123,277	136,510
Current portion of other long-term liabilities (Note 30)	其他長期負債的流動部份(註釋30)	62,000	66,029	62,000	66,029
Current portion of post-retirement benefit obligations (Note 32(b))	退休後福利準備的流動部份(註釋32(b))	30,724	35,825	28,727	34,528
Current portion of operating lease payables	應付經營性租賃款的流動部份	-	52,268	-	52,268
Others	其他	891,455	573,480	786,291	503,858
		7,986,351	5,995,751	6,683,039	5,132,878

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27. OBLIGATIONS UNDER FINANCE LEASES

At 31 December 2006, the Group and the Company had 46 and 40 aircraft (2005: 36 and 33 aircraft) respectively under finance leases. Under the terms of the leases, the Group/the Company has the option to purchase, at or near the end of the lease terms, certain aircraft at fair market value and others at either fair market value or a percentage of the respective lessors' defined cost of the aircraft. The obligations under finance leases are principally denominated in US Dollars.

The future minimum lease payments (including interest), and the present value of the minimum lease payments under finance leases are as follows:

27. 融資租賃負債

於二零零六年十二月三十一日，本集團及本公司以融資租賃方式分別租用四十六架和四十架飛機（二零零五年：三十六架和三十三架）。根據租賃條款，本集團及本公司有權於租賃期滿或接近屆滿時，以公平市場價值或由有關出租人厘定的成本購買其中某些飛機。融資租賃負債主要以美元為單位計值。

最低租金（包括利息）及最低租金的現值分列如下：

		2006		2005		Group	
		二零零六年		二零零五年		集團	
		Minimum lease payments	Interest	Present value of minimum lease payments	Minimum lease payments	Interest	Present value of minimum lease payments
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
		人民幣千元	人民幣千元	人民幣千元	人民幣千元	人民幣千元	人民幣千元
Within one year	一年內	3,447,738	546,904	2,900,834	2,885,047	457,010	2,428,037
In the second year	第二年	2,371,076	430,139	1,940,937	2,870,162	300,106	2,570,056
In the third to fifth year inclusive	第三年至第五年 (包括首尾兩年)	3,514,758	912,607	2,602,151	3,487,110	472,914	3,014,196
After the fifth year	五年以後	5,173,152	667,598	4,505,554	2,913,057	337,792	2,575,265
Total	總額	14,506,724	2,557,248	11,949,476	12,155,376	1,567,822	10,587,554
Less: amount repayable within one year	減：一年內償還部份	(3,348,020)	(544,064)	(2,803,956)	(2,885,047)	(457,010)	(2,428,037)
amount reclassified to non-current assets held for sale (Note 37)	轉入待售非流動資產部份(註釋37)	(99,718)	(2,840)	(96,878)	-	-	-
Long-term portion	長期部份	11,058,986	2,010,344	9,048,642	9,270,329	1,110,812	8,159,517

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27. OBLIGATIONS UNDER FINANCE LEASES (Cont'd)

27. 融資租賃負債(續)

		2006 二零零六年		2005 二零零五年		Company 公司	
		Minimum lease payments 最低租金 RMB'000 人民幣千元	Interest 利息 RMB'000 人民幣千元	Present value of minimum lease payments 最低租金 之現值 RMB'000 人民幣千元	Minimum lease payments 最低租金 RMB'000 人民幣千元	Interest 利息 RMB'000 人民幣千元	Present value of minimum lease payments 最低租金 之現值 RMB'000 人民幣千元
Within one year	一年內	3,195,142	459,367	2,735,775	2,779,448	417,474	2,361,974
In the second year	第二年	2,146,228	351,312	1,794,916	2,764,563	263,806	2,500,757
In the third to fifth year inclusive	第三年至第五年 (包括首尾兩年)	2,903,681	722,981	2,180,700	3,170,314	384,958	2,785,356
After the fifth year	五年以後	4,033,038	497,281	3,535,757	2,347,521	270,326	2,077,195
Total	總額	12,278,089	2,030,941	10,247,148	11,061,846	1,336,564	9,725,282
Less: amount repayable within one year	減：一年內償還 部份	(3,092,584)	(456,527)	(2,636,057)	(2,779,448)	(417,474)	(2,361,974)
amount transferred to non-current assets held for sale (Note 37)	轉入待售 非流動資產 部份(註釋37)	(102,558)	(2,840)	(99,718)	-	-	-
Long-term portion	長期部份	9,082,947	1,571,574	7,511,373	8,282,398	919,090	7,363,308

The fair value of obligations under finance leases of the Group and the Company are RMB11,550 million and RMB9,833 million (2005: RMB10,432 million and RMB9,690 million), which are determined using the expected future payments discounted at market interest rates prevailing at the year end of 2.5% to 7.0% (2005: 2.5% to 7.0%).

At 31 December 2006, the Group and the Company had long-term bank deposits totaling RMB1,199 million (2005: RMB2,026 million) pledged as collateral under certain finance lease arrangements (Note 21(b)). In addition, the finance lease obligations are guaranteed by certain international and PRC banks in the PRC.

Certain leases that were entered into during the first quarter of 2006 and initially classified as finance leases, have been reassessed and reclassified as operating leases since the announcement of the unaudited 2006 interim results. The resulting impact increased the Group's consolidated net assets at 30 June 2006 by RMB113 million and decreased its consolidated loss for the six-month period ended 30 June 2006 by the same amount. The consolidated financial statements as at and for the year ended 31 December 2006 are not affected.

本集團及本公司融資租賃負債之公允值分別為人民幣11,550百萬元及人民幣9,833百萬元(二零零五年：人民幣10,432百萬元及人民幣9,690百萬元)，而其公允值是根據預期支付款項及年末主要市場利率2.5%至7.0%計算的(二零零五年：2.5%至7.0%)。

於二零零六年十二月三十一日，本集團及本公司以長期銀行存款計人民幣1,199百萬元(二零零五年：人民幣2,026百萬元)作為若干融資租賃的抵押品(註釋21(b))。此外，本集團的融資租賃負債由若干國際及國內銀行提供擔保。

在二零零六年第一季度簽定的某些租賃於二零零六年度未經審核的中期業績公告分類為融資租賃，該些租賃經重新評估後分類為經營性租賃。融資租賃的分類令本集團於二零零六年六月三十日的綜合淨資產上升了人民幣113百萬元及截至二零零六年六月三十日止六個月綜合虧損減少了相同金額。此重分類對截至二零零六年十二月三十一日止年度的綜合財務報表沒有影響。

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28. BORROWINGS

28. 貸款

		Group 集團		Company 公司	
		2006 二零零六年	2005 二零零五年	2006 二零零六年	2005 二零零五年
		RMB'000 人民幣千元	RMB'000 人民幣千元	RMB'000 人民幣千元	RMB'000 人民幣千元
Non-current	非流動部份				
Long-term bank borrowings (Note (a))	長期銀行借款 (註釋(a))				
- secured	- 有抵押	5,028,836	5,809,678	4,413,836	5,526,998
- unsecured	- 無抵押	7,062,577	3,980,438	6,428,079	3,930,438
		12,091,413	9,790,116	10,841,915	9,457,436
Current	流動部份				
Long-term bank borrowings (Note (a))	長期銀行借款 (註釋(a))				
- secured	- 有抵押	773,494	1,555,313	773,494	1,516,173
- unsecured	- 無抵押	2,067,200	1,313,917	1,476,740	1,313,917
Short-term bank borrowings (Note (b))	短期銀行借款 (註釋(b))				
- secured	- 有抵押	-	33,000	-	-
- unsecured	- 無抵押	13,175,633	13,677,856	10,754,644	10,571,230
Debentures (Note (c))	債券 (註釋(c))	-	1,974,544	-	1,974,544
		16,016,327	18,554,630	13,004,878	15,375,864
Total borrowings (Note (d))	借款總額 (註釋(d))	28,107,740	28,344,746	23,846,793	24,833,300
The borrowings are repayable as follows:	銀行借款應於下列期間內償還：				
Within one year	一年內	16,016,327	18,554,630	13,004,878	15,375,864
In the second year	第二年	3,053,315	2,663,434	2,953,315	2,631,154
In the third to fifth year inclusive	第三年至第五年 (包括首尾兩年)	7,560,389	5,517,473	7,020,891	5,217,073
After the fifth year	五年以後	1,477,709	1,609,209	867,709	1,609,209
		28,107,740	28,344,746	23,846,793	24,833,300

Notes:

註釋：

(a) The fair value of long-term borrowings of the Group and the Company are RMB15,397 million and RMB13,546 million (2005: RMB12,044 million and RMB11,696 million), which are determined using the expected future payments discounted at market interest rates prevailing at the year end of 4.5% (2005: 4.5%).

(a) 本集團及本公司長期銀行借款之公允值分別為人民幣15,397百萬元及人民幣13,546百萬元(二零零五年：人民幣12,044百萬元及人民幣11,696百萬元)，而其公允值是根據預期支付款項及年末主要市場利率4.5%計算的(二零零五年：4.5%)。

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28. BORROWINGS (Cont'd)

As at 31 December 2006, the secured bank borrowings of the Group and the Company for the purchases of aircraft were secured by the related aircraft with an aggregate net book amount of RMB9,044 million and RMB8,310 million respectively (2005: RMB9,074 million) (Note 15). Certain secured bank borrowings with an aggregate net book amount of RMB186 million (2005: RMB837 million) were also guaranteed by Export-Import Bank of the United States, China Industrial and Commercial Bank and China Construction Bank.

Certain unsecured bank borrowings of the Group and the Company totaling of RMB695 million and RMB100 million (2005: RMB1,282 million and RMB200 million) were guaranteed by CEA Holding (Note 41).

The terms of the long-term bank loans are summarised as follows:

28. 貸款(續)

於二零零六年十二月三十一日，本集團及本公司用於購買飛機的抵押借款均以有關的飛機作抵押品，其賬面價值為人民幣9,044百萬元及人民幣8,310百萬元(二零零五年：人民幣9,074百萬元)(註釋15)。此外，人民幣186百萬元(二零零五年：人民幣837百萬元)的抵押銀行貸款由美國進出口銀行、中國工商銀行及中國建設銀行作擔保。

本集團及本公司部份非抵押銀行貸款計人民幣695百萬元及人民幣100百萬元(二零零五年：人民幣1,282百萬元及人民幣200百萬元)由中國東航集團擔保(註釋41)。

長期銀行貸款的條款概括如下：

		Group		Company	
		集團	公司	集團	公司
Interest rate and final maturities		2006	2005	2006	2005
利率及最後到期日		二零零六年	二零零五年	二零零六年	二零零五年
		RMB'000	RMB'000	RMB'000	RMB'000
		人民幣千元	人民幣千元	人民幣千元	人民幣千元
RMB denominated bank loans:					
以人民幣計算的銀行貸款：					
Loans for working capital	Fixed interest rates ranging from 5.18% to 5.76% per annum as at 31 December 2006; 1 to 4-year loans with final maturity through to 2010.	3,785,000	3,253,500	3,710,000	3,153,500
用作營運資金的貸款	二零零六年十二月三十一日固定利率介乎年息5.18厘至5.76厘不等，年期為一至四年的貸款至二零一零年最後到期				
Loans for the purchases of aircraft*	Fixed interest rates ranging from 5.18% to 6.16% per annum as at 31 December 2006; 2 to 11-year loans with final maturities through to 2017	1,777,500	1,455,000	767,500	1,455,000
用作添置飛機的貸款*	二零零六年十二月三十一日固定利率介乎年息5.18厘至6.16厘不等，年期為二至十一年的貸款至二零一七年最後到期				
Loans for construction projects	Fixed interest rates ranging from 5.30% to 5.76% per annum as at 31 December 2006; 1 to 5-year loans with final maturities through to 2011	245,000	200,000	100,000	200,000
用作基建專項的貸款	二零零六年十二月三十一日固定利率為年息5.30厘至5.76厘不等，年期為一至五年的貸款至二零一一年最後到期				

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28. BORROWINGS (Cont'd)

28. 貸款(續)

