

CHINA EASTERN AIRLINES CORP LTD
Form 6-K
August 30, 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 August 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

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.

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(a joint stock limited company incorporated in the People's Republic of China with limited liability)
(Stock code: 00670)

2011 INTERIM RESULTS 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 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.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

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

For the six months ended 30 June 2011

| | Note | (Unaudited) | |
|--|------|----------------------------------|--------------|
| | | Six months ended 30 June 2011 | 2010 |
| | | RMB'000 | 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 |

| | | (Unaudited) | |
|---|------|--------------------------|-----------------|
| | | Six months ended 30 June | |
| | Note | 2011 RMB'000 | 2010 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 |

CONDENSED CONSOLIDATED BALANCE SHEET

Prepared in accordance with IFRS

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 |

| | 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 |

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

Prepared in accordance with IFRS

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 |

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Prepared in accordance with IFRS

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 | | | | | | |

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| | | | | | | |
|---|------------|------------|--------------|-----------|-----------|------------|
| 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 |

– 7 –

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.

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.

(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 – Customer loyalty programmes
Int 13
- The improvement related to IAS 27 Consolidated and separate financial
statements
- The improvement related to IFRS 3 Business combinations
(revised)

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).

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.

- 10 -

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 |

(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 |

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| | | | | |
|--------------------------------------|---|---------|---|---------|
| - Forward foreign exchange contracts | - | 59,628 | - | 59,628 |
| Total | - | 233,725 | - | 233,725 |

- 11 -

| | 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)

For the six months ended 30 June 2011, there were no significant changes in the business or economic circumstances that affect the fair value of the Group's financial assets and financial liabilities.

For the six months ended 30 June 2011, there was no reclassification of financial assets.

6. REVENUES

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

| | (Unaudited) | |
|------------------------|--------------------------|------------|
| | Six months ended 30 June | |
| | 2011 | 2010 |
| | RMB'000 | RMB'000 |
| Traffic revenues | | |
| – Passenger | 31,794,486 | 25,937,847 |
| – Cargo and mail | 3,580,560 | 4,210,377 |
| Tour operations income | 897,961 | 834,540 |
| Ground service income | 856,837 | 597,406 |
| Commission income | 299,047 | 172,166 |
| Others | 650,299 | 1,374,996 |
| | 38,079,190 | 33,127,332 |

Note:

Pursuant to the notice of exemption of business tax on the provision of international transportation services (Cai Shui [2010] No. 8) jointly issued by Ministry of Finance and the State Administration of Taxation, the Group's revenues from the provision of international transportation services are exempt from business tax from 1 January 2010.

Pursuant to the relevant tax rules and regulations in the PRC, the Group's domestic traffic revenues are subject to business tax levied at rate of 3% and majority of the Group's tour operations income, ground service income, commission income and other revenues are subject to business tax levied at rates of 3% or 5%.

The business tax incurred and set off against the above Group's revenues for the six months ended 30 June 2011 amounted to approximately RMB776 million (2010: approximately RMB661 million).

7. SEGMENT INFORMATION

(a) Chief operation decision maker (“CODM”), office of the General Manager, reviews the Group's internal reporting in order to assess performance and allocate resources.

The Group has one major reportable operating segment, the “airline operations”. The “airline operations” comprises the provision of air passenger, air cargo services, mail and ground logistics.

Other services including tour operations, aviation training, air catering and other miscellaneous services are not included within the airline operations segment, as their internal reports are separately provided to the CODM. The results of these operations are included in the “other segments” column.

Inter-segment transactions are entered into under normal commercial terms and conditions that would be available to unrelated third parties.

In accordance with IFRS 8, segment disclosure has been presented in a manner that is consistent with the information used by the Group's CODM. The Group's CODM monitors the results, assets and liabilities attributable to each reportable segment based on financial results prepared under the PRC Accounting Standards for Business Enterprises (the "PRC Accounting Standards"), which differ from IFRS in certain aspects. The amount of each material reconciling items from the Group's reportable segment revenue, profit and loss, assets and liabilities arising from different accounting policies are set out in Note 7(c) below.

