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(b) Balances with related parties

(i) Amounts due from related companies

Company	(Unaudited)	(Audited)
	30 June 2009 RMB'000	31 December 2008 RMB'000
EAIEC*	189,017	181,788
Other related companies	15,740	26,501
	204,757	208,289

All the 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	(Unaudited)	(Audited)
	30 June 2009 RMB'000	31 December 2008 RMB'000
EAIEC*	(365,001)	(241,560)
CEA Holding	(84,813)	(69,497)
SEAC***	(6,688)	(46,580)
Other related companies	(20,037)	(55,489)
	(476,539)	(413,126)

Except for amount due to CEA Holding, which is 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.

(iii) Short-term deposits and short-term loans with EAGF, a 25% associate of the Group

	(Unaudited)	(Audited)
	30 June 2009 RMB'000	31 December 2008 RMB'000
Included in "Prepayments, Deposits and Other Receivables" are short-term deposits with an average interest rate of 0.4% (2008: 0.4%) per annum	707,309	1,202,892
Included in "Borrowings" are short-term loans with an average interest rate of 4.4% (2008: 4.3%) per annum	945,151	295,181

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(iv) State-controlled banks and other financial institutions

	(Unaudited) 30 June 2009 RMB'000	(Audited) 31 December 2008 RMB'000
Included in "Cash and Cash Equivalents" are bank deposits with an average interest rate of 0.4% (2008: 0.4%) per annum	2,612,384	1,762,245
Included in "Borrowings" are long-term loans with an average interest rate of 5.0% (2008: 5.3%) per annum	14,945,495	14,577,150

(c) Guarantees by holding company

Certain unsecured bank borrowings of the Group totaling of RMB457 million (2008: RMB357 million) were guaranteed by CEA Holding (Note 18). No bank borrowing of the Company was guaranteed by CEA Holding as at 30 June 2009 (2008: Nil).

Notes:

*EAGF is a 25% associate of the Group. SDATC is a 27.16% associate of the Group, CAASC and EAIEC are both 45% associates of the Group.

** Wheels & Brakes and STA are 40% and 51% jointly controlled entities of the Group respectively.

***These companies are related companies of the Group as they are either, directly or indirectly, controlled by, under the joint control or significant influence of CEA Holding.

22. Seasonality

The civil aviation industry is subject to seasonal fluctuations, with peak demand during the holiday season in the second half 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.

23. Contingent liabilities

In 2005, the family members of certain victims in the aircraft (the aircraft was then owned and operated by China Eastern Air Yunnan Company) accident, which occurred in Baotou on 21 November 2004, sued the Company in a U.S. court for compensation. On 5 July 2007, pursuant to several conditions with which the Company has complied, the Superior Court of the State of California ordered the action stayed on the grounds of forum non convenience for the purpose of permitting proceedings in the PRC. On 20 February 2008, the plaintiff filed a motion with the Superior Court of the State of California to lift the stay, but the motion was rejected by the court on 6 May 2008. The plaintiff filed a second motion to lift the stay on 10 July 2008. On 27 August 2008, the Superior Court of the State of California rejected the motion of the plaintiff again. After the case entered the procedures on appeal in the California Court of Appeal, the Court of Appeal of California issued an option on 26 February 2009, dismissing the appeal of the plaintiff and affirming the original order. On 16 March 2009, the Chinese counsel of the plaintiff sued the Company on behalf of the family members of victims in the Beijing No. 2 Intermediate People's Court. The case is under the filing procedure and no official summons from the court has been received by the Company. The management of the Group believes that even if there would be a negative outcome for this case, it will not have an adverse effect on the

financial condition and results of operations of the Company.

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24.

Post balance sheet events

(a) Specific mandates in relation to issuance of new A Shares and new H Shares

On 10 July 2009, the Board resolved to convene an extraordinary shareholders' meeting and the class meetings of the holders of A Shares of the Company ("A Shares") and H Shares of the Company ("H Shares") respectively on 7 September 2009 for the grant of (i) an A Share Specific Mandate to the Board to issue not more than 1,350,000,000 new A Shares to not more than 10 specific investors (subject to the maximum number as permitted by PRC laws and regulations at the time of the issuance) including CEA Holding, at the subscription price of not less than RMB4.75 per A Share; and (ii) a H Share Specific Mandate to the Board to issue not more than 490,000,000 new H Shares to CES Global, at the subscription price of not less than HK\$1.40 per H Share.

(b) Proposed absorption of Shanghai Airlines through exchange of shares

On 10 July 2009, the Company entered into an agreement with Shanghai Airlines Co., Ltd ("Shanghai Airlines") in relation to a proposed absorption of Shanghai Airlines through share exchanges at the rate of 1.3 A Shares in exchange of 1 share of Shanghai Airlines (i.e. in aggregate a maximum of 1,694,838,860 A Shares in exchange of 1,303,722,200 shares of Shanghai Airlines). A separate extraordinary shareholders' meeting and respective class meetings will be convened to approve the proposed absorption (the "Absorption Proposal").

