

CHINA EASTERN AIRLINES CORP LTD
Form 6-K
September 14, 2011

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

FORM 6-K

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

For the month of September 2011

Commission File Number: 001-14550

China Eastern Airlines Corporation Limited

(Translation of Registrant's name into English)

Board Secretariat's Office
Kong Gang San Lu, Number 88
Shanghai, China 200335

(Address of principal executive offices)

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

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

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

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

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

SIGNATURES

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

China Eastern Airlines Corporation Limited
(Registrant)

Date September 14, 2011

By

/s/ Luo Zhuping

Name: Luo Zhuping

Title: Director and Company Secretary

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

The board of directors (the “Board”) of China Eastern Airlines Corporation Limited (the “Company”) hereby presents the unaudited interim condensed consolidated financial information of the Company and its subsidiaries (collectively, the “Group”) for the six months ended 30 June 2011 (which were reviewed and approved by the Board and the audit and risk management committee of the Company (the “Audit Committee”) on 29 August 2011), with comparative figures for the corresponding financial information in 2010. The Company’s external auditors have conducted a review of the 2011 interim condensed consolidated financial information in accordance with the International Standard on Review Engagements 2410.

The interim condensed consolidated financial information of the Group for the six months ended 30 June 2011 is unaudited and does not necessarily indicate annual or future results.

REPORT ON REVIEW OF INTERIM CONDENSED FINANCIAL INFORMATION

TO THE SHAREHOLDERS OF CHINA EASTERN AIRLINES CORPORATION LIMITED
(incorporated in the People's Republic of China with limited liability)

Introduction

We have reviewed the interim condensed consolidated financial information set out on pages 3 to 43, which comprises the condensed consolidated balance sheet of China Eastern Airlines Corporation Limited (the "Company") and its subsidiaries (together, the "Group") as at 30 June 2011 and the related interim condensed consolidated statements of comprehensive income, changes in equity and cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 "Interim Financial Reporting". The Board is responsible for the preparation and presentation of this interim financial information in accordance with International Accounting Standard 34 "Interim Financial Reporting". The condensed consolidated statements of comprehensive income, changes in equity and cash flows for the six-month period ended 30 June 2010 and related explanatory notes were not reviewed. Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with International Accounting Standard 34 "Interim Financial Reporting".

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 29 August 2011

2 China Eastern Airlines Corporation Limited | Interim Report 2011

INTERIM FINANCIAL INFORMATION

Prepared in accordance with International Financial Reporting Standards (“IFRS”)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2011

		(Unaudited)	
		Six months ended 30 June	
	Note	2011 RMB'000	2010 RMB'000
Revenues	6	38,079,190	33,127,332
Other operating income		379,461	317,421
Operating expenses			
Aircraft fuel		(13,377,068)	(10,019,390)
Gain on fair value movements of derivatives financial instruments	8	85,496	224,526
Take-off and landing charges		(3,888,726)	(3,401,308)
Depreciation and amortisation		(3,360,471)	(3,217,244)
Wages, salaries and benefits		(4,193,998)	(3,504,886)
Aircraft maintenance		(1,852,945)	(1,993,048)
Food and beverages		(962,742)	(700,759)
Aircraft operating lease rentals		(1,934,634)	(1,916,562)
Other operating lease rentals		(314,715)	(258,104)
Selling and marketing expenses		(1,769,625)	(1,591,849)
Civil aviation infrastructure levies		(655,172)	(613,885)
Ground services and other charges		(246,893)	(181,924)
Office, administrative and other expenses		(3,716,462)	(3,729,656)
Total operating expenses		(36,187,955)	(30,904,089)
Operating profit		2,270,696	2,540,664
Share of results of associates		42,581	7,755
Share of results of jointly controlled entities		15,281	13,716
Finance income	9	855,054	190,936
Finance costs	10	(716,019)	(781,776)
Profit before income tax		2,467,593	1,971,295
Income tax	11	(119,967)	(45,889)
Profit for the period		2,347,626	1,925,406

Prepared in accordance with International Financial Reporting Standards (“IFRS”)
CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
 For the six months ended 30 June 2011

	Note	(Unaudited)	
		Six months ended 30 June 2011	2010
		RMB'000	RMB'000
Profit attributable to:			
Owners of the parent		2,279,255	1,760,561
Non-controlling interests		68,371	164,845
		2,347,626	1,925,406
Earnings per share attributable to owners of the parent during the period			
– Basic and diluted (RMB)	12	0.20	0.16
Profit for the period		2,347,626	1,925,406
Other comprehensive income for the period			
Cash flow hedges, net of tax	13	(21,726)	(61,826)
Fair value movements of available-for-sale investments held by associates		(4,900)	-
Fair value movements of available-for-sale investments		534	(1,607)
Total comprehensive income for the period		2,321,534	1,861,973
Total comprehensive income attributable to:			
Owners of the parent		2,253,163	1,697,128
Non-controlling interests		68,371	164,845
		2,321,534	1,861,973