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The segment results (under PRC Accounting Standards) for the six months ended 30 June 2011 are as follows:

| | (Unaudited) | | | | |
|--|----------------------------------|------------------------------|------------------------|-------------------------|------------------|
| | Airline operations RMB'000 | Other segments RMB'000 | Elimination RMB'000 | Unallocated* RMB'000 | Total RMB'000 |
| Reportable segment revenue from external customers | 37,830,299 | 951,855 | – | – | 38,782,154 |
| Inter-segment sales | – | 92,464 | (92,464) | – | – |
| Reportable segment revenue | 37,830,299 | 1,044,319 | (92,464) | – | 38,782,154 |
| Reportable segment profit before income tax | 2,559,372 | 19,990 | – | 63,472 | 2,642,834 |
| Other segment information | | | | | |
| Depreciation and amortisation | 3,497,463 | 44,839 | – | – | 3,542,302 |
| Impairment losses | 35,199 | 21 | – | – | 35,220 |
| Capital expenditure | 7,340,893 | 61,764 | – | – | 7,402,657 |

The segment results (under PRC Accounting Standards) for the six months ended 30 June 2010 are as follows:

| | (Unaudited) | | | | |
|--|----------------------------------|------------------------------|------------------------|-------------------------|------------------|
| | Airline operations RMB'000 | Other segments RMB'000 | Elimination RMB'000 | Unallocated* RMB'000 | Total RMB'000 |
| Reportable segment revenue from external customers | 31,885,898 | 1,750,275 | – | – | 33,636,173 |
| Inter-segment sales | 210,752 | 208,018 | (418,770) | – | – |
| Reportable segment revenue | 32,096,650 | 1,958,293 | (418,770) | – | 33,636,173 |
| Reportable segment profit before income tax | 2,105,186 | 36,825 | – | 25,626 | 2,167,637 |
| Other segment information | | | | | |
| Depreciation and | | | | | |

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| | | | | | |
|---------------------|-----------|--------|---|---|-----------|
| amortisation | 3,283,165 | 46,409 | – | – | 3,329,574 |
| Impairment losses | 76,552 | 373 | – | – | 76,925 |
| Capital expenditure | 6,486,975 | 34,970 | – | – | 6,521,945 |

– 14 –

The segment assets and liabilities (under PRC Accounting Standards) as at 30 June 2011 and 31 December 2010 are as follows:

| | Airline operations RMB'000 | Other segments RMB'000 | Elimination RMB'000 | Unallocated* RMB'000 | Total RMB'000 |
|--|----------------------------------|------------------------------|------------------------|-------------------------|------------------|
| At 30 June 2011 (Unaudited) | | | | | |
| Reportable segment assets | 103,076,871 | 2,017,297 | (156,609) | 1,490,784 | 106,428,343 |
| Reportable segment liabilities | 85,652,954 | 1,006,043 | (156,609) | – | 86,502,388 |
| At 31 December 2010 (Audited) | | | | | |
| Reportable segment assets | 97,500,563 | 2,045,617 | (191,907) | 1,455,844 | 100,810,117 |
| Reportable segment liabilities | 83,387,701 | 1,038,146 | (191,907) | – | 84,233,940 |

*Unallocated assets primarily represent investments in associates and jointly controlled entities, and available-for-sale financial assets. Unallocated results primarily represent the share of results of associates and jointly controlled entities.

(b) The Group's business segments operate in three main geographical areas, even though they are managed on a worldwide basis.

The Group's revenues (under PRC Accounting Standards) by geographical segment are analysed based on the following criteria:

- (1) Traffic revenue from services within the PRC (excluding the Hong Kong Special Administrative Region ("Hong Kong"), Macau Special Administrative Region ("Macau") and Taiwan (collectively known as "Regional")) is classified as domestic operations. Traffic revenue from inbound and outbound services between the PRC, Regional or overseas markets is attributed to the segments if either the origin or destination of each flight segment is in Regional or overseas.
- (2) Revenue from ticket handling services, airport ground services, and other miscellaneous services are classified on the basis of where the services are performed.

| | (Unaudited) Six months ended 30 June | |
|---|---|-----------------|
| | 2011 RMB'000 | 2010 RMB'000 |
| Domestic (the PRC, excluding Hong Kong, Macau and Taiwan) | 26,665,770 | 22,891,501 |

| | | |
|--|-------------------|-------------------|
| International | 10,260,432 | 8,962,373 |
| Regional (Hong Kong, Macau and Taiwan) | 1,855,952 | 1,782,299 |
| Total | 38,782,154 | 33,636,173 |

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 by geography, and hence segment assets and capital expenditure by geographic have not been presented.