	Interest rate and final maturities 利率及最後到期日	Group 集團		Company 公司	
		2006 二零零六年 RMB'000 人民幣千元	2005 二零零五年 RMB'000 人民幣千元	2006 二零零六年 RMB'000 人民幣千元	2005 二零零五年 RMB'000 人民幣千元
U.S. dollar denominated bank loans:					
以美元計算的銀行貸款：					
Loans for the purchases of aircraft 用作購買飛機的貸款	Fixed interest rates ranging from 5.90% to 6.20% per annum as at 31 December 2006; 2 to 3-year loans with final maturities through to 2009 二零零六年十二月三十一日固定利率介乎年息5.90厘至6.20厘不等，年期為二至三年的貸款至二零零九年最後到期	1,008,982	296,120	546,609	296,120
Loans for the purchases of aircraft * 用作購買飛機的貸款*	Floating interest rates ranging from 3 months LIBOR+0.25% to 6 months LIBOR+0.75% as at 31 December 2006; 2 to 9-year loans with final maturities through to 2015 二零零六年十二月三十一日浮動利率為三個月的LIBOR+0.25厘至六個月的LIBOR+0.75厘不等，年期為二至九年的貸款至二零一五年最後到期	6,017,637	7,295,480	6,017,637	7,135,480
Loans for the purchase of an aircraft simulator 用作購買模擬機的貸款	Floating interest rates of 6 months LIBOR +0.6% as at 31 December 2006; 3 to 5-year loans with final maturities in 2011 二零零六年十二月三十一日浮動利率為六個月的LIBOR+0.6厘，年期為三至五年的貸款至二零一一年最後到期	147,585	111,820	-	-
Loans for working capital 用作營運資金的貸款*	Floating interest rates ranging from 3 months LIBOR+0.55% to 6 months LIBOR+0.75% as at 31 December 2006; 2 to 3-year loans with final maturities through to 2009 二零零六年十二月三十一日浮動利率為三個月的LIBOR+0.55厘至六個月的LIBOR+0.75厘不等，年期為二至三年的貸款至二零零九年最後到期	866,287	-	866,287	-
Loans for finance leases of aircraft 用作融資租賃飛機的貸款	Floating interest rates of 6 months LIBOR +0.75% as at 31 December 2006; 3-year loans with final maturity in 2009 二零零六年十二月三十一日浮動利率為六個月的LIBOR+0.75厘，年期為三年的貸款至二零零九年最後到期	927,942	47,426	927,942	47,426
Loans for construction projects 用作基建專項的貸款	Floating interest rates of 6 months LIBOR +0.75% as at 31 December 2006; 1-year loans with final maturity in 2007 二零零六年十二月三十一日浮動利率為六個月的LIBOR+0.75厘，年期為一年的貸款至二零零七年最後到期	156,174	-	156,174	-
Total long-term bank loans 長期銀行貸款總額		14,932,107	12,659,346	13,092,149	12,287,526

* These loans are secured by the related aircraft.

* 該貸款由相關飛機為抵押。

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28. BORROWINGS (Cont'd)

- (b) Short-term borrowings of the Group and the Company are repayable within one year with interest charged at the prevailing market rates based on the rates quoted by the People's Bank of China. As at 31 December 2006, the interest rates relating to such borrowings ranged from 4.39% to 6.12% per annum (2005: 2.22% to 5.04% per annum). During the year ended 31 December 2006, the weighted average interest rate on short-term bank loans was 5.60% per annum (2005: 4.62% per annum).
- (c) On 5 August 2005, the Company issued debentures with a face value of RMB1,000,000,000 at an issue price of RMB971,600,000, being 97.16% of the face value, and repayable on 4 August 2006. On 23 August 2005, the Company issued additional debentures with a face value of RMB1,000 million at an issue price of RMB980 million, being 98% of the face value, and repayable on 22 May 2006. During 2006, all debentures were repaid at face value on the respective due dates.

The zero coupon debentures are accounted for in the balance sheets of the Group and the Company as follows:

		2006 二零零六年 RMB'000 人民幣千元	2005 二零零五年 RMB'000 人民幣千元
Nominal value	價值	-	2,000,000
Less: Unamortised discount	減：未攤銷的折扣	-	(25,456)
		-	1,974,544

- (d) The carrying amounts of the borrowings are denominated in the following currencies:

		Group 集團		Company 公司	
		2006 二零零六年 RMB'000 人民幣千元	2005 二零零五年 RMB'000 人民幣千元	2006 二零零六年 RMB'000 人民幣千元	2005 二零零五年 RMB'000 人民幣千元
Renminbi	人民幣	11,409,006	13,112,485	7,836,006	10,521,485
US Dollars	美元	16,698,734	15,232,261	16,010,787	14,311,815
		28,107,740	28,344,746	23,846,793	24,833,300

28. 貸款(續)

- (b) 本集團及本公司的短期銀行貸款均須於一年內償還，並以中國人民銀行公佈的市場利率為基準計算利息。於二零零六年十二月三十一日，此等貸款的利率介乎年息4.39厘至6.12厘(二零零五年：介乎年息2.22厘至5.04厘)。截至於二零零六年十二月三十一日止年度內加權平均利率為年息5.60厘(二零零五年：年息4.62厘)。
- (c) 於二零零五年八月五日，本公司以971,600,000元的價格發行了面值為人民幣1,000,000,000元的債券(即97.16%面值)，並於二零零六年八月四日到期。此外，於二零零五年八月二十三日，本公司又以980百萬元(即98%面值)的價格發行了另外面值為人民幣1,000百萬元的債券，並於二零零六年五月二十二日到期。於二零零六年，所有債券均以公允面值在到期日支付。

本集團及本公司資產負債表所列零息債券列示如下：

- (d) 貸款的賬面價值按幣種列示如下：

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29. PROVISION FOR AIRCRAFT OVERHAUL EXPENSES

29. 飛機大修費用準備

		Group 集團		Company 公司	
		2006 二零零六年 RMB'000 人民幣千元	2005 二零零五年 RMB'000 人民幣千元	2006 二零零六年 RMB'000 人民幣千元	2005 二零零五年 RMB'000 人民幣千元
At 1 January	一月一日結餘	403,999	254,009	348,835	200,725
Additions through business acquisitions	業務收購增加	-	196,122	-	196,122
Additions through the acquisition of a controlling interest in an associate (Note 40(a))	由於收購聯營公司控制權益所引起的增加 (註釋40(a))	23,994	-	-	-
Additional provisions	本年預提	150,390	64,700	134,697	54,767
Reversal resulting from change in estimate (Note)	因估計改變產生的沖回 (註釋)	-	(58,577)	-	(58,577)
Utilisation	年度內支用	(67,762)	(52,255)	(53,942)	(44,202)
At 31 December	十二月三十一日結餘	510,621	403,999	429,590	348,835
Less: current portion	減：流動部份	(20,900)	(15,589)	(20,900)	(15,589)
Long-term portion	長期部份	489,721	388,410	408,690	333,246

Provision of aircraft overhaul expenses represents the present value of estimated costs of major overhauls for aircraft under operating leases as the Group has the responsibility to fulfill certain return conditions under relevant leases.

Note:

Prior to 2005, overhauls for certain aircraft models under operating leases were performed by overseas service providers. In 2005, the Company identified domestic facilities to carry out overhauls for certain aircraft models at lower cost. Accordingly, the Company changed its estimate for provision for aircraft overhauls relating to those aircraft models.

預提飛機大修費用為經營性租賃飛機的預計大修費用的現值，對於此等飛機本集團有責任滿足有關租賃規定的交還條件。

註釋：

二零零五年以前，本公司個別型號的經營性租賃飛機送到國外的維修廠家進行大修。於二零零五年，本公司注意到個別國內的廠家可以完成某些型號飛機之大修。由於國內大修費用較國外大修費用為低。因此本公司改變對於大修費用的估計。

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30. OTHER LONG-TERM LIABILITIES

30. 其他長期負債

		Group and Company 集團及公司	
		2006 二零零六年	2005 二零零五年
		RMB'000 人民幣千元	RMB'000 人民幣千元
Long-term payable to the Bureau of 2010 Expo Shanghai (Note 14(b))	二零一零年上海世博會長期應付款(註釋14(b))	278,680	-
Long-term payable to Aviation China Civil Flight Institute (Note (a))	中國民用航空飛行學院長期應付款(註釋(a))	90,000	120,000
Deferred credit on government grants (Note (b))	政府補貼遞延貸項(註釋(b))	70,410	70,410
Deferred gains on sale and leaseback transactions of aircraft	售後回租飛機遞延收益	33,605	46,673
Other long-term payable	其他長期應付款	27,766	30,848
		500,461	267,931
Less: Current portion (Note 26)	減：流動部份(註釋26)	(62,000)	(66,029)
Long-term portion	長期部份	438,461	201,902

Notes:

- (a) The balance is unsecured, bearing interest at an effective rate of 6.21% per annum and is repayable by annual instalments of RMB30 million up to year 2009.
- (b) Deferred credit on government grants represents government grants received for construction and acquisition of safety and security facilities. As at 31 December 2006, the related facilities have not been constructed or purchased.

註釋：

- (a) 該等餘額沒有擔保，有效年利率為6.21厘，並且每年分期還款人民幣30百萬元直至二零零九年。
- (b) 政府補貼遞延貸項是指政府給予用於建設及購買安全及保安設施的補貼。截至二零零六年十二月三十一日，相關設施還尚未修建或購買。

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31. DEFERRED TAXATION

Deferred income tax assets and liabilities are offset when there is a legally enforceable right of offset and when the deferred income taxes relate to the same authority. The following amounts, determined after appropriate offsetting, are shown in the balance sheets:

31. 遞延稅項

當有法定權利可將稅項資產與現有稅務負債抵銷，而遞延所得稅涉及同一管轄機構，則可將遞延所得稅資產與遞延所得稅負債互相抵銷。在作適當抵銷後，下列金額在資產負債表內列示：

		Group		Company	
		集團	集團	公司	公司
		2006	2005	2006	2005
		二零零六年	二零零五年	二零零六年	二零零五年
		RMB'000	RMB'000	RMB'000	RMB'000
		人民幣千元	人民幣千元	人民幣千元	人民幣千元
Deferred tax assets	遞延稅項資產				
- Deferred tax asset to be utilised after 12 months	- 12個月以上可實現的遞延稅項資產	81,010	8,892	-	-
- Deferred tax asset to be utilised within 12 months	- 12個月以內可實現的遞延稅項資產	1,136	3,432	-	-
		82,146	12,324	-	-
Deferred tax liabilities	遞延稅項負債				
- Deferred tax liability to be realised after 12 months	- 12個月以上可實現的遞延稅項負債	(68,459)	(144,302)	-	-
- Deferred tax liability to be realised within 12 months	- 12個月以內可實現的遞延稅項負債	-	(34,523)	-	(160,067)
		(68,459)	(178,825)	-	(160,067)
Deferred tax assets/(liabilities), net	遞延稅項資產/(負債)，淨額	13,687	(166,501)	-	(160,067)

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31. DEFERRED TAXATION (Cont'd)

Movements in the net deferred taxation asset/
(liability) are as follows:

31. 遞延稅項(續)

遞延稅項淨資產/(負債)的變動如下:

		Group		Company	
		集團		公司	
		2006	2005	2006	2005
		二零零六年	二零零五年	二零零六年	二零零五年
		RMB'000	RMB'000	RMB'000	RMB'000
		人民幣千元	人民幣千元	人民幣千元	人民幣千元
At 1 January	一月一日結餘	(166,501)	(292,385)	(160,067)	(278,942)
Additions through business acquisitions (Note 40(a))	業務收購增加 (註釋40(a))	(29,326)	93,017	(29,326)	93,017
Credited to income statement (Note 11)	損益表貸項 (註釋11)	211,004	56,970	190,883	49,961
Charged/(credited) to equity - gain/(losses) on cashflow hedges (Note 36)	權益借項/(貸項) - 未實現的現金 流量套期 溢利/(損失) (註釋36)	(1,490)	(24,103)	(1,490)	(24,103)
At 31 December	十二月三十一日結餘	13,687	(166,501)	-	(160,067)