Upon full implementation of the terms of the Absorption Proposal, after the approvals by the shareholders of the Company and Shanghai Airlines, together with the requisite consents and approvals from the relevant government authorities has been obtained, all the assets, business, staff and rights of Shanghai Airlines, including but not limited to all operating licence, registration and filing and route operating rights, will be absorbed into and all the liabilities of Shanghai Airlines will be assumed by the Company or a wholly owned subsidiary of the Company to be used to absorb all the assets and assume all the liabilities of Shanghai Airlines.

(c) Additional credit facilities

On 31 July 2009, the Company was granted by CEA Holding to use a four year credit facility of RMB30 billion that CEA Holding obtained from China Development Bank.

SUMMARY OF SELECTED OPERATING DATA

	For the six months ended 30 June		
	2009	2008	Change
Capacity			
ATK (available tonne-kilometres) (millions)	6,053.36	5,752.20	5.24%
— Domestic routes	3,425.60	2,605.81	31.46%
— International routes	2,346.90	2,796.65	-16.08%
— Regional routes	280.86	349.74	-19.69%
ASK (available seat-kilometres) (millions)			
ASK (available seat-kilometres) (millions)	40,731.12	37,348.73	9.06%
— Domestic routes	28,329.16	22,088.44	28.25%
— International routes	10,441.04	12,900.38	-19.06%
— Regional routes	1,960.92	2,359.91	-16.91%
AFTK (available freight tonne-kilometres) (millions)			
AFTK (available freight tonne-kilometres) (millions)	2,387.56	2,390.81	-0.14%
— Domestic routes	875.97	617.85	41.78%
— International routes	1,407.21	1,635.62	-13.96%
— Regional routes	104.38	137.35	-24.00%
Hours flown (thousands)	403.18	368.08	9.54%
Traffic			
RTK (revenue tonne-kilometres) (millions)	3,663.76	3,613.15	1.40%
— Domestic routes	2,219.07	1,787.56	24.14%
— International routes	1,294.04	1,632.85	-20.75%
— Regional routes	150.65	192.74	-21.84%
RPK (revenue passenger-kilometres) (millions)			
RPK (revenue passenger-kilometres) (millions)	28,848.84	26,558.20	8.62%
— Domestic routes	21,131.26	16,628.64	27.08%
— International routes	6,426.69	8,389.29	-23.39%
— Regional routes	1,290.89	1,540.27	-16.19%

	For the six months ended 30 June		
	2009	2008	Change
RFTK (revenue freight tonne-kilometres) (millions)	1,087.99	1,241.07	-12.33%
— Domestic routes	329.71	300.63	9.67%
— International routes	722.16	884.75	-18.38%
— Regional routes	36.12	55.69	-35.14%
Number of passengers carried (thousands)	20,788.06	18,111.84	14.78%
— Domestic routes	17,886.54	14,410.16	24.12%
— International routes	1,963.14	2,620.30	-25.08%
— Regional routes	938.38	1,081.39	-13.22%
Weight of freight carried (kg) (millions)	413.38	449.97	-8.13%
— Domestic routes	238.92	228.53	4.55%
— International routes	147.15	183.40	-19.77%
— Regional routes	27.31	38.05	-28.23%
Load factors			
Overall load factor (%)	60.52	62.81	-2.29
— Domestic routes	64.78	68.60	-3.82
— International routes	55.14	58.39	-3.25
— Regional routes	53.64	55.11	-1.47
Passenger load factor (%)	70.83	71.11	-0.28
— Domestic routes	74.59	75.28	-0.69
— International routes	61.55	65.03	-3.48
— Regional routes	65.83	65.27	0.56
Freight load factor (%)	45.57	51.91	-6.34
— Domestic routes	37.64	48.66	-11.02
— International routes	51.32	54.09	-2.77
— Regional routes	34.61	40.55	-5.94
Break-even load factor (%)	60.77	71.75	-10.98
Yield and costs			
Revenue tonne-kilometers yield (RMB)	4.41	5.30	-16.79%
— Domestic routes	4.90	5.78	-15.22%
— International routes	3.39	4.64	-26.94%
— Regional routes	6.00	6.46	-7.12%