(c) Reconciliation of reportable segment revenue, profit, assets and liabilities to the consolidated figures as reported in the condensed consolidated financial information.

| | | (Unaudited) Six months ended 30 June | |
|--|------|---|-----------------|
| | Note | 2011 RMB'000 | 2010 RMB'000 |
| Revenue | | | |
| Reportable segment revenue | | 38,782,154 | 33,636,173 |
| – Reclassification of business tax | (i) | (776,340) | (661,118) |
| – Reclassification of expired sales in advance of carriage | (i) | 73,376 | 152,277 |
| Consolidated revenue | | 38,079,190 | 33,127,332 |

| | | (Unaudited) Six months ended 30 June | |
|--|-------|---|-----------------|
| | Note | 2011 RMB'000 | 2010 RMB'000 |
| Profit before income tax | | | |
| Reportable segment profit | | 2,642,834 | 2,167,637 |
| – Difference in depreciation and impairment charges for aircraft, engines and rotables | (ii) | (3,283) | (29,592) |
| – Provision for post-retirement benefits | (iii) | (176,168) | (170,317) |
| – Reversal of revaluation surplus relating to land use rights | | 4,210 | 3,567 |
| Consolidated profit before income tax | | 2,467,593 | 1,971,295 |

| | | (Unaudited) 30 June 2011 RMB'000 | (Audited) 31 December 2010 RMB'000 |
|---|------|---|---|
| | Note | | |
| Assets | | | |
| Reportable segment assets | | 106,428,343 | 100,810,117 |
| – Difference in depreciation and impairment charges for aircraft, engines and rotables | (ii) | 80,864 | 84,147 |
| – Reversal of revaluation surplus relating to land use rights | (iv) | (347,996) | (352,206) |
| – Difference in intangible asset (goodwill) arising from the acquisition of Shanghai Airlines | (v) | 2,760,665 | 2,760,665 |
| – Others | | 33,099 | 30,993 |
| Consolidated total assets | | 108,954,975 | 103,333,716 |

| | | (Unaudited) 30 June 2011 RMB'000 | (Audited) 31 December 2010 RMB'000 |
|--|-------|---|---|
| Liabilities | | | |
| Reportable segment liabilities | | 86,502,388 | 84,233,940 |
| – Provision for post-retirement benefits | (iii) | 2,793,451 | 2,617,283 |
| – Others | | (79,393) | (79,393) |
| Consolidated total liabilities | | 89,216,446 | 86,771,830 |

Notes:

- (i) The difference represents the different classification of business tax and expired sales in advance of carriage under PRC Accounting Standards and IFRS.
- (ii) The difference represents the differences in the useful lives and residual values of aircraft, engines and rotatable adopted for depreciation purpose in prior years under PRC Accounting Standards and IFRS. Despite the depreciation policies of these assets have been unified under IFRS and the PRC Accounting Standards in recent years, the changes were applied prospectively as changes in accounting estimates which results in the differences in the carrying amounts and related depreciation charges under IFRS and PRC Accounting Standards.
- (iii) In accordance with the PRC Accounting Standards, certain employees' post-retirement benefits are recognised upon actually incurred. Under IFRS, such post-retirement benefits under defined benefit schemes are required to be recognised over the employees' service period using projected unit credit method.
- (iv) Under the PRC Accounting standards, land use rights injected by parent company as capital contribution are stated at valuation less accumulated amortisation. Under IFRS, land use rights are recorded as prepaid operating leases at historical cost which was nil at the time of listing.
- (v) The determination of the fair values of the acquisition costs and identifiable assets and liabilities of Shanghai Airlines acquired is different under IFRS and the PRC Accounting Standards, which results in difference in the intangibles/goodwill recognised arising from the acquisition.