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31. DEFERRED TAXATION (Cont'd)

The deferred tax assets and liabilities (prior to the offsetting of balances within the same tax jurisdiction) were made up of the taxation effects of the following:

31. 遞延稅項(續)

於二零零六年十二月三十一日，遞延稅項資產及負債在同一稅法機構下抵銷前的結餘有以下的稅務影響組成：

		Group 集團		Company 公司	
		2006	2005	2006	2005
		二零零六年	二零零五年	二零零六年	二零零五年
		RMB'000	RMB'000	RMB'000	RMB'000
		人民幣千元	人民幣千元	人民幣千元	人民幣千元
Deferred tax assets:	遞延稅項資產：				
Tax losses carried forward	稅務虧損結餘	972,778	451,659	667,648	414,529
Provision for obsolete flight equipment spare parts	飛機設備零件的陳舊準備	68,574	33,192	66,008	32,748
Provision for receivables	應收款減值準備	57,467	12,474	28,092	12,213
Provision for post-retirement benefits	退休後福利準備	216,570	185,102	176,007	168,842
Other accrued expenses and provisions	其他預提支出及準備	97,823	48,412	67,191	34,682
		1,413,212	730,839	1,004,946	663,014
Less: unrecognised assets	減：未確認資產	(882,443)	(338,194)	(594,326)	(301,064)
		530,769	392,645	410,620	361,950
Deferred tax liabilities:	遞延稅項負債：				
Depreciation and amortisation	折舊及攤銷	(517,082)	(559,146)	(410,620)	(522,017)
		(517,082)	(559,146)	(410,620)	(522,017)
Net deferred tax assets/ (liabilities)	遞延稅項資產/(負債)淨額	13,687	(166,501)	-	(160,067)

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31. DEFERRED TAXATION (Cont'd)

Movements of the net deferred tax assets/(liabilities) of the Group for the year:

31. 遞延稅項(續)

本集團截至二零零六年十二月三十一日止年度遞延稅項資產/(負債)淨額的變動情況如下：

			(Charged)/ credited	(Charged)/ credited	Additions through business acquisitions (Note 40) 業務 收購增加 (註釋40)	At the end of the year
		At the beginning of the year	to income statement 損益表	to equity to equity 權益借項		年未數
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
		人民幣千元	人民幣千元	人民幣千元	人民幣千元	人民幣千元
For the year ended 31 December 2006	截至二零零六年 十二月三十一日					
Tax losses carried forward	稅務虧損結餘	113,465	(23,130)	-	-	90,335
Provision for obsolete flight equipment spare parts	飛機設備零件的 陳舊準備	33,192	35,382	-	-	68,574
Provision for receivables	應收款減值準備	12,474	44,993	-	-	57,467
Provision for post-retirement benefits	退休後福利準備	185,102	31,468	-	-	216,570
Other accrued expenses and provisions	其他預提支出及 準備	48,412	50,901	(1,490)	-	97,823
		392,645	139,614	(1,490)	-	530,769
Depreciation and amortisation	折舊及攤銷	(559,146)	71,390	-	(29,326)	(517,082)
		(559,146)	71,390	-	(29,326)	(517,082)
Net deferred tax assets/ (liabilities)	遞延稅項資產/ (負債)淨額	(166,501)	211,004	(1,490)	(29,326)	13,687

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31. DEFERRED TAXATION (Cont'd)

31. 遞延稅項(續)

			(Charged)/ credited	(Charged)/ credited	Additions through business acquisitions (Note 40) 業務 收購增加 (註釋40)	At the end of the year
	At the beginning of the year	年初數	to income 損益表 (借項)/貸項	to equity 權益借項 (借項)/貸項	RMB'000	年未數
	RMB'000	人民幣千元	RMB'000	RMB'000	人民幣千元	RMB'000
	人民幣千元	人民幣千元	人民幣千元	人民幣千元	人民幣千元	人民幣千元
For the year ended 31 December 2005	截至二零零五年 十二月三十一日					
Tax losses carried forward	稅務虧損結餘	97,442	16,023	-	-	113,465
Provision for obsolete flight equipment spare parts	飛機設備零件的 陳舊準備	54,014	(20,628)	-	(194)	33,192
Provision for receivables	應收款減值準備	10,146	2,328	-	-	12,474
Provision for post-retirement benefits	退休後福利準備	95,252	12,066	-	77,784	185,102
Other accrued expenses and provisions	其他預提支出及 準備	123,469	(16,647)	(24,103)	(34,307)	48,412
		380,323	(6,858)	(24,103)	43,283	392,645
Depreciation and amortisation	折舊及攤銷	(672,708)	63,828	-	49,734	(559,146)
		(672,708)	63,828	-	49,734	(559,146)
Net deferred tax liabilities	遞延稅項負債淨額	(292,385)	56,970	(24,103)	93,017	(166,501)

In accordance with the PRC tax law, tax losses can be carried forward to offset against future taxable income for a period of five years. As at 31 December 2006, the Group and the Company had tax losses carried forward of approximately RMB5,782 million and RMB4,451 million respectively (2005: RMB3,011 million and RMB2,764 million respectively) which will expire between 2007 and 2011, and which are available to set off against the Group and the Company's future taxable income. As at 31 December 2006, the Group and the Company did not recognise RMB882 million and RMB594 million respectively (2005: RMB338 million and RMB301 million respectively) of deferred tax assets arising from tax losses available as management did not consider it probable that such tax losses would be realised before they expire.

根據中國稅法，稅務虧損可於五年內抵銷未來應課稅收入。於二零零六年十二月三十一日，本集團及本公司的稅務虧損結餘分別約人民幣5,782百萬元及人民幣4,451百萬元（二零零五年：人民幣3,011百萬元及人民幣2,764百萬元），可於二零零七年至二零一一年到期前沖銷本集團及本公司的未來應課稅收入。截至二零零六年十二月三十一日止，由於因為管理層相信相關的稅務虧損在其到期前可被利用的可能性較少，本集團及本公司尚未確認的遞延稅項資產分別為人民幣882百萬元及人民幣594百萬元（二零零五年：人民幣338百萬元及人民幣301百萬元）。

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32. RETIREMENT BENEFIT PLANS AND POST-RETIREMENT BENEFITS

(a) Defined contribution retirement schemes

(i) Pension

The Group companies participate in defined contribution retirement schemes organised by municipal governments of the various provinces in which the Group companies operate, and substantially all of the Group's PRC employees are eligible to participate in the Group companies' retirement schemes. The Group companies are required to make annual contributions to the schemes at rates ranging from 20% to 22% on the employees' prior year salary and allowances. Employees are required to contribute to the schemes at rates ranging from 7% to 8% of their basic salaries. The Group has no other material obligation for the payment of retirement benefits beyond the annual contributions under these schemes. For the year ended 31 December 2006, the Group's pension cost charged to the consolidated income statement amounted to RMB238 million (2005: RMB228 million).

(ii) Medical insurance

The majority of the Group's PRC employees participate in the medical insurance schemes organised by the municipal governments, under which the Group and its employees are required to contribute to the scheme approximately 12% and 2%, respectively, of the employee's basic salaries. For those employees who participate in these schemes, the Group has no other obligation for the payment of medical expense beyond the annual contributions. For the year ended 31 December 2006, the Group's medical insurance contributions charged to the income statement amounted to RMB60 million (2005: RMB52 million).

32. 退休金計劃及僱員退休後的福利

(a) 定額供款退休金計劃

(i) 退休金

本集團參與某些省份市政府管轄的定額供款的退休金計劃。本集團大多數中國僱員符合參與本集團的退休金計劃之資格。本集團需按前一年度薪金及津貼金額的20%至22%交納供款額，僱員則按其基本薪金的7%至8%交納供款。除上述的定額供款外，本集團無其他重大支付退休福利的責任。截至二零零六年十二月三十一日止年度，本集團在該計劃下已計入綜合損益表的退休金供款費用為人民幣238百萬元(二零零五年：人民幣228百萬元)。

(ii) 醫療保險

本集團大部分中國僱員參加了各省份的市政府組織的醫療保險計劃，本集團及僱員須分別按基本薪金約12%及2%向計劃供款。除此供款外，本集團對參加計劃的僱員並無其他醫療費用責任。截至二零零六年十二月三十一日止年度，本集團計人民幣60百萬元(二零零五年：人民幣52百萬元)醫療保險供款於損益表中列賬。

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32. RETIREMENT BENEFIT PLANS AND POST-RETIREMENT BENEFITS (Cont'd)

(b) Post-retirement benefits

In addition to the above retirement schemes, the Group provides retirees with other post-retirement benefits including transportation subsidies, social function activities subsidies and others. The expected cost of providing these post-retirement benefits is actuarially determined and recognised by using the projected unit credit method, which involves a number of assumptions and estimates, including inflation rate, discount rate and employees' turnover ratio.

The post-retirement benefit obligations recognised in the balance sheets are as follows:

32. 退休金計劃及僱員退休後的福利(續)

(b) 僱員退休後的福利

除上述的退休金計劃外，本集團提供退休僱員福利包括交通津貼、社交活動津貼以及其他福利。僱員退休後福利所產生的費用按「預計福利按服務年期攤分法」精算估值計算，並以數項假設及估計為基準，當中包括通脹率、折現率及僱員流失率等。

在資產負債表中所確認的僱員退休後福利費用準備如下：

		Group		Company	
		集團	公司	集團	公司
		2006	2005	2006	2005
		二零零六年	二零零五年	二零零六年	二零零五年
		RMB'000	RMB'000	RMB'000	RMB'000
		人民幣千元	人民幣千元	人民幣千元	人民幣千元
Present value of unfunded post-retirement benefit obligations	不設基金的僱員退休後福利費用準備的現值	1,892,926	1,970,292	1,650,889	1,792,522
Unrecognised actuarial losses	未確認的精算損失	(569,242)	(731,590)	(477,509)	(672,357)
Post-retirement benefit obligations	僱員退休後福利費用準備	1,323,684	1,238,702	1,173,380	1,120,165
Less: current portion (Note 26)	減：流動部份(註釋26)	(30,724)	(35,825)	(28,727)	(34,528)
Long-term portion	長期部份	1,292,960	1,202,877	1,144,653	1,085,637

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32. RETIREMENT BENEFIT PLANS AND POST-RETIREMENT BENEFITS (Cont'd)

(b) Post-retirement benefits (Cont'd)

Changes in post-retirement benefit obligations are as follows:

		Group		Company	
		集團	集團	公司	公司
		2006	2005	2006	2005
		二零零六年	二零零五年	二零零六年	二零零五年
		RMB'000	RMB'000	RMB'000	RMB'000
		人民幣千元	人民幣千元	人民幣千元	人民幣千元
At 1 January	一月一日結餘	1,238,702	645,732	1,120,165	539,945
Additions through business acquisition	業務收購增加	-	519,881	-	519,881
Total expenses charged in the income statement	計入綜合損益表的有關費用	146,968	102,459	114,422	89,467
Payments	本年度支付額	(61,986)	(29,370)	(61,207)	(27,778)
Others	其他	-	-	-	(1,350)
At 31 December	十二月三十一日結餘	1,323,684	1,238,702	1,173,380	1,120,165

The costs of post-retirement benefits are recognised under wages, salaries and benefits in the income statement as follows:

		Group		Company	
		集團	集團	公司	公司
		2006	2005	2006	2005
		二零零六年	二零零五年	二零零六年	二零零五年
		RMB'000	RMB'000	RMB'000	RMB'000
		人民幣千元	人民幣千元	人民幣千元	人民幣千元
Current service cost	當期服務費用	63,957	56,436	51,964	50,775
Interest cost	負債的利息費用	72,435	45,200	54,175	38,009
Actuarial losses recognised	確認的精算損失	10,576	823	8,283	683
Total (Note 8)	總額(註釋8)	146,968	102,459	114,422	89,467

32. 退休金計劃及僱員退休後的福利(續)

(b) 僱員退休後的福利(續)

僱員退休後福利費用準備於本年度的變動如下：

本年度的退休後福利費用已列入工資、薪金及福利費用中，並已於本年度綜合損益表中反映：

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32. RETIREMENT BENEFIT PLANS AND POST-RETIREMENT BENEFITS (Cont'd)