Prepared in accordance with IFRS
 CONDENSED CONSOLIDATED BALANCE SHEET
 As at 30 June 2011

	Note	(Unaudited) 30 June 2011 RMB'000	(Audited) 31 December 2010 RMB'000
Non-current assets			
Intangible assets	16	11,346,368	11,333,376
Property, plant and equipment	17	69,932,294	68,822,273
Lease prepayments		1,393,112	1,406,156
Advanced payments on acquisition of aircraft	18	9,161,041	6,356,602
Investments in associates		845,350	807,669
Investments in jointly controlled entities		407,101	406,170
Available-for-sale financial assets		238,333	242,005
Other long-term assets		1,841,155	1,752,115
Deferred tax assets		55,081	75,188
Derivative assets		10,722	52,081
		95,230,557	91,253,635
Current assets			
Flight equipment spare parts		1,429,818	1,286,898
Trade receivables	19	2,537,132	2,127,446
Prepayments, deposits and other receivables		5,052,829	5,157,004
Cash and cash equivalents		4,285,855	3,078,228
Derivative assets		7,249	18,970
Non-current assets held for sale		411,535	411,535
		13,724,418	12,080,081
Current liabilities			
Sales in advance of carriage		2,768,079	2,577,855
Trade payables and notes payable	20	3,113,589	4,275,443
Other payables and accrued expenses		16,154,897	14,536,168
Current portion of obligations under finance leases	21	2,257,027	2,137,831
Current portion of borrowings	22	19,782,740	15,210,660
Income tax payable		127,650	64,787
Current portion of provision for return condition checks for aircraft under operating leases		467,013	339,091
Derivative liabilities		7,142	121,982
		44,678,137	39,263,817
Net current liabilities		(30,953,719)	(27,183,736)
Total assets less current liabilities		64,276,838	64,069,899

Prepared in accordance with IFRS
 CONDENSED CONSOLIDATED BALANCE SHEET
 As at 30 June 2011

	Note	(Unaudited) 30 June 2011 RMB'000	(Audited) 31 December 2010 RMB'000
Non-current liabilities			
Obligations under finance leases	21	17,008,506	17,070,502
Borrowings	22	20,059,317	23,354,997
Provision for return condition checks for aircraft under operating leases		2,551,574	2,475,412
Other long-term liabilities		1,930,559	1,804,862
Post-retirement benefit obligations		2,732,169	2,556,001
Deferred tax liabilities		29,601	51,814
Derivative liabilities		226,583	194,425
		44,538,309	47,508,013
Net assets		19,738,529	16,561,886
Equity			
Capital and reserves attributable to owners of the parent			
– Share capital	23	11,276,539	11,276,539
– Reserves		6,247,911	3,994,748
		17,524,450	15,271,287
Non-controlling interests		2,214,079	1,290,599
Total equity		19,738,529	16,561,886

Prepared in accordance with IFRS
 CONDENSED CONSOLIDATED CASH FLOW STATEMENT
 For the six months ended 30 June 2011

	(Unaudited)	
	Six months ended 30 June	
	2011	2010
	RMB'000	RMB'000
Net cash inflow from operating activities	5,515,206	4,821,423
Net cash outflow from investing activities	(5,526,675)	(4,700,899)
Net cash inflow from financing activities	1,230,130	2,626,040
Net increase in cash and cash equivalents	1,218,661	2,746,564
Cash and cash equivalents at 1 January	3,078,228	1,735,248
Exchange adjustments	(11,034)	(21,047)
Cash and cash equivalents at 30 June	4,285,855	4,460,765

China Eastern Airlines Corporation Limited | Interim Report 2011

7

Prepared in accordance with IFRS
 CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
 For the six months ended 30 June 2011