8. GAIN ON FAIR VALUE MOVEMENTS OF DERIVATIVES FINANCIAL INSTRUMENTS

Gain on fair value movements of derivatives financial instruments is mainly derived from the fair value movements of the crude oil option contracts.

9. FINANCE INCOME

| | (Unaudited) | |
|----------------------------|--------------------------|---------|
| | Six months ended 30 June | |
| | 2011 | 2010 |
| | RMB'000 | RMB'000 |
| Exchange gains, net (Note) | 817,649 | 155,664 |
| Interest income | 37,405 | 35,272 |
| | 855,054 | 190,936 |

Note:

The exchange gains for the six months ended 30 June 2011 and 2010 primarily related to the translation of the Group's foreign currency denominated borrowings and obligations under finance leases at period-end exchange rates.

10. FINANCE COSTS

| | (Unaudited) | |
|--|--------------------------|-----------|
| | Six months ended 30 June | |
| | 2011 | 2010 |
| | RMB'000 | RMB'000 |
| Interest relating to obligations under finance leases | 150,879 | 164,871 |
| Interest on borrowings | 676,570 | 613,610 |
| Interest relating to notes payable | 12,913 | 85,499 |
| | 840,362 | 863,980 |
| Less: amounts capitalised into advanced payments on acquisition of aircraft (Note) | (120,439) | (79,788) |
| amounts capitalised into construction in progress (Note) | (3,904) | (2,416) |
| | 716,019 | 781,776 |

Note:

The average interest rate used for interest capitalisation is 3.91% per annum for the six months ended 30 June 2011 (2010: 3.05% per annum).

11. INCOME TAX

Income tax charged to the condensed consolidated income statement is as follows:

| | (Unaudited) | |
|------------------------------|--------------------------|----------|
| | Six months ended 30 June | |
| | 2011 | 2010 |
| | RMB'000 | RMB'000 |
| Provision for PRC income tax | 122,073 | 49,809 |
| Deferred taxation | (2,106) | (3,920) |
| | 119,967 | 45,889 |

Under the Corporate Income Tax Law of the People's Republic of China (the "New CIT Law"), which was approved by the National People's Congress and became effective from 1 January 2008, the Company and certain of its subsidiaries (the "Pudong Subsidiaries") are entitled to a transitional arrangement to gradually increase the applicable corporate income tax rate to from 15% to 25% over a five-year period from 2008. For the six months ended 30 June 2011, the corporate income tax rate applicable to the Company and the Pudong Subsidiaries was 24% (2010: 22%). Other subsidiaries, except for those incorporated in Hong Kong which subject to the Hong Kong corporate income tax rate of 16.5% (2010: 16.5%), are generally subject to the PRC standard corporate tax rate of 25% (2010: 25%) under the New CIT Law.

The Group operates international flights to overseas destinations. There was no material overseas taxation for the six months ended 30 June 2011, as there are double tax treaties between the PRC and the corresponding jurisdictions (including Hong Kong) relating to aviation businesses.

12. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the unaudited consolidated profit attributable to owners of the parent of approximately RMB2,279 million (2010: RMB1,761 million) and the weighted average number of shares of 11,276,538,860 (2010: 11,020,893,000) in issue during the six months ended 30 June 2011.

The Company has no potentially dilutive option or other instruments relating to ordinary shares.

13. CASH FLOW HEDGES, NET OF TAX

Cash flow hedges, net of tax, represent unrealised gains and losses arising from the valuation of interest rate swaps contracts and forward foreign exchange contracts.

14. DIVIDEND

The Board has not recommended any interim dividend for the six months ended 30 June 2011 (2010: Nil).

15. PROFIT APPROPRIATION

No appropriation to the statutory reserves has been made during the six months ended 30 June 2011.