The principal actuarial assumptions at the balance sheet date are as follows:

Discount rate	折現率
Annual rate of increase of per capita benefit payment	支付僱員福利的每年增長率
Employee turnover rate	僱員流失率

32. 退休金計劃及僱員退休後的福利(續)

於資產負債表日主要精算估值假設如下：

Group and Company 集團及公司		2006 二零零六年	2005 二零零五年
Discount rate	折現率	3.75%	3.5%
Annual rate of increase of per capita benefit payment	支付僱員福利的每年增長率	1.5%	1.5%
Employee turnover rate	僱員流失率	3.0%	3.0%

33. STAFF HOUSING BENEFITS

(a) Staff housing fund

In accordance with the PRC housing reform regulations, the Group is required to contribute to the State-sponsored housing fund at rates ranging from 1% to 15% (2005: 1% to 15%) of the specified salary amount of its PRC employees. At the same time, the employees are required to contribute an amount equal to the Group's contribution. The employees are entitled to claim the entire sum of the fund contributed under certain specified withdrawal circumstances. For the year ended 31 December 2006, the Group's contributions to the housing funds amounted to RMB228 million (2005: RMB195 million) which has been charged to the income statement. The staff housing fund payable as at 31 December 2006 amounted to RMB123 million (2005: RMB137 million) (Note 26). The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

33. 職工住房補貼

(a) 員工住房基金

根據修訂後的中國住房政策，本集團需按國內員工薪金的1%至15%（二零零五年：1%至15%）供款至國家安排的住房基金中。同時，員工亦須從其薪金中，與本公司作出等值的供款。在若干特定情形員工有權提取全額供款。於二零零六年十二月三十一日止年度內，本集團計入損益表的職工住房基金的供款計人民幣228百萬元（二零零五年：人民幣195百萬元）。截至二零零六年十二月三十一日，本集團職工住房基金準備餘額為人民幣123百萬元（二零零五年：人民幣137百萬元）（註釋26）。若基金的資產不足以支付僱員提供服務的當期及前期利益時，本集團並無法律性或推定性的責任去填補不足。

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33. STAFF HOUSING BENEFITS (Cont'd)

(b) Staff housing allowances

The Company also provides staff housing allowances to eligible employees who joined the Group prior to 1998 according to the Group's staff housing allowance policy introduced in October 2003 (the "Staff Housing Allowance Policy").

Under the Staff Housing Allowance Policy, employees who have not been allocated with any housing quarters or who have not been allocated with a quarter above the minimum area as set out in the Staff Housing Allowance Policy, are entitled to a cash allowance based on the area of quarter to which they are entitled and the unit price as set out in the Staff Housing Allowance Policy. The total entitlement is principally vested over a period of 20 years. Upon an employee's resignation, his or her entitlement will cease and any unpaid entitlement related to past service up to the date of resignation will be paid. Upon the establishment of the Staff Housing Allowance Policy, employees are entitled to a portion of the total entitlement already accrued based on his or her past service period. Such entitlement is paid over a period of 4 to 5 years. As at 31 December 2006, the present obligation of the provision for employee's staff housing entitlement is RMB439 million (2005: RMB457 million).

For the year ended 31 December 2006, the staff housing benefit provided under the Staff Housing Allowance Policy amounted to RMB31 million (2005: RMB36 million) which has been charged to the income statement.

33. 職工住房補貼(續)

(b) 員工住房補貼

根據二零零三年十月頒佈的職工住房補貼政策(「職工住房補貼政策」)，本公司為一九九八年前加入公司並符合條件的職工提供住房補貼。

在該政策下，符合條件但未獲分配住房或已獲分配住房但未達標準的員工可以獲得現金補貼。員工的補貼總額以該政策中員工可享受住房面積及住房單價所計算。受益期原則上為二十年，當員工離職時，其補貼將停止計算，任何以往年度有關的未支付補貼將在其離職時支付。在該員工住房政策公佈時，員工按照其工齡已享有部份的全額補貼，並按四至五年發放。二零零六年計入綜合資產負債表的目前需承擔的員工住房補貼為人民幣439百萬元(二零零五年：人民幣457百萬元)。

截至二零零六年十二月三十一日止年度，在員工住房新政策下計提的員工住房補貼為人民幣31百萬元(二零零五年：36百萬元)並於綜合損益表中列支。

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34. DERIVATIVE FINANCIAL INSTRUMENTS

34. 金融衍生工具

		Group and Company 集團及公司			
		Assets 資產		Liabilities 負債	
		2006	2005	2006	2005
		二零零六年	二零零五年	二零零六年	二零零五年
		RMB'000	RMB'000	RMB'000	RMB'000
		人民幣千元	人民幣千元	人民幣千元	人民幣千元
At 31 December	十二月三十一日結餘				
Interest rate swaps (Note (a))	利率互換 (註釋(a))	118,689	71,260	36,392	19,821
Forward foreign exchange contracts (Note (b))	外匯套期合約 (註釋(b))	8,290	2,469	4,962	17,808
Fuel option contracts (Note (c))	燃油期權合約 (註釋(c))	59,822	50,193	97,464	22,985
Total	合計	186,801	123,922	138,818	60,614
Less: non-current portion	減：長期部份				
Interest rate swaps	利率互換	(73,269)	(70,292)	(14,096)	(2,731)
Forward foreign exchange contracts	外匯套期合約	-	(594)	-	(10,380)
Fuel option contracts	燃油期權合約	-	-	-	(12,659)
		(73,269)	(70,886)	(14,096)	(25,770)
Current portion	流動部份	113,532	53,036	124,722	34,844

Notes:

(a) Interest rate swaps

The Group uses interest rate swaps to reduce the risk of changes in market interest rates (Note 3(a)(iii)). The interest rate swaps entered into by the Group are generally for swapping variable rates, usually referenced to LIBOR, into fixed rates. The Group's interest rate swaps qualify for hedge accounting and are accounted for as cashflow hedges. As at 31 December 2006, the notional amount of the outstanding interest rate swap agreements was approximately US\$631 million (2005: US\$661 million). These agreements will expire between 2007 and 2016. For the year ended 31 December 2006, a net gain of RMB4 million (2005: RMB79 million) arising from changes in the fair value of the interest rate swaps subsequent to initial recognition has been recognised directly in the hedging reserve (Note 36).

註譯：

(a) 利率互換

本集團透過利率互換減低市場利率波動的風險(註釋3(a)(iii))。本集團簽訂的利率互換是將與LIBOR相關的浮動利率轉換為某固定利率。該等利率互換協議適用於套期會計原則，並以現金流量套期處理。於二零零六年十二月三十一日，仍持有尚未交易的利率協定的名義金額約為631百萬美元(二零零五年：661百萬美元)，並將於二零零七年至二零一六年間期滿。於截至二零零六年十二月三十一日止年度，共有人民幣4百萬元的套期淨收益於套期儲備內確認(二零零五年：人民幣79萬元)(註釋36)。

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34. DERIVATIVE FINANCIAL INSTRUMENTS (Cont'd)

Notes:

(b) Forward foreign exchange contracts

The Group uses currency forward contracts to reduce risk of changes in currency exchange rates in respect of ticket sales and expenses denominated in foreign currencies (Note 3(a)(vi)). These contracts are generally for selling Japanese Yen and purchasing U.S. dollars at fixed exchange rates. As at 31 December 2006, the notional amount of the outstanding currency forward contracts was approximately US\$33 million (2005: US\$92 million), which will expire between 2006 and 2010. For the year ended 31 December 2006, a net gain of RMB6 million (2005: a net loss of RMB82 million) arising from changes in the fair value of these foreign currency forwards has been recognised directly in the hedging reserve (Note 36).

(c) Fuel option contracts

The Group uses fuel option contracts to reduce the risk of changes in market oil/petroleum prices in connection with aircraft fuel costs. As at 31 December 2006, the Group had outstanding fuel option contracts to buy approximately 10,690,000 barrels of crude oil at prices which ranged from US\$54.75 to US\$95 per barrel and to sell approximately 23,310,000 barrels of crude oil at prices which ranged from US\$40 to US\$115 per barrel, all of which will expire between 2007 and 2009. Management did not designate these fuel option contracts for hedge accounting and changes in fair values have been recognised directly in the income statement.

34. 金融衍生工具(續)

註譯：

(b) 外匯套期合約

本集團以外匯套期合約來降低因外幣計算機票銷售及費用而導致的匯率風險(註釋3(a)(vi))。外匯套期主要為以固定匯率銷售日元並買入美元。二零零六年十二月三十一日，仍持有尚未交易的外匯套期合約的名義金額約為33百萬美元(二零零五年：92百萬美元)，並將於二零零六年至二零一零年間期滿。於二零零六年十二月三十一日止年度，公允值的改變共有人民幣6百萬元的套期淨收益於套期儲備內確認(二零零五年：人民幣82百萬元淨損失)(註釋36)。

(c) 燃油期權合約

本集團通過燃油期權合約來降低市場燃油價格波動對於飛機燃油成本所帶來的風險。截至二零零六年十二月三十一日，根據本集團尚未交易的期權合約，本集團需以每桶54.75美元至95美元的價格購買燃油約10,690,000桶，並以每桶40美元至115美元的價格出售燃油約23,310,000桶。此等合約將於二零零七年與二零零九年間期滿。本集團的燃油期權合約不適用於套期會計原則，其公允值的變動直接在綜合損益表中予以確認。

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35. SHARE CAPITAL

35. 股本

		2006	2005
		二零零六年	二零零五年
		RMB'000	RMB'000
		人民幣千元	人民幣千元
Registered, issued and fully paid of RMB1.00 each	註冊、已發行及全數繳付每股人民幣1.00元		
Unlisted shares held by CEA Holding and employees	中國東航集團及其員工持有的非流通股	3,000,000	3,000,000
A shares listed on The Shanghai Stock Exchange	在上海證券交易所上市的A股	300,000	300,000
H shares listed on The Stock Exchange of Hong Kong Limited	在香港證券交易所上市的H股	1,566,950	1,566,950
		4,866,950	4,866,950

Pursuant to articles 49 and 50 of the Company's Articles of Association, each of the unlisted shares, the listed A shares and the listed H shares are all registered ordinary shares and carry equal rights.

根據本公司的公司章程第四十九及五十條，每股非流通股、A股以及H股皆為註冊普通股並享有同等權利。

On 18 December 2006, the Company convened the Relevant Shareholder's Meeting of A Share Shareholders in which the Company's share reform plan was approved. Details please refer to Post Balance Sheet Event (Note 44).