	Attributable to owners of the parent				Non-controlling interests RMB'000	Total equity RMB'000
	Share capital RMB'000	Other reserves RMB'000	Accumulated losses RMB'000	Subtotal RMB'000		
Six months ended 30 June 2011 (Unaudited)						
Balance at 1 January 2011	11,276,539	16,950,255	(12,955,507)	15,271,287	1,290,599	16,561,886
Total comprehensive income for the six months ended 30 June 2011	–	(26,092)	2,279,255	2,253,163	68,371	2,321,534
Dividends paid to non-controlling interests in subsidiaries	–	–	–	–	(149,391)	(149,391)
Capital contribution by non-controlling interests in subsidiary	–	–	–	–	1,004,500	1,004,500
Balance at 30 June 2011	11,276,539	16,924,163	(10,676,252)	17,524,450	2,214,079	19,738,529
Six months ended 30 June 2010 (Unaudited)						
Balance at 1 January 2010	9,581,700	9,566,349	(17,913,496)	1,234,553	441,628	1,676,181
Total comprehensive income for the six months ended 30 June 2010	–	(63,433)	1,760,561	1,697,128	164,845	1,861,973
Issuance of new shares for the acquisition of Shanghai Airlines Co., Ltd. (“Shanghai Airlines”)	1,694,839	5,152,310	–	6,847,149	–	6,847,149
Non-controlling interests addition through the acquisition of Shanghai Airlines	–	–	–	–	53,920	53,920
Dividends paid to non-controlling interests in subsidiaries	–	–	–	–	(5,413)	(5,413)
Capital contribution by non-controlling interests in subsidiaries	–	–	–	–	352,060	352,060
Balance at 30 June 2010	11,276,539	14,655,226	(16,152,935)	9,778,830	1,007,040	10,785,870

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

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 the Company’s 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, mail delivery, tour operations 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.

This condensed consolidated interim financial information was approved for issue by the Company’s Board on 29 August 2011.

This condensed consolidated interim financial information has not been audited.

2. Basis of preparation

This unaudited condensed consolidated interim financial information for the six months ended 30 June 2011 (the “Current Period”) has been prepared in accordance with International Accounting Standard (“IAS”) 34 “Interim Financial Reporting”. The unaudited condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2010, which have been prepared in accordance with IFRS as issued by the International Accounting Standard Board (“IASB”).

In preparing the interim financial information, the Board has given careful consideration to the going concern status of the Group in the context of the Group’s current working capital deficit.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

2. Basis of preparation (cont'd)

As at 30 June 2011, the Group's accumulated losses were approximately RMB10.68 billion; and its current liabilities exceeded its current assets by approximately RMB30.95 billion.

Against this background, the Board has taken active steps to seek additional sources of finance and improve the Group's liquidity position. As at 30 June 2011, the Group had total unused credit facilities of approximately RMB25.4 billion from certain banks. The Board believes that, based on experience to date, it is likely that these facilities will be rolled over in future years if required.

With the credit facilities and based on the Group's history of obtaining finance and its relationships with its bankers and creditors, the Board considers that the Group will be able to obtain sufficient financing to enable it to operate, as well as to meet its liabilities as and when they become due and its capital expenditure requirements. Accordingly, the Board believes that it is appropriate to prepare these financial information on a going concern basis without including any adjustments that would be required should the Company and the Group fail to continue as a going concern.

3. Accounting policies

Except as described in note 3(a) below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2010, as described in those annual financial statements.

3.Accounting policies (cont'd)

(a)New standards, amendments and interpretations to existing standards which are effective for accounting periods beginning on or after 1 January 2011 and adopted by the Group

The Group has adopted the following new standards and amendments to existing standards which are relevant for the Group's existed business and mandatory for the first time for the financial year beginning 1 January 2011:

•The improvement related to IAS 34 “Interim financial reporting” in the Third Improvement Project is an amendment which emphasises the existing disclosure principles in IAS 34 and adds further guidance to illustrate how to apply these principles. Greater emphasis has been placed on the disclosure principles for significant events and transactions. Additional requirements cover disclosure of changes to fair value measurement (if significant), and the need to update relevant information from the most recent annual report. The improvement only results in additional disclosures.

The following new standards and amendments to standards are mandatory for the first time for the financial year beginning 1 January 2011 and have no material impact for the Group:

- The improvement related to IAS 1 Presentation of financial statements
- The improvement related to IFRS 7 Financial instruments: Disclosures
- The improvement related to IFRIC–Int 13 Customer loyalty programmes
- The improvement related to IAS 27 Consolidated and separate financial statements
- The improvement related to IFRS 3 (revised) Business combinations

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

3.Accounting policies (cont'd)

(a)(cont'd)

The following new standards, amendments and interpretations to existing standards are mandatory for the first time for the financial year beginning 1 January 2011, but are not currently relevant for the Group:

- IAS 32 (Amendment) Financial Instruments: Disclosure and Presentation – Classification of Rights Issue
- IFRS 1 (Amendment) First-time Adoption of IFRSs – Limited Exemptions from Comparative IFRS 7 Disclosures for First-time Adopters
- IFRIC–Int 14 (Amendment) Prepayments of a Minimum Funding Requirement
- IFRIC–Int 19 Extinguishing Financial Liabilities with Equity Instruments

(b) Standards, amendments and interpretations to existing standards that are not yet effective for the financial year beginning 1 January 2011 and have not been early adopted

The IASB has also issued certain new/revised standards, amendments or interpretations to existing standards (collectively the “New or Revised IFRSs”). The New or Revised IFRSs are not yet effective for the financial year beginning 1 January 2011. The Group has not early adopted the “New and Revised IFRSs” and is assessing the impact but is not yet in a position to state whether any substantial changes to the Group’s accounting policies or to the presentation of the financial statements will be resulted.

4. Estimates

The preparation of interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these condensed consolidated interim financial information, the significant judgements made by management in applying the Group’s accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2010.

5. Financial risk management

(a) Financial Risk Factors

The Group's activities expose to a variety of financial risks: market risk (including currency risk, interest rate risk and fuel price risk), credit risk and liquidity risk.

The interim condensed consolidated financial information do not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2010.

There have been no changes in risk management policies since year ended 31 December 2010.

(b) Liquidity Risk

The Group's primary cash requirements have been for additions of and upgrades to aircraft, engines and flight equipment and repayments of related borrowings. 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 30 June 2011, the Group's net current liabilities amounted to RMB30,954 million (2010: RMB27,184 million). For six months ended 30 June 2011, the Group recorded a net cash inflow from operating activities of RMB5,515 million (2010: inflow of RMB4,821 million), a net cash outflow from investing activities and financing activities of RMB4,296 million (2010: outflow of RMB2,074 million), and an increase in cash and cash equivalents of RMB1,219 million (2010: increase of RMB2,747 million).

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

5. Financial risk management (cont'd)

(b) Liquidity Risk (cont'd)

The Board believes that cash from operations and short and long term bank borrowings will be sufficient to meet the Group's operating cash flow. 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 Board believes that the Group has obtained sufficient general credit facilities from PRC banks for financing future capital commitments and for working capital purposes.

Management monitors rolling forecasts of the Group's liquidity reserves on the basis of expected cash flows.

The table below analyses the Group's financial liabilities that will be settled by relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000
At 30 June 2011				
(Unaudited)				
Borrowings	20,732,978	8,293,489	6,433,549	6,618,431
Obligations under finance leases	2,574,853	2,674,904	7,659,379	7,920,809
Trade and other payables	18,683,802	8,629	266,360	309,695
Total	41,991,633	10,977,022	14,359,288	14,848,935
At 31 December 2010				
(Audited)				
Borrowings	16,113,516	8,591,821	9,140,195	6,729,831
Obligations under finance leases	2,476,451	2,539,816	7,498,600	8,359,802
Trade and other payables	18,151,076	8,830	336,761	314,944
Total	36,741,043	11,140,467	16,975,556	15,404,577

5. Financial risk management (cont'd)

(c) Fair Value Estimation

The following table presents the Group's assets and liabilities that are measured at fair value at 30 June 2011 and 31 December 2010.

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
At 30 June 2011(Unaudited)				
Assets				
Derivatives financial instruments				
– Crude oil option contracts	–	7,249	–	7,249
– Interest rate swaps	–	10,722	–	10,722
Available-for-sale financial assets	1,797	–	236,536	238,333
Total	1,797	17,971	236,536	256,304
Liabilities				
Derivatives financial instruments				
– Crude oil option contracts	–	4,562	–	4,562
– Interest rate swaps	–	169,535	–	169,535
– Forward foreign exchange contracts	–	59,628	–	59,628
Total	–	233,725	–	233,725

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

5. Financial risk management (cont'd)

(c) Fair Value Estimation (cont'd)

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
At 31 December 2010 (Audited)				
Assets				
Derivatives financial instruments				
– Crude oil option contracts	–	18,970	–	18,970
– Interest rate swaps	–	52,081	–	52,081
Available-for-sale financial assets	5,469	–	236,536	242,005
Total	5,469	71,051	236,536	313,056
Liabilities				
Derivatives financial instruments				
– Crude oil option contracts	–	48,612	–	48,612
– Interest rate swaps	–	191,247	–	191,247
– Forward foreign exchange contracts	–	76,548	–	76,548
Total	–	316,407	–	316,407

The different levels are defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

5. Financial risk manageme