Such appropriations will be made at year end in accordance with the PRC regulations and the Articles of Association of individual group companies.

| | | |
|-------------------------|-------------------|-------------|
| 16. | INTANGIBLE ASSETS | |
| | (Unaudited) | (Audited) |
| | 30 June | 31 December |
| | 2011 | 2010 |
| | RMB'000 | RMB'000 |
| Goodwill | 11,269,695 | 11,269,695 |
| Other intangible assets | 76,673 | 63,681 |
| | 11,346,368 | 11,333,376 |

| | | | |
|--|--|-------------------|------------------|
| 17. | PROPERTY, PLANT AND EQUIPMENT | | |
| | (Unaudited) | | |
| | Six months ended 30 June 2011 | | |
| | Aircraft, engines and flight equipment RMB'000 | Others RMB'000 | Total RMB'000 |
| Carrying amounts at 1 January 2011 | 62,119,354 | 6,702,919 | 68,822,273 |
| Transfers from advanced payments on acquisition of aircraft (Note 18) | 1,173,689 | – | 1,173,689 |
| Other additions | 2,306,250 | 969,446 | 3,275,696 |
| Depreciation charged for the period | (3,024,841) | (302,392) | (3,327,233) |
| Disposals | – | (12,131) | (12,131) |
| Carrying amounts at 30 June 2011 | 62,574,452 | 7,357,842 | 69,932,294 |

| | | | |
|--|--|-------------------|------------------|
| | (Unaudited) | | |
| | Six months ended 30 June 2010 | | |
| | Aircraft, engines and flight equipment RMB'000 | Others RMB'000 | Total RMB'000 |
| Carrying amounts at 1 January 2010 | 51,729,129 | 4,974,431 | 56,703,560 |
| Additions through the acquisition of Shanghai Airlines | 6,398,471 | 2,121,231 | 8,519,702 |
| Transfers from advanced payments on acquisition of aircraft (Note 18) | 2,017,588 | – | 2,017,588 |
| Other additions | 3,524,277 | 459,725 | 3,984,002 |
| Depreciation charged for the period | (2,828,892) | (341,057) | (3,169,949) |
| Disposals | – | (8,353) | (8,353) |
| Carrying amounts at 30 June 2010 | 60,840,573 | 7,205,977 | 68,046,550 |

18. ADVANCED PAYMENTS ON ACQUISITION OF AIRCRAFT

| | (Unaudited) Six months ended 30 June | |
|--|---|-----------------|
| | 2011 RMB'000 | 2010 RMB'000 |
| At beginning of period | 6,356,602 | 5,081,174 |
| Additions through the acquisition of Shanghai Airlines | – | 1,072,367 |
| Other additions | 3,857,689 | 2,305,310 |
| Interest capitalised (Note 10) | 120,439 | 79,788 |
| Transfers to property, plant and equipment (Note 17) | (1,173,689) | (2,017,588) |
| At end of period | 9,161,041 | 6,521,051 |

19. TRADE RECEIVABLES

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

The aging analysis of trade receivables is as follows:

| | (Unaudited) 30 June 2011 RMB'000 | (Audited) 31 December 2010 RMB'000 |
|---|---|---|
| Within 90 days | 2,421,121 | 2,058,666 |
| 91 to 180 days | 24,245 | 27,094 |
| 181 to 365 days | 68,354 | 39,882 |
| Over 365 days | 244,572 | 233,202 |
| | 2,758,292 | 2,358,844 |
| Less: provision for impairment of receivables | (221,160) | (231,398) |
| Trade receivables | 2,537,132 | 2,127,446 |

Balances with related parties included in trade receivables are summarised in Note 25(b)(i).

20. TRADE PAYABLES AND NOTES PAYABLE

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

| | (Unaudited) 30 June 2011 RMB'000 | (Audited) 31 December 2010 RMB'000 |
|-----------------|---|---|
| Within 90 days | 1,679,527 | 2,477,327 |
| 91 to 180 days | 590,433 | 1,190,393 |
| 181 to 365 days | 576,729 | 290,991 |
| Over 365 days | 266,900 | 316,732 |
| | 3,113,589 | 4,275,443 |

Balances with related parties included in trade payables and notes payables are summarised in Note 25(b) (ii).

As at 30 June 2011, notes payable amounted to RMB371 million (2010: RMB1,425 million), which mainly were unsecured, bore effective interest rates ranging from 4.42% to 5.27% per annum (2010: 3.48% to 4.5% per annum) and were repayable within six months.