本公司於二零零六年十二月十八日召開的股權分置改革A股市場相關股東會議審議通過了本公司股權分置改革的方案，詳見結算日後事項(註釋44)。

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36. RESERVES

36. 儲備

		Group 集團						
		Share premium 股本溢價	Statutory and discretionary reserves 法定及 任意公積金 (Note (a)) (註釋(a))	Revaluation reserve 重估儲備	Capital reserve 資本儲備 (Note (b)) (註釋(b))	Hedging reserve 套期儲備 (Note 34) (註釋34)	Retained profits/ (accumulated losses) 保留溢利/ (累計虧損)	Total 合計
		RMB'000 人民幣千元	RMB'000 人民幣千元	RMB'000 人民幣千元	RMB'000 人民幣千元	RMB'000 人民幣千元	RMB'000 人民幣千元	RMB'000 人民幣千元
At 1 January 2005	二零零五年一月一日結餘	1,006,455	381,171	490,688	(720,057)	(91,861)	590,778	1,657,174
Unrealised gains on cashflow hedges (Note 34)	現金套期的未實現 收益(註釋34)							
- gross	一總額	-	-	-	-	181,449	-	181,449
- tax	一稅項	-	-	-	-	(27,217)	-	(27,217)
Realised gains on cashflow hedges (Note 34)	現金套期的已實現 收益(註釋34)							
- gross	一總額	-	-	-	-	(20,759)	-	(20,759)
- tax	一稅項	-	-	-	-	3,114	-	3,114
Dividend relating to 2004	二零零四年度股息	-	-	-	-	-	(97,339)	(97,339)
Loss attributable to equity holders of the Company	本公司權益持有人 應佔虧損	-	-	-	-	-	(467,307)	(467,307)
Transfer from retained profits to reserves (Note (a))	從保留溢利撥至 儲備(註釋(a))	-	26,671	-	-	-	(26,671)	-
At 31 December 2005	二零零五年十二月 三十一日結餘	1,006,455	407,842	490,688	(720,057)	44,726	(539)	1,229,115
At 1 January 2006	二零零六年一月一日結餘	1,006,455	407,842	490,688	(720,057)	44,726	(539)	1,229,115
Unrealised gains on cashflow hedges (Note 34)	現金套期的未實現 收益(註釋34)							
- gross	一總額	-	-	-	-	12,774	-	12,774
- tax	一稅項	-	-	-	-	(1,916)	-	(1,916)
Realised gains on cashflow hedges (Note 34)	現金套期的已實現 收益(註釋34)							
- gross	一總額	-	-	-	-	(2,843)	-	(2,843)
- tax	一稅項	-	-	-	-	426	-	426
Revaluation reserve, net of tax, arising from acquisition of a controlling interest in an associate	由於收購聯營公司 控制權益所引起 的重估儲備， 扣除稅項	-	-	23,816	-	-	-	23,816
Loss attributable to equity holders of the Company	本公司權益持有人 應佔虧損	-	-	-	-	-	(3,313,425)	(3,313,425)
Transfer from retained profits to reserves (Note (a))	從保留溢利撥至 儲備(註釋(a))	-	20,966	-	-	-	(20,966)	-
At 31 December 2006	二零零六年十二月 三十一日結餘	1,006,455	428,808	514,504	(720,057)	53,167	(3,334,930)	(2,052,053)

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36. RESERVES (Cont'd)

36. 儲備(續)

		Company 公司						Total 合計
		Share premium 股本溢價	Statutory and discretionary reserves 法定及 任意公積金 (Note (a)) (註釋(a))	Revaluation Reserve 重估儲備 (Note (a)) (註釋(a))	Capital reserve 資本儲備 (Note (b)) (註釋(b))	Hedging reserve 套期儲備 (Note 34) (註釋34)	Retained profits/ (accumulated losses) 保留溢利/ (累計虧損)	
		RMB'000 人民幣千元	RMB'000 人民幣千元	RMB'000 人民幣千元	RMB'000 人民幣千元	RMB'000 人民幣千元	RMB'000 人民幣千元	RMB'000 人民幣千元
At 1 January 2005	二零零五年一月一日 結餘，經重列	1,006,455	182,336	435,077	(720,057)	(91,861)	232,917	1,044,867
Unrealised gains on cashflow hedges (Note 34)	現金套期的未實現 收益(註釋34)							
- gross	—總額	-	-	-	-	181,449	-	181,449
- tax	—稅項	-	-	-	-	(27,217)	-	(27,217)
Realised gains on cashflow hedges (Note 34)	現金套期的已實現 收益(註釋34)							
- gross	—總額	-	-	-	-	(20,759)	-	(20,759)
- tax	—稅項	-	-	-	-	3,114	-	3,114
Dividend relating to 2004	二零零四年度股息	-	-	-	-	-	(97,339)	(97,339)
Loss for the year	年度內虧損	-	-	-	-	-	(406,362)	(406,362)
At 31 December 2005	二零零五年十二月 三十一日結餘	1,006,455	182,336	435,077	(720,057)	44,726	(270,784)	677,753
At 1 January 2006	二零零六年一月一日 結餘，經重列	1,006,455	182,336	435,077	(720,057)	44,726	(270,784)	677,753
Unrealised gains on cashflow hedges (Note 34)	現金套期的未實現 收益(註釋34)							
- gross	—總額	-	-	-	-	12,774	-	12,774
- tax	—稅項	-	-	-	-	(1,916)	-	(1,916)
Realised gains on cashflow hedges (Note 34)	現金套期的已實現 收益(註釋34)							
- gross	—總額	-	-	-	-	(2,843)	-	(2,843)
- tax	—稅項	-	-	-	-	426	-	426
Loss for the year	年度內虧損	-	-	-	-	-	(2,663,713)	(2,663,713)
At 31 December 2006	二零零六年十二月 三十一日結餘	1,006,455	182,336	435,077	(720,057)	53,167	(2,934,497)	(1,977,519)

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36. RESERVES (Cont'd)

Notes:

(a) Statutory and Discretionary Reserves

		Group 集團		Company 公司	
		2006 二零零六年	2005 二零零五年	2006 二零零六年	2005 二零零五年
		RMB'000 人民幣千元	RMB'000 人民幣千元	RMB'000 人民幣千元	RMB'000 人民幣千元
Statutory common reserve fund	法定公積金	400,819	196,746	154,428	77,214
Statutory common welfare fund	法定公益金	-	183,107	-	77,214
Discretionary common reserve fund	任意公積金	27,989	27,989	27,908	27,908
		428,808	407,842	182,336	182,336

Pursuant to the PRC regulations and the Group companies' Articles of Association, each of the Group companies is required to transfer 10% of its profit for the year, as determined under the PRC Accounting Regulations, to a statutory common reserve fund until the fund balance exceeds 50% of the Group company's registered capital. The statutory common reserve fund can be used to make good previous years' losses, if any, and to issue new shares to shareholders in proportion to their existing shareholdings or to increase the par value of the shares currently held by them, provided that the balance after such issue is not less than 25% of the registered capital.

Pursuant to the PRC regulations and the Group companies' Articles of Association, each of the companies was required to transfer 5% to 10% of its profit for the year, as determined under the PRC Accounting Regulations, to the statutory common welfare fund. This fund can only be used to provide staff welfare facilities and other collective benefits to the Group companies' employees. This fund is non-distributable other than on liquidation. From 1 January 2006 onward, the Group companies are prohibited from providing further appropriations out of their profit for the year to the statutory common welfare fund pursuant to the revised Company Law. The balance of the statutory common welfare fund as at 1 January 2006 was converted into the statutory common reserve fund.

36. 儲備(續)

註釋：

(a) 法定及任意公積金

根據中國有關規定及本公司的公司章程，本公司須將按中國會計準則所計算的年度內利潤的10%撥入法定公積金，直至該公積金結餘相等於註冊資本的50%。法定公積金可用於彌補以前年度虧損，亦可按現有持股比例發行新股予股東或增加股東現時所持股份的面值，但轉撥後的結餘不可少於註冊股本的25%。

根據中國的有關規定及本公司的公司章程，本公司須將按中國會計準則所計算的年度內利潤的5%至10%撥入法定公益金。這項公益金只可用於本公司職工的集體福利設施或其他有關本公司職工的集體福利。這項公益金除清算外不得分派。根據經修訂的公司法，由二零零六年一月一日起，集團公司不得再從年度溢利撥款至法定公益金。於二零零六年一月一日法定公益金的結餘已轉至法定公積金。

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36. RESERVES (Cont'd)

Notes: (Cont'd)

(a) Statutory and Discretionary Reserves (Cont'd)

Each of the Group companies is permitted to transfer 5% of its profit for the year as determined under the PRC Accounting Regulations, to a discretionary common reserve fund. The transfer to this reserve is subject to approval at shareholders' meetings.

For the year ended 31 December 2006, under the PRC Accounting Regulations, the Company recorded a loss for the year. Accordingly, no profit appropriation by the Company to the discretionary common reserve fund has been made for the year ended 31 December 2006 (2005: nil). The transfer from retained profits to reserves for the year represents the profit appropriation to reserves of certain subsidiaries of the Company.

(b) Capital reserve

Capital reserve represents the difference between the fair value of the net assets injected and the nominal amount of the Company's share capital issued in respect of a group restructuring in June 1996.

36. 儲備(續)

註釋：(續)

(a) 法定及任意公積金(續)

本公司可按中國會計準則所計算的年度內利潤的5%撥入任意公積金。該項轉撥須經股東大會決議通過。

本公司於截至二零零六年十二月三十一日止年度按中國會計準則錄得年度內虧損。故此本公司於截至二零零六年十二月三十一日止年度無須進行溢利轉撥(二零零五年：無)。本年度從保留溢利撥至儲備為本公司附屬公司的利潤分配。

(b) 資本儲備

本集團於一九九六年六月重組時的發行資本賬面值及淨資產公允值的差異為資本儲備。

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37. NON-CURRENT ASSETS HELD FOR SALE

On 27 December 2006, the Board of Directors passed a resolution to dispose certain aged aircraft and related flight equipment in the forthcoming 12-months in consideration of the poor market reception and the high maintenance cost of these aircraft. Subsequent to the pass of the resolution, the Company has taken active programme to locate potential buyers no agreement has been reached as of the date of this report. These aircraft together with the related flight equipment and spare parts with an aggregate carrying amount of RMB882 million has been classified as non-current asset held for sale as at 31 December 2006. Prior to the reclassification, a valuation deficit of RMB1,035 million for these assets was recognised in the income statement as a result of the asset revaluation (Note 15). The liabilities directly associated with these assets held for sale amounted to RMB443 million as at 31 December 2006, comprising finance lease obligation of RMB97 million with interest rates of 6.24% and final maturities through to 2007 and bank loans of RMB346 million with interest rates ranging from 5.79% to 6.32% and final maturities through to 2008. The bank loans are secured by the related aircraft at net carrying amount of RMB586 million.

37. 待售非流動資產

於二零零六年十二月二十七日，本公司董事會有見市場對某些機齡較長飛機的接受性不佳及維修成本較高而通過在未來12個月處置相關飛機及相關的飛機航材的決議。在通過該決議後，本公司積極在市場上尋求可能的買家。但在本報告日，尚未就有關處置達成任何協議。該些飛機及有關航材及備用件的賬面值為人民幣882百萬元已經於二零零六年十二月三十一日歸類為待售非流動資產。在重歸類前，相關資產因評估而產生的評估減值損失人民幣1,035百萬元已經在損益表反映(註釋15)。於二零零六年十二月三十一日，與待售非流動資產直接相關的負債為人民幣443百萬元，其中包括融資租賃負債人民幣97百萬元(其利率為6.24%，最後到期日為二零零七年)及貸款人民幣346百萬元(其利率為5.79%至6.32%，最後到期日為二零零八年)。此等銀行貸款是由相關飛機作抵押，飛機賬面價值是人民幣586百萬元。

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38. NOTE TO CONSOLIDATED CASH FLOW STATEMENT

(a) Cash generated from operations

38. 營運產生的現金附註

(a) 經營活動產生的現金流量

		2006 二零零六年 RMB'000 人民幣千元	2005 二零零五年 RMB'000 人民幣千元
Loss before income tax	年度(虧損)	(3,615,697)	(577,432)
Adjustments for:	調詳項目：		
Depreciation of property, plant and equipment	物業、機器及設備折舊	4,566,309	3,911,722
Gains on disposals of property, plant and equipment	其他物業、機器及設備的出售溢利	(36,207)	(8,073)
Share of results of associates	攤佔聯營公司業績	(103,566)	9,030
Share of results of jointly controlled entities	攤佔共同控制實體業績	(29,595)	4,300
Amortisation of lease prepayments	預付租賃款攤銷	30,869	25,219
Net foreign exchange gains	匯兌淨溢利	(888,402)	(414,640)
Amortisation of deferred revenue	遞延收益攤銷	(13,068)	-
Fair value gains on financial assets at fair value through profit or loss	財務資產的公允值收益	(17,784)	(30,877)
Consumption of flight equipment spare parts	飛機設備零件之消耗	326,248	239,134
(Reversal of allowance)/ allowance for obsolescence of flight equipment spare parts	飛機設備零件減值準備的(轉回)/計提	31,734	(13,930)
Provision for impairment of trade and other receivables	應收賬款減值準備	98,156	25,325
Provision for post-retirement benefits	退休後福利準備	146,968	102,459
Provision for staff housing allowance	僱員住房補貼準備	30,656	36,231
Provision for aircraft overhaul expenses	飛機大修費用準備	150,390	64,700
Revaluation deficit	評估減值	1,035,343	-
Interest income	利息收入	(120,161)	(128,700)
Interest expenses	利息費用	1,821,870	1,100,357
Operating profit before working capital changes	營運資本變動的年度溢利	3,414,063	4,344,825