21. OBLIGATIONS UNDER FINANCE LEASES

| | (Unaudited) 30 June 2011 RMB'000 | (Audited) 31 December 2010 RMB'000 |
|--|---|---|
| Within one year | 2,257,027 | 2,137,831 |
| In the second year | 2,390,531 | 2,243,227 |
| In the third to fifth years inclusive | 7,080,199 | 6,888,718 |
| After the fifth year | 7,537,776 | 7,938,557 |
| Total | 19,265,533 | 19,208,333 |
| Less: amount repayable within one year | (2,257,027) | (2,137,831) |
| Long-term portion | 17,008,506 | 17,070,502 |

| 22. | BORROWINGS | (Unaudited) | (Audited) |
|--|-------------|----------------------------|--------------------------------|
| | | 30 June 2011 RMB'000 | 31 December 2010 RMB'000 |
| Non-current | | | |
| Long-term bank borrowings | | | |
| | – Secured | 12,392,414 | 13,107,405 |
| | – Unsecured | 7,666,903 | 10,247,592 |
| | | 20,059,317 | 23,354,997 |
| Current | | | |
| Current portion of long-term bank borrowings | | | |
| | – Secured | 2,200,226 | 2,011,861 |
| | – Unsecured | 4,075,609 | 2,005,721 |
| Short-term bank borrowings | | | |
| | – Secured | 745,689 | 1,324,540 |
| | – Unsecured | 12,761,216 | 9,868,538 |
| | | 19,782,740 | 15,210,660 |
| | | 39,842,057 | 38,565,657 |

| 23. | SHARE CAPITAL | (Unaudited) | (Audited) |
|--|---|----------------------------|--------------------------------|
| | | 30 June 2011 RMB'000 | 31 December 2010 RMB'000 |
| Registered, issued and fully paid of RMB1.00 each | | | |
| A shares listed on The Shanghai Stock Exchange ("A Shares") | | | |
| | – Tradable shares held by CEA Holding with trading moratorium | 4,831,375 | 4,831,375 |
| | – Tradable shares held by other investors with trading moratorium | 288,889 | 288,889 |
| | – Tradable shares without trading moratorium | 2,661,950 | 2,661,950 |
| H shares listed on The Stock Exchange of Hong Kong Limited ("H Shares") | | | |
| | – Tradable shares held by CES Global Holding (Hong Kong) Limited with trading moratorium | 1,437,375 | 1,437,375 |
| | – Tradable shares without trading moratorium | 2,056,950 | 2,056,950 |
| | | 11,276,539 | 11,276,539 |

Note:

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

- 23 -

24.

COMMITMENTS

(a) Capital commitments

The Group had the following capital commitments:

| | (Unaudited) 30 June 2011 RMB'000 | (Audited) 31 December 2010 RMB'000 |
|---|---|---|
| Authorised and contracted for: | | |
| – Aircraft, engines and flight equipment | 88,725,602 | 96,262,948 |
| – Other property, plant and equipment | 181,444 | 844,855 |
| | 88,907,046 | 97,107,803 |
| Authorised but not contracted for: | | |
| – Aircraft, engines and flight equipment | 1,773,361 | 3,282,093 |
| | 90,680,407 | 100,389,896 |

(b) Capital commitments

As at the balance sheet date, the Group had commitments under operating leases to pay future minimum lease rentals as follows:

| | (Unaudited) 30 June 2011 | | (Audited) 31 December 2010 | |
|--|--|----------------------------------|--|----------------------------------|
| | Aircraft, engines and flight equipment RMB'000 | Land and buildings RMB'000 | Aircraft, engines and flight equipment RMB'000 | Land and buildings RMB'000 |
| Within one year | 3,748,975 | 330,925 | 3,814,179 | 216,771 |
| In the second year | 3,476,991 | 176,928 | 3,427,740 | 187,636 |
| In the third to fifth years inclusive | 8,334,130 | 306,984 | 8,520,237 | 460,368 |
| After the fifth year | 6,955,347 | 2,784,252 | 7,829,784 | 2,705,609 |
| | 22,515,443 | 3,599,089 | 23,591,940 | 3,570,384 |

25.

RELATED PARTY TRANSACTIONS

The Group is controlled by CEA Holding, which directly owns approximately 42.84% of the Company's shares as at 30 June 2011 (2010: approximately 42.84%). In addition, through CES Global Holding (Hong Kong) Limited, a wholly owned subsidiary of CEA Holding, CEA Holding owns approximately 17.09% of the Company's shares as at 30 June 2011 (2010: approximately 17.09%).

| (a) | | Related party transactions | |
|--|--|------------------------------|-----------|
| | | (Unaudited) | |
| | | Income/(expense or payments) | |
| | | Six months ended 30 June | |
| | | 2011 | 2010 |
| Nature of transactions | Related party | RMB'000 | RMB'000 |
| With CEA Holding or companies directly or indirectly held by CEA Holding: | | | |
| Interest income on deposits at an average rate of 0.36% per annum (2010: 0.36% per annum) | Eastern Air Group Finance Co., Ltd. ("Eastern Finance") | 11,370 | 5,784 |
| Interest expense on loans at an average rate of 4.88% per annum (2010: 4.39% per annum) | Eastern Finance | (32,227) | (25,966) |
| Interest expense on loans at an average rate of 5.18% per annum (2010: 5.14% per annum) | CEA Holding | (460) | (2,373) |
| Commission expense on air tickets sold on behalf of the Group, at rates ranging from 3% to 9% of the value of tickets sold | Shanghai Dongmei Aviation Travel Co., Ltd. ("Shanghai Dongmei") and its subsidiaries | (8,756) | (5,242) |
| Handling charges of 0.1% to 2% for | Eastern Aviation Import & Export Co., | (23,562) | (26,989) |

| | | | |
|---|--|-----------|-----------|
| purchase of aircraft, flight equipment, flight equipment spare parts, other property, plant and equipment | Ltd. (“Eastern Import & Export”) | | |
| Repairs and maintenance expense for aircraft and engines | Shanghai Eastern Union Aviation Wheels & Brakes Overhaul Engineering Co., Ltd. | (24,914) | (29,542) |
| | Shanghai Technologies Aerospace Co., Ltd. | (82,097) | (82,455) |
| | Shanghai Pratt & Whitney Aircraft Engine Maintenance Co., Ltd. | (496,763) | (302,916) |

(Unaudited)
Income/(expense or payments)
Six months ended 30 June

| Nature of transactions | Related party | 2011 | | 2010 | |
|--|--|-----------|--|-----------|--|
| | | RMB'000 | | RMB'000 | |
| Supply of food and beverages | Shanghai Eastern Air Catering Co., Ltd. and its subsidiaries | (236,572) | | (245,664) | |
| Acquisition of air cargo business related assets and liabilities | CEA Holding | (187,729) | | – | |
| Advertising expense | Eastern Aviation Advertising Services Co., Ltd. | (12,797) | | (6,732) | |
| Media royalty fee | Eastern Aviation Advertising Services Co., Ltd. | 6,450 | | – | |
| Maintenance and repair services fee | CEA Development Co., Ltd. and its subsidiaries | (27,163) | | (19,313) | |
| | Shanghai Hute Aviation Technology Co., Ltd. | (14,320) | | (13,458) | |
| Land and building rental | CEA Holding | (21,751) | | (27,570) | |

(b) Balances with related parties

(i) Amounts due from related parties

| Nature | Company | Amounts due from related parties | |
|-------------------|--|---|--|
| | | (Unaudited) 30 June 2011 RMB'000 | (Audited) 31 December 2010 RMB'000 |
| Trade receivables | Kunming Dongmei Aviation Travel Co., Ltd. | 11,228 | 12,879 |
| | Shanghai Eastern Aviation International Travel and | | |

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| | | | |
|-------------------|--------------------------|---------|---------|
| | Transportation Co., Ltd. | 11,012 | 11,012 |
| | Others | 17,048 | 14,099 |
| | | 39,288 | 37,990 |
| Other receivables | Eastern Import & Export | 195,744 | 63,138 |
| | CEA Holding | 59,732 | 43,282 |
| | Eastern China Kaiya | | |
| | System Integration | 32,252 | 18,605 |
| | Others | 32,071 | 27,706 |
| | | 319,799 | 152,731 |

- 26 -

All the amounts due from related parties are trade in nature, interest free and payable within normal credit terms given to trade customers.