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38. NOTE TO CONSOLIDATED CASH FLOW STATEMENT (Cont'd)

(a) Cash generated from operations (Cont'd)

38. 營運產生的現金附註(續)

(a) 經營活動產生的現金流量(續)

		2006 二零零六年 RMB'000 人民幣千元	2005 二零零五年 RMB'000 人民幣千元
Changes in working capital	營運資金變動		
Flight equipment spare parts	飛機設備零件	(583,027)	(294,969)
Trade receivables	應收賬款	14,273	(112,027)
Amount due from related companies	應收有關聯公司款項	(147,007)	(83,459)
Prepayments, deposits and other receivables	預付款、存款及其他應收款	(538,347)	(306,283)
Sales in advance of carriage	預售機位	68,510	101,490
Trade payables and notes payables	應付賬款及應付票據	(182,383)	821,222
Amounts due to related companies	應付有關聯公司款項	125,327	156,062
Other payables and accrued expenses	其他應付款及預提費用	1,515,138	(1,030,806)
Other long-term liabilities	其他長期負債	23,627	(67,764)
Provision for aircraft overhaul expenses	飛機大修費用準備	(67,762)	(110,832)
Post-retirement benefit obligations	退休後福利	(61,986)	(29,370)
Staff housing allowances	職工住房補貼	(35,361)	(18,306)
Operating lease deposits	經營性租賃訂金	(86,555)	-
		44,447	(975,042)
Cash generated from operations	營運產生的現金	3,458,510	3,369,783

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38. NOTE TO CONSOLIDATED CASH FLOW STATEMENT (Cont'd)

(b) Non-cash transactions

38. 營運產生的現金附註(續)

(b) 非現金交易

		2006 二零零六年 RMB'000 人民幣千元	2005 二零零五年 RMB'000 人民幣千元
Investing activities not affecting cash:	投資活動的非現金交易：		
Sale and leaseback of aircraft	飛機售後回租	7,940,164	-
Financing activities not affecting cash:	融資活動的非現金交易：		
Finance lease obligations incurred for acquisition of aircraft	購買飛機產生的融資租賃負債	2,350,978	991,640

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39. COMMITMENTS

(a) Capital commitments

The Group and the Company had the following capital commitments:

39. 承諾

(a) 資本支出承諾

本集團及本公司有以下的資本支出承諾：

	Group		Company	
	2006	2005	2006	2005
	二零零六年	二零零五年	二零零六年	二零零五年
	RMB'000	RMB'000	RMB'000	RMB'000
	人民幣千元	人民幣千元	人民幣千元	人民幣千元
Authorised and contracted for:				
- Aircraft, engines and flight equipment	61,763,771	47,259,446	60,222,477	44,408,107
- Other property, plant and equipment	567,582	96,827	561,220	70,170
- Acquisition of a subsidiary	-	390,000	-	390,000
	62,331,353	47,746,273	60,783,697	44,868,277
Authorised but not contracted for:				
- Aircraft, engines and flight equipment	723,000	723,000	-	-
- Other property, plant and equipment	7,772,639	13,424,055	7,268,631	13,281,864
	8,495,639	14,147,055	7,268,631	13,281,864
	70,826,992	61,893,328	68,052,328	58,150,141

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39. COMMITMENTS (Cont'd)

(a) Capital commitments (Cont'd)

Contracted expenditures for the above aircraft and flight equipment, including deposits prior to delivery, subject to future inflation increases built into the contracts and any discounts available upon delivery of the aircraft, if any, were expected to be paid as follows:

		Group 集團		Company 公司	
		2006 二零零六年	2005 二零零五年	2006 二零零六年	2005 二零零五年
		RMB'000 人民幣千元	RMB'000 人民幣千元	RMB'000 人民幣千元	RMB'000 人民幣千元
Within one year	一年內	14,894,068	9,006,906	13,352,744	7,301,334
In the second year	第二年	18,844,893	12,703,578	18,844,893	11,557,811
In the third year	第三年	15,591,463	13,523,589	15,591,463	13,523,589
In the fourth year	第四年	12,433,347	6,256,592	12,433,347	6,256,592
In the fifth year	第五年	-	5,768,781	-	5,768,781
		61,763,771	47,259,446	60,222,447	44,408,107

39. 承諾(續)

(a) 資本支出承諾(續)

以上飛機及飛行設備包括付運前按金的承諾預期支出，但金額可能因合約中所訂的通脹調整或於付運飛機時所得的折扣而變動。有關金額列示如下：

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39. COMMITMENTS (Cont'd)

(b) Operating lease commitments

The Group and the Company had commitments under operating leases to pay future minimum lease rentals as follows:

39. 承諾(續)

(b) 經營性租賃承諾

本集團及本公司承諾支付的最低租金如下：

		Group		Company	
		集團	公司	集團	公司
		2006	2005	2006	2005
		二零零六年	二零零五年	二零零六年	二零零五年
		RMB'000	RMB'000	RMB'000	RMB'000
		人民幣千元	人民幣千元	人民幣千元	人民幣千元
Aircraft, engines and flight equipment	飛機、發動機及飛行設備				
Within one year	一年內	2,984,137	1,633,301	2,609,673	1,444,458
In the second year	第二年	2,961,023	1,550,209	2,596,944	1,361,362
In the third to fifth year inclusive	第三年至第五年 (包括首尾兩年)	6,524,538	4,075,691	6,050,572	3,632,279
After the fifth year	五年以後	12,737,377	2,015,670	12,661,592	2,015,670
		25,207,075	9,274,871	23,918,781	8,453,769
Land and buildings	土地及樓宇				
Within one year	一年內	153,487	68,739	133,775	67,799
In the second year	第二年	42,362	60,330	40,366	59,190
In the third to fifth year inclusive	第三年至第五年 (包括首尾兩年)	71,587	44,951	69,590	44,463
After the fifth year	五年以後	54,535	2,846	54,535	2,846
		321,971	176,866	298,266	174,298
		25,529,046	9,451,737	24,217,047	8,628,067

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40. BUSINESS ACQUISITIONS

(a) Acquisition of CEA Wuhan

CEA Wuhan was an associate of the Company in which the Company had 40% equity interests.

On 8 December 2005, the Company entered into agreements with each of Wuhan Municipality State-owned Assets Supervision and Administration Commission ("Wuhan SASAC") and Shanghai Junyao Aviation Investment Company Limited ("Shanghai Junyao") to acquire (i) equity interests of 38% in CEA Wuhan from Wuhan SASAC for a consideration of RMB278 million, and (ii) equity interests of 18% in CEA Wuhan from Shanghai Junyao for a consideration of RMB140 million, totaling RMB418 million, respectively. The acquisition was completed in January 2006. Proforma financial information to reflect the acquisition as if it had occurred on 1 January 2006 is not presented as the impact would not have been material to the consolidated financial statements.

Details of net assets acquired and related goodwill are as follows:

		2006 二零零六年 RMB'000 人民幣千元
Purchase consideration:	收購價格：	
– Cash	– 現金	418,000
– Direct costs relating to the acquisition	– 與收購有關的直接費用	–
Total purchase consideration	收購價格總額	418,000
Fair value of net assets acquired	所收購資產淨值的	
– shown as below	公允值 – 如下表列示	(160,229)
Goodwill (Note 14)	商譽 (註釋 14)	257,771

The goodwill is attributable to an increase in the Company's competitiveness as a result of its increased size and the extension of its business scope geographically to the central regions of the PRC.

40. 業務收購

(a) 收購東航武漢

東航武漢是本公司的聯營公司，本公司持有其40%股權。

於二零零五年十二月八日，本公司與武漢國有資產監督管理委員會（「武漢國資委」），以及上海均瑤飛行投資有限公司（「上海均瑤」）簽署協議，以(i) 人民幣278百萬元作價從武漢國資委收購東航武漢38%的股權，(ii) 人民幣140百萬元作價從上海均瑤收購東航武漢18%的股權，總計人民幣418百萬元。此次收購已於二零零六年一月完成。假設此次收購於二零零六年一月一日完成之備考財務資料並未披露，因其對綜合財務報表並無重大影響。

收購的淨資產及相關商譽的具體情況列示如下：

產生商譽主要因為通過此收購本公司的經營範圍將進一步擴展至中國中部地區，同時公司規模也將擴大，進而提高本公司的競爭力。

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40. BUSINESS ACQUISITIONS (Cont'd)

(a) Acquisition of CEA Wuhan (Cont'd)

The assets and liabilities arising from the acquisition are as follows:

		Fair value 公允值 RMB'000 人民幣千元	Acquiree's carrying amount 賬面值 RMB'000 人民幣千元
Property, plant and equipment	物業、機器及設備	677,465	588,599
Lease prepayments	預付租賃款	75,302	75,302
Other long-term and current assets	其他長期及流動資產	189,456	189,456
Trade receivables	應收賬款	256,808	104,808
Cash and cash equivalents	現金及現金等價物	19,266	19,266
Other long-term and current liabilities	其他長期及流動負債	(868,797)	(868,797)
Provision for aircraft overhaul expenses	飛機大修費用準備	(23,994)	(23,994)
Deferred tax liabilities	遞延稅項負債	(29,326)	-
Minority interests in CEA Wunan's subsidiaries	東航武漢附屬公司的 少數投資者應佔權益	(10,056)	(10,056)
Net assets	資產淨值	286,124	74,584
Share acquired	收購股權	56%	
Net assets acquired	收購資產淨值	160,229	
Purchase consideration	收購價格	418,000	
Goodwill	商譽	257,771	
Cash outflow on business acquisition:	與收購相關之現金流出：		
Purchase consideration settled in cash	現金支付的收購價格	418,000	
Less: Cash and cash equivalents acquired	減：所收購資產中現金 及現金等價物	(19,266)	
Purchase consideration paid in prior year	上年度支付的收購價格	(28,000)	
Cash outflow on business acquisition	與收購相關之現金流出	370,734	

40. 業務收購(續)

(a) 收購東航武漢(續)

所收購資產與負債列示如下：

		Fair value 公允值 RMB'000 人民幣千元	Acquiree's carrying amount 賬面值 RMB'000 人民幣千元
Property, plant and equipment	物業、機器及設備	677,465	588,599
Lease prepayments	預付租賃款	75,302	75,302
Other long-term and current assets	其他長期及流動資產	189,456	189,456
Trade receivables	應收賬款	256,808	104,808
Cash and cash equivalents	現金及現金等價物	19,266	19,266
Other long-term and current liabilities	其他長期及流動負債	(868,797)	(868,797)
Provision for aircraft overhaul expenses	飛機大修費用準備	(23,994)	(23,994)
Deferred tax liabilities	遞延稅項負債	(29,326)	-
Minority interests in CEA Wunan's subsidiaries	東航武漢附屬公司的 少數投資者應佔權益	(10,056)	(10,056)
Net assets	資產淨值	286,124	74,584
Share acquired	收購股權	56%	
Net assets acquired	收購資產淨值	160,229	
Purchase consideration	收購價格	418,000	
Goodwill	商譽	257,771	
Cash outflow on business acquisition:	與收購相關之現金流出：		
Purchase consideration settled in cash	現金支付的收購價格	418,000	
Less: Cash and cash equivalents acquired	減：所收購資產中現金 及現金等價物	(19,266)	
Purchase consideration paid in prior year	上年度支付的收購價格	(28,000)	
Cash outflow on business acquisition	與收購相關之現金流出	370,734	

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40. BUSINESS ACQUISITIONS (Cont'd)

(b) Acquisition of China Eastern Airlines Development (HK) Co., Ltd. ("CEA Development (HK)")

In March 2006, the Company acquired additional 40% equity interests in CEA Development (HK), a former associate of the Company in which the Company had 40% interests, for HK\$4 million. After the acquisition of the additional interests, the Company's shares in CEA Development (HK) has increased from 40% to 80%, CEA Development (HK) become a subsidiary of the Company.