| | | (ii) Amounts due to related parties | |
|-------------------------------------|---|-------------------------------------|-------------|
| | | (Unaudited) | (Audited) |
| | | 30 June | 31 December |
| | | 2011 | 2010 |
| Nature | Company | RMB'000 | RMB'000 |
| Trade payables and notes payable | Eastern Import & Export | 500,459 | 375,602 |
| | Shanghai Eastern Air Catering Co., Ltd. | 11,191 | 23,743 |
| | Others | 55,577 | 78,859 |
| | | 567,227 | 478,204 |
| Other payables and accrued expenses | CEA Holding | 165,681 | 69,864 |
| | Others | 16,515 | 13,777 |
| | | 182,196 | 83,641 |

Except for part of the amounts due to CEA Holding, which are reimbursement in nature, all other amounts due to related parties are trade in nature. All notes payable amounts due to related parties are interest free and payable within normal credit terms given by trade creditors.

| | | (iii) Short-term deposits and borrowings with an associate and CEA Holding | | | |
|--|--|--|-------------|-------------|-------------|
| | | Average interest rate | | (Unaudited) | (Audited) |
| | | 30 June | 31 December | 30 June | 31 December |
| | | 2011 | 2010 | 2011 | 2010 |
| | | | | RMB'000 | RMB'000 |
| Short-term deposits (included in Prepayments, Deposits and Other Receivables) in Eastern Finance | | | | | |
| | | 0.36 % | 0.36 % | 1,247,087 | 1,137,218 |
| Short-term loans (included in Borrowings) from Eastern Finance | | | | | |
| | | 4.56 % | 4.26 % | 177,659 | 1,286,227 |
| Long-term loans (included in | | | | | |

| | | | | | | |
|--|------|---|------|---|--------|---------|
| Borrowings) from Eastern Finance | 5.27 | % | 5.00 | % | 95,000 | 295,000 |
| Long-term loans (included in Borrowings) from CEA Holding | 5.18 | % | 5.18 | % | – | 32,000 |

(c)

Guarantees by holding company

As at 30 June 2011, bank loans of the Group with an aggregate amount of RMB284 million (2010: RMB575 million) were guaranteed by CEA Holding.

– 27 –

26.

SEASONALITY

The civil aviation industry is subject to seasonal fluctuations, with peak demand generally in the third quarter of the year. As such, the revenues and results of the Group in the first half of the year are generally lower than those in the second half of the year.

27.

POST BALANCE SHEET EVENT

In August 2011, a wholly owned subsidiary of the Company, Eastern Air Overseas (Hong Kong) Corporation Limited (“the Issuer”) issued bond at face value of RMB2.5 billion with 3 years maturity and bear interest at 4% per annum (“the Bonds”). The Company has unconditionally and irrevocably guaranteed the due payment of all sums expressed to be payable by the Issuer under the Bonds.

- 28 -

SELECTED OPERATING INFORMATION

| | For the six months ended 30 June | | | |
|---|----------------------------------|-----------|--------|---|
| | 2011 | 2010 | Change | |
| Capacity | | | | |
| ATK (available tonne – kilometres) (millions) | 8,801.27 | 8,586.24 | 2.50 | % |
| – Domestic routes | 4,823.68 | 4,637.30 | 4.02 | % |
| – International routes | 3,577.97 | 3,562.90 | 0.42 | % |
| – Regional routes | 399.62 | 386.05 | 3.52 | % |
| ASK (available seat – kilometres) (millions) | | | | |
| – Domestic routes | 42,687.84 | 40,053.68 | 6.58 | % |
| – International routes | 16,904.96 | 13,728.68 | 23.14 | % |
| – Regional routes | 2,705.97 | 2,599.39 | 4.10 | % |
| AFTK (available freight tonne – kilometres) (millions) | | | | |
| – Domestic routes | 981.77 | 1,032.47 | –4.91 | % |
| – International routes | 2,056.52 | 2,327.32 | –11.64 | % |
| – Regional routes | 156.08 | 152.10 | 2.62 | % |
| Hours flown (thousands) | 622.17 | 570.83 | 8.99 | % |
| Traffic | | | | |
| RTK (revenue tonne – kilometres) (millions) | 6,250.89 | 5,934.42 | | |