The assets and liabilities arising from the acquisition are as follows:

		Fair value 公允值 RMB'000 人民幣千元	Acquiree's carrying amount 賬面值 RMB'000 人民幣千元
Property, plant and equipment	物業、機器及設備	45,292	45,292
Cash and cash equivalents	現金及現金等價物	8,341	8,341
Other long-term and current liabilities	其他長期及流動負債	(38,363)	(38,363)
Net assets	資產淨值	15,270	15,270
Share acquired	收購股權	40%	
Net assets acquired	收購資產淨值	6,108	
Purchase consideration	收購價格	(4,136)	
Negative goodwill	折價	1,972	
Cash inflow on business acquisition:	與收購相關之現金流出：		
Purchase consideration settled in cash	現金支付的收購價格	4,136	
Less: Cash and cash equivalents acquired	減：所收購資產中現金 及現金等價物	(8,341)	
Cash inflow on business acquisition	與收購相關之現金流入	(4,205)	

40. 業務收購(續)

(b) 收購東航發展(香港)有限公司(「東航發展(香港)」)

本公司於二零零六年三月以人民幣四百萬元收購東航發展(香港)40%的股權。東航發展(香港)在本公司收購之前是由本公司持有40%股權的一家聯營公司持有。在此次收購完成之後，東航發展(香港)的股權由40%增加至80%，東航發展成為本公司的附屬公司。

所收購資產與負債列示如下：

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41. RELATED PARTY TRANSACTIONS

The Group is controlled by CEA Holding, which owns approximately 61.64% of the Company's shares as at 31 December 2006. The aviation industry in the PRC is administrated by the CAAC. CEA Holding and the Group is ultimately controlled by the PRC government, which also controls a significant portion of the productive assets and entities in the PRC (collectively referred as the "SOEs").

(a) Related party transactions

The Group sells air tickets through sales agents and is therefore likely to have extensive transactions with other state-controlled enterprises, and the employees and their close family members of SOEs while such employees are on corporate business. These transactions are carried out on normal commercial terms that are consistently applied to all of the Group's customers. Due to the large volume and the pervasiveness of these transactions, management is unable to determine the aggregate amount of the transactions for disclosure. Therefore, retail transactions with these related parties are not disclosed herein. The Directors of the Company believe that meaningful related party disclosures on these retail transactions have been adequately made.

41. 有關連人士交易

本集團由東航集團控制。截至二零零六年十二月三十一日止，中國東航集團擁有本公司61.64%之股權。中國民用航空總局是國內航空運輸業的管理單位。中國東航集團及本集團均由中國政府控制，同時，中國政府也控制相當數量的中國企業（統稱為「國有企業」）。

(a) 有關連人士交易

本集團通過銷售代理出售機票，因此國有企業的僱員，關鍵管理人員及與他們關係密切的家庭成員在企業業務過程中與本公司發生廣泛的交易。此類交易是根據普通商業條款進行，即該條款與所有客戶適用的條款相一致。鑒於此類交易的廣泛性及普遍性，管理層無法確認並披露此類交易的總金額。因此，此類關連零售交易並沒有披露。本集團管理層相信關連交易有關的具意義資料已經充分披露。

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41. RELATED PARTY TRANSACTIONS (Cont'd)

(a) Related party transactions (Cont'd)

The other related party transactions are:

Nature of transaction 交易性質	Related party 有關連人士	Income/ (expenses or payments) 收入/(費用及支付金額)	
		2006 二零零六年 RMB'000 人民幣千元	2005 二零零五年 RMB'000 人民幣千元
With CEA Holding or companies directly or indirectly held by CEA Holding: 與東航集團或由東航集團直接或間接控制的公司：			
Interest income on deposits at an average rate of 0.72% per annum (2005: 0.72% per annum) 存款利息收入，年平均利率0.72厘 (二零零五年：年平均利率0.72厘)	EAGF** 東航財務**	8,036	5,341
Interest expense on loans at rate of 5.01% per annum (2005: 4.50% per annum) 貸款利息支出，年利率5.01厘 (二零零五年：年利率4.50厘)	EAGF** 東航財務**	(23,393)	(14,855)
Commission expense on air tickets sold on behalf of the Group, at rates ranging from 3% to 9% of the value of tickets sold 應付其他航空公司代售本集團機票佣金，佣金乃根據機票價值的3%至9%之間的固定比率計算	SDATC** 東美旅遊 Shanghai Tourism (HK) Co., Ltd 上海旅遊(香港)有限公司	(6,085) (1,491)	(7,402) (21,815)
Handling charges of 0.1% to 2% for purchase of aircraft, flight equipment, flight equipment spare parts, other property, plant and equipment 購買飛機、飛行設備、飛行設備零件及其他物業、機器及設備所支付的0.1%至2%手續費	EAIEC** 東方航空進出口有限公司**	(40,971)	(40,590)
Repairs and maintenance expense for aircraft and engines 應付飛機及發動機的維修及保養費用	Wheels & Brakes 上海東聯航空機輪剎車 大修工程有限公司 STA 科技宇航	(60,066) (126,114)	(63,972) (104,853)

41. 有關連人士交易(續)

(a) 有關連人士交易(續)

其他有關連人士交易：

Income/ (expenses or payments) 收入/(費用及支付金額)	
2006 二零零六年 RMB'000 人民幣千元	2005 二零零五年 RMB'000 人民幣千元
8,036	5,341
(23,393)	(14,855)
(6,085) (1,491)	(7,402) (21,815)
(40,971)	(40,590)
(60,066) (126,114)	(63,972) (104,853)

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41. RELATED PARTY TRANSACTIONS (Cont'd)

(a) Related party transactions (Cont'd)

41. 有關連人士交易(續)

(a) 有關連人士交易(續)

Nature of transaction 交易性質	Related party 有關連人士	Income/ (expenses or payments) 收入/(費用及支付金額)	
		2006 二零零六年 RMB'000 人民幣千元	2005 二零零五年 RMB'000 人民幣千元
Supply of food and beverages 餐食及機艙供應品的費用	Shanghai Eastern Air Catering Co., Ltd 上海東方航空食品 有限公司	(213,360)	(184,306)
	Qingdao Eastern Air Catering Investment Co., Ltd. 青島東方航空食品 有限公司	(16,082)	(15,055)
	Xian Eastern Air Catering Investment Co.,Ltd. 西安東方航空食品 有限公司	(22,821)	(15,079)
	Yunnan Eastern Air Catering Investment Co.,Ltd. 雲南東方航空食品 有限公司	(31,977)	(17,451)
Advertising expense 廣告費用	CAASC 上海東方航空傳媒 有限公司	(11,583)	(8,612)
Purchase of aviation equipment 採購飛機設備	Shanghai Eastern Aviation Equipment Manufacturing Corporation 上海東方航空設備 製造公司	(11,303)	(8,987)

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41. RELATED PARTY TRANSACTIONS (Cont'd)

(a) Related party transactions (Cont'd)

* The Group acquired the aviation business of CEA Northwest and CEA Yunnan and an additional equity interest of 56% in CEA Wuhan with effect from June 2005 and January 2006 respectively. Transactions with CEA Northwest and CEA Yunnan up to 30 June 2005 and with CEA Wuhan up to 31 December 2005 are regarded as related party transactions.

** EAGF is also a 25% owned associate of the Group; SDATC and EAIEC are both a 45% owned associates of the Group.

41. 有關連人士交易(續)

(a) 有關連人士交易(續)

* 本集團購入東航西北公司和東航雲南公司的航空業務，以及東航武漢56%額外股本權益，分別於二零零五年六月及二零零六年一月生效。於二零零五年六月三十日之前與東航西北公司和東航雲南公司的交易，以及於二零零五年十二月三十一日之前與東航武漢的交易，均被視為有關連人士交易。

** 東航財務乃本集團擁有25%股權之聯營公司；東美旅游及東航進出口有限公司均為本集團擁有45%股權之聯營公司。

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41. RELATED PARTY TRANSACTIONS (Cont'd)

(a) Related party transactions (Cont'd)

41. 有關連人士交易(續)

(a) 有關連人士交易(續)

Nature of transaction 交易性質	Related party 有關連人士	Income/ (expenses or payments) 收入/(費用及支付金額)	
		2006 二零零六年 RMB'000 人民幣千元	2005 二零零五年 RMB'000 人民幣千元
With CAAC and its affiliates: 與中國民用航空總局 「民航總局」及其附屬機構：			
Civil aviation infrastructure levies paid to 代民航總局收取民航基礎建設基金	CAAC 中國民航總局	696,428	466,191
Aircraft insurance premiums paid through CAAC which entered into the insurance policy on behalf of the Group 通過民航總局支付飛機保險	CAAC 中國民航總局	168,972	201,653
With other SOE: 與其他國有企業：			
Take-off and landing fee charges 飛機起降費	State-controlled airports 國有機場	3,876,737	2,461,858
Purchase of aircraft fuel 購買航油	State-controlled fuel suppliers 國有航油供應商	10,242,349	4,571,155
Ticket reservation service charges for utilisation of computer reservation system 應付電腦訂票系統服務費	Travel Sky Technology Limited 中國民航資訊網路公司	(209,572)	(124,677)
Interest income on deposits at an average rates of 0.72% per annum (2005: 0.72% per annum) 存款利息收入，年平均利率0.72厘 (二零零五年：年平均利率0.72厘)	State-controlled banks 國有銀行	18,701	30,948
Interest expense on loans at an average rate of 5.53% per annum (2005: 4.54% per annum) 貸款財務費用，年平均利率5.53厘 (二零零五年：年平均利率4.54厘)	State-controlled banks 國有銀行	1,227,278	790,478

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41. RELATED PARTY TRANSACTIONS (Cont'd)

(a) Related party transactions (Cont'd)

Nature of transaction 交易性質	Related party 有關連人士	Income/ (expenses or payments) 收入/(費用及支付金額)	
		2006 二零零六年 RMB'000 人民幣千元	2005 二零零五年 RMB'000 人民幣千元
Commission expense on air tickets sold on behalf of the Group at rates ranging from 3% to 9% of the value of tickets sold 應付其他航空公司代售本集團機票佣金，佣金乃根據機票價值的3%至9%之間的固定比率計算	other PRC airlines 中國的其他航空公司	89,977	153,528
Supply of food and beverages 餐食及機艙供應品的費用	other state-control enterprises 其他國有企業	469,255	368,120

(b) Balances with related companies

(i) Amounts due from related companies

Company	企業名稱	Group 集團		Company 公司	
		2006 二零零六年 RMB'000 人民幣千元	2005 二零零五年 RMB'000 人民幣千元	2006 二零零六年 RMB'000 人民幣千元	2005 二零零五年 RMB'000 人民幣千元
CEA Holding	中國東航集團	298,287	57,773	298,287	57,773
SDATC	東美航空**	30,908	43,223	30,908	43,223
Shanghai Tourism (HK) Co., Ltd	上海旅遊(香港)有限公司	5,091	23,177	5,091	23,177
CEA Development (HK)	東航發展(香港)有限公司	-	66,457	-	66,457
CEA Wuhan	東航武漢***	-	3,541	-	3,541
EAIEC	東方航空進出口有限公司**	5,090	4,956	5,090	2,357
Other related companies	其他有關連人士	13,343	6,585	11,833	6,585
Total	合計	352,719	205,712	351,209	203,113

41. 有關連人士交易(續)

(a) 有關連人士交易(續)

Nature of transaction 交易性質	Related party 有關連人士	Income/ (expenses or payments) 收入/(費用及支付金額)	
		2006 二零零六年 RMB'000 人民幣千元	2005 二零零五年 RMB'000 人民幣千元
Commission expense on air tickets sold on behalf of the Group at rates ranging from 3% to 9% of the value of tickets sold 應付其他航空公司代售本集團機票佣金，佣金乃根據機票價值的3%至9%之間的固定比率計算	other PRC airlines 中國的其他航空公司	89,977	153,528
Supply of food and beverages 餐食及機艙供應品的費用	other state-control enterprises 其他國有企業	469,255	368,120

(b) 有關連公司餘額

(i) 應收有關連公司款項

Company	企業名稱	Group 集團		Company 公司	
		2006 二零零六年 RMB'000 人民幣千元	2005 二零零五年 RMB'000 人民幣千元	2006 二零零六年 RMB'000 人民幣千元	2005 二零零五年 RMB'000 人民幣千元
CEA Holding	中國東航集團	298,287	57,773	298,287	57,773
SDATC	東美航空**	30,908	43,223	30,908	43,223
Shanghai Tourism (HK) Co., Ltd	上海旅遊(香港)有限公司	5,091	23,177	5,091	23,177
CEA Development (HK)	東航發展(香港)有限公司	-	66,457	-	66,457
CEA Wuhan	東航武漢***	-	3,541	-	3,541
EAIEC	東方航空進出口有限公司**	5,090	4,956	5,090	2,357
Other related companies	其他有關連人士	13,343	6,585	11,833	6,585
Total	合計	352,719	205,712	351,209	203,113

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41. RELATED PARTY TRANSACTIONS (Cont'd)

(b) Balances with related companies (Cont'd)

(i) Amounts due from related companies (Cont'd)

Except for the amount due from CEA Holding, which is reimbursement in nature, all other amounts due from related companies are trade in nature, interest free and payable within normal credit terms given to trade customers.

(ii) Amounts due to related companies

Company	企業名稱	Group 集團		Company 公司	
		2006 二零零六年 RMB'000 人民幣千元	2005 二零零五年 RMB'000 人民幣千元	2006 二零零六年 RMB'000 人民幣千元	2005 二零零五年 RMB'000 人民幣千元
EAIEC	東方航空進出口 有限公司	(270,514)	(371,123)	(179,582)	(289,773)
CEA Holding	中國東航集團	(40,338)	(94,216)	(40,338)	(94,216)
Shanghai Eastern Airlines Catering Co. Ltd.	上海東方航空 食品有限公司	(7,261)	-	(7,261)	-
Yunnan Eastern Air Catering Investment Co., Ltd.	雲南東方航空 食品有限公司	(11,036)	-	(11,036)	-
CAASC	上海東方航空傳媒 有限公司	(101)	(2,285)	(101)	(2,285)
Other related companies	其他有關連公司	(19,227)	(108,406)	(8,044)	(99,915)
Total	合計	(348,477)	(576,030)	(246,362)	(486,189)

Except for amounts due to EAGF and CEA Holding, which are reimbursement in nature, all other amounts due to related companies are trade in nature, interest free and payable within normal credit terms given by trade creditors.

所有應付有關連公司款項，除了應付東航財務及中國東航集團款項外，全為貿易性質、不帶息及給予跟貿易客戶一樣的正常還款期。

41. 有關連人士交易(續)

(b) 有關連公司餘額(續)

(i) 應收有關連公司款項(續)

所有應收有關連公司款項，除了應收中國東航集團款項外，全為貿易性質、不帶息及給予跟貿易客戶一樣的正常還款期。

(ii) 應付有關連公司款項

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41. RELATED PARTY TRANSACTIONS (Cont'd)

(b) Balances with related companies (Cont'd)

(iii) Short-term deposits and short-term loans with an associate

Company	公司	Average interest rate 平均利率		Group 集團		Company 公司	
		2006 二零零六年	2005 二零零五年	2006 二零零六年	2005 二零零五年	2006 二零零六年	2005 二零零五年
				RMB'000 人民幣千元	RMB'000 人民幣千元	RMB'000 人民幣千元	RMB'000 人民幣千元
Short-term deposits (included in Prepayments, Deposits and Other Receivables)	短期貸款(包括在預付款、存款及其他應收款內)						
"EAGF"*	東航財務*	0.7%	0.7%	755,665	475,078	59,637	31,238
Short-term loans (included in Borrowings)	短期借款(包括在貸款內)						
"EAGF"*	東航財務*	5.1%	4.5%	788,991	213,702	182,000	180,702

* EAGF is a 25% owned associate of the Group;

* 東航財務乃本集團擁有25%股權之聯營公司

(iv) State-controlled banks and other financial institutions

Company	公司	Average interest rate 平均利率		Group 集團		Company 公司	
		2006 二零零六年	2005 二零零五年	2006 二零零六年	2005 二零零五年	2006 二零零六年	2005 二零零五年
				RMB'000 人民幣千元	RMB'000 人民幣千元	RMB'000 人民幣千元	RMB'000 人民幣千元
Bank deposits (included in cash and cash equivalents)	銀行存款(包括現金及現金等價物)	0.7%	0.7%	759,110	1,196,963	571,863	755,225
Long-term bank borrowings	長期銀行借款	5.5%	3.2%	12,825,763	10,438,483	11,230,805	10,066,664

(c) Guarantees by holding company

As at 31 December 2006, bank loans of the Group and the Company with an aggregate amount of RMB695 million and 100 million respectively (2005: RMB1,282 million and 200 million) were guaranteed by CEA Holding (Note 28).

41. 有關連人士交易(續)

(b) 有關連公司餘額(續)

(iii) 對聯營公司短期借款以及短期貸款

(iv) 國有銀行以及其他金融機構

(c) 控股公司作出的擔保

於二零零六年十二月三十一日，本集團及本公司銀行貸款中人民幣695百萬元及人民幣100百萬元(二零零五年：人民幣1,282百萬元及人民幣200百萬元)由中國東航集團作出擔保(註釋28)。

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41. RELATED PARTY TRANSACTIONS (Cont'd)

(d) Key management compensation

Salaries, bonus, allowances and benefits	薪金、花紅、 補貼及福利
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1,365

1,825

41. 有關連人士交易(續)

(d) 高級行政人員酬金

2006 二零零六年 RMB'000 人民幣千元	2005 二零零五年 RMB'000 人民幣千元
1,365	1,825

42. ULTIMATE HOLDING COMPANY

The Directors regard CEA Holding, a state-owned enterprise established in the PRC, as being the ultimate holding company.

42. 最終控股公司

本公司的董事以成立於中國的中國東航集團為本公司的直接控股和最終控股公司。

43. CONTINGENT LIABILITIES

In 2005, the Company received a legal claim in the United States of America for unspecified damages by family members of certain victims in the air crash of an aircraft of CEA Yunnan which occurred on 21 November 2004 in Baotou, Neimonggol, the PRC.

Management has engaged legal representatives to vigorously contest the proceedings. The proceedings are still in an early stage and in the opinion of the Directors, based on professional advice, it is unlikely that there will be any significant adverse effect to the financial position of the Group.

43. 或然負債

於二零零五年，本公司在美國接獲訴訟，原告為於二零零四年十一月二十一日東航雲南公司一架飛機在中國內蒙古包頭空難中的死難者家屬要求未確定金額的賠償。

管理層已聘請法律代表就上述訴訟提出積極抗辯。該訴訟仍處於初步階段，董事徵求專業人士建議後認為，該訴訟對本集團之整體財務狀況將不會造成重大不利影響。

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44. POST BALANCE SHEET EVENT

(a) Share Reform

On 18 December 2006, the Company convened the Relevant Shareholder's Meeting of A Share Shareholders in which the Company's share reform plan (the "Share Reform Plan") was approved. According to the Share Reform Plan, each holder of circulating A shares of the Company whose name appeared on the shareholders' register on the register date of the Share Reform Plan (i.e. 10 January 2007) would be offered 3.2 shares as a consideration by CEA Holding, the only holder of the unlisted and non-circulating shares of the Company, for every 10 circulating A shares held by it. The original non-circulating shares held by CEA Holding would be granted the status of listing after implementation of the Share Reform Plan. The Share Reform Plan was approved by the Ministry of Commerce on 4 January 2007 and implemented on 9 January 2007. In this connection, CEA Holding granted 96 million shares in total to the holders of the circulating shares and the original non-circulating shares held by CEA Holding were granted the status of listing subject to certain circulating conditions on 12 January 2007.

44. 結算日後事項

(a) 股權分置改革方案

本公司於二零零六年十二月十八日召開了股權分置改革A股市場相關股東會議，審議通過了《中國東方航空股份有限公司股權分置改革方案》（「股改方案」）。根據股改方案，東航集團作為本公司唯一的非流通股股東，向本公司股改方案實施股權登記日即二零零七年一月十日登記註冊的本公司流通A股股東每10股支付3.2股股票，以作為東航集團所持有的本公司非流通股份獲得上市流通權的對價安排。股改方案於二零零七年一月四日獲得中華人民共和國商務部審批並於二零零七年一月九日實施，實施此股改方案，東航集團共計送出96,000,000股股份。於二零零七年一月十二日，東航集團持有的本公司非流通股份即獲得有限售條件的上市流通權。

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44. POST BALANCE SHEET EVENT (Cont'd)

(a) Share Reform (Cont'd)

After the implementation of Share Reform Plan, the share structure of the Company will be as follows:

44. 結算日後事項(續)

(a) 股權分置改革方案(續)

股改方案實施後，本公司的股份結構變動如下：

		Prior to Share Reform		After Share Reform	
		執行對價安排前		執行對價安排後	
		No. of shares held	% of total shares	No. of shares held	% of total shares
		持股數(股)	佔總股份的比例	持股數(股)	佔總股份的比例
Unlisted and non-circulating shares	尚未流通股				
Shares held by the PRC Government	國家持有股	3,000,000,000	61.64	-	-
Circulating shares with restricted transfer held by the PRC Government	有限售條件的流通股 國家持有股	-	-	2,904,000,000	59.67
Circulating shares without restricted transfer	無限售條件的流通股				
RMB Common shares listed within the PRC	境內上市的 人民幣普通股	300,000,000	6.16	396,000,000	8.13
Foreign shares listed outside the PRC	境外上市的 外資股	1,566,950,000	32.20	1,566,950,000	32.20
Circulating shares total	流通股合計	1,866,950,000	38.36	1,962,950,000	40.33
Total number of shares	股份總額	4,866,950,000	100	4,866,950,000	100

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44. POST BALANCE SHEET EVENT (Cont'd)

(b) Tax reform

On 16 March 2007, the National People's Congress approved the Corporate Income Tax Law of the People's Republic of China (the "new CIT Law"). This legislation reduces the corporate income tax rate for domestic enterprises from 33% to 25% with effect from 1 January 2008. In addition, certain preferential and reduced tax rates may be withdrawn, subject to grandfathering provisions.

Since deferred tax assets and deferred tax liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, the change in the applicable tax rate will affect the determination of the carrying values of deferred tax assets and deferred tax liabilities of the Group. As at the date that these financial statements are approved for issue, detailed measures of the new CIT Law have yet to be issued, specific provisions concerning the applicable income tax rates, computation of taxable income, as well as specific preferential tax treatments and their related transitional provisions for the periods from 2008 and onwards have not been clarified. Consequently, the Group is not in a position to reasonably assess the impact, if any, to the carrying values of deferred tax assets and deferred tax liabilities as the result of the implementation of the new CIT Law. The Group will further evaluate the impact to its operating results and financial positions of future periods as more detailed measures and other related regulations are announced.

44. 結算日後事項(續)

(b) 稅法改革

二零零七年三月十六日，全國人民代表大會通過了《中華人民共和國企業所得稅法》(「新企業所得稅法」)。新所得稅法將於二零零八年起生效，本集團於中國境內的企業適用的企業所得稅率將從33%降至25%。此外，本集團目前採用的部分優惠稅率可能會被取消。

由於遞延稅項資產和遞延稅項負債是根據預期該資產實現及負債償付時當期的稅率計算，因此稅率的改變會影響本集團遞延稅項資產和遞延稅項負債的賬面價值。在本財務報表獲批准發布之前，有關新企業所得稅法的實施細則尚未公布，例如有關所得稅稅率的特定條款，應課稅收入的計算方法，個別優惠稅率安排和在2008年及以後的過渡期條款。因此，本集團目前尚不能就新企業所得稅法實施將對本集團的遞延稅項資產和遞延稅項負債餘額帶來的財務影響作出合理評估。本集團將在頒布新企業所得稅法的有關條款和規定後評估對本集團經營成果和財務狀況的影響。