	For the six months ended 30 June		
	2009	2008	Change
Passenger-kilometers yield (RMB)	0.51	0.62	-17.74%
— Domestic routes	0.50	0.60	-16.67%
— International routes	0.52	0.65	-20.00%
— Regional routes	0.60	0.65	-7.69%
Freight tonne-kilometers yield (RMB)	1.41	2.23	-36.77%
— Domestic routes	1.11	1.24	-10.48%
— International routes	1.43	2.43	-41.15%
— Regional routes	3.61	4.47	-19.24%
Available tonne-kilometers unit cost (RMB)	2.68	3.78	-29.10%
Daily average utilisation rate of aircraft	9.3	9.1	2.20%

MANAGEMENT DISCUSSION AND ANALYSIS

Review of operations

As at 30 June 2009, the Group operated approximately 6,628 scheduled flights per week to 20 countries serving a total of 138 domestic and foreign cities. As at 30 June 2009, the Group added a total of six aircraft to its fleet, including the purchase of three A320 aircraft, two B737-700 aircraft and one B737-800 aircraft, and surrendered the lease of three aircraft comprising two B737-300 aircraft and one B737-800 aircraft. As at 30 June 2009, the Group operated a total of 243 aircraft, including 217 passenger jets each with a seating capacity of over 100 seats and 11 jet freighters.

As at 30 June 2009, in terms of the number of flight take-off and landing, the Group accounted for 37.8% and 28.7% of all flights at Hongqiao Airport and Pudong Airport, respectively.

During the first half of 2009, the global recession arising from the financial crisis still persists. It is believed that 2009 will be the most difficult year for the air transportation industry. For the international civil aviation industry, the global demand for passenger and cargo transportation declined significantly. For the civil aviation industry of China, the negative growth in the international aviation market demand since the second half of last year still continues. In particular, the demand for air transportation in the markets of Europe and the United States, Japan and South Korea and Hong Kong decreased drastically. As Shanghai, where the Group is based, is more internationalized, the impact from the financial crisis was most prominent. Accordingly, the demand growth rate in Shanghai's aviation market was far lower than the national average growth level of the PRC. Since May 2009, the global civil aviation industry was further affected by the H1N1 flu pandemic, adding uncertainty to the future demand in the aviation market. Although the prices of the international crude oil and aviation fuel decreased significantly when compared with the same period of last year, and an effective control of operating costs was achieved by the Group's active control on reducing costs and expenditure and the growth scale of transportation capacity during the past half year, the overall decline in demand on the air transportation market had a material adverse impact on the Group's results.

In terms of passenger traffic, the Group successfully re-allocated its capacity according to the market demand by closing down certain international long-distance routes which recorded great loss, adjusting the aircraft models for some international and regional routes and increasing the input of capacity for the domestic market. More capacity has been put into key markets including Shanghai, the Group's base, and regional hubs including Xi'an, Kunming, Beijing, Hangzhou and Chengdu. At present, the number of express and sub-express routes departing from Shanghai have grown to 15. The Group has established a real time dynamic control system on flight seating by way of consolidating the revenue management, provided a lot of transit products by way of strengthening its sales network and actively explored the market of group customers through developing marketing channels and promoting customer manager system to strengthen its efforts in direct-sale. In order to actively enhance the Group's overall revenue, we have proactively promoted business cooperation with certain banks and telecommunications operators and developed the '95530' information platform integrating marketing with customer services, and put great efforts in developing B2C website direct-sale and telephone payment.

In terms of freight transport, the Group actively implemented measures to increase cargo revenue by way of resource integration and developing businesses through the cargo bay of passenger aircraft, thereby establishing Shanghai as a freight transport hub; strengthened its transit businesses by commencing the truck flights between the major cities in Yangtze River Delta and Shanghai. Besides, we also adjusted our marketing mode and established various customer service and sales groups. We also made use of the excess capacity, to launch charter aircraft business in order to increase revenue. Further, by adjusting its product structure and actively putting more marketing efforts for specialty goods, the Group recorded an increase both in the volume of specialty goods and revenue accordingly.

In terms of services, the Group endeavoured to build its core service brands such as 'Ling-yan' and China Eastern Express. Meanwhile, the Group has been improving its evaluation mechanism on service quality and stepping up its efforts in addressing and investigating passengers' complaints, with a view to boosting passengers' satisfaction. Committed to promoting the on-time flight rate, the Group has launched the special rectification measures against flight delays and strengthened on-site operational management and coordination on the ground. As a result, the Group maintained its leading position in the industry as regards the punctuality rate of its flights.

Operational revenues

As at 30 June 2009, the total traffic volume of the Group was 3,664 million tonne-kilometres, representing an increase of 1.40% from the same period last year, while traffic revenues amounted to RMB16,171 million, representing a decrease of 15.57% from the same period last year. It was primarily due to decrease in revenue per unit which in turn was attributable to the intensified competition in the domestic market of air transportation with a lack of international and regional market demand for air transportation under the global financial crisis.

During the first half of 2009, passenger traffic volume was 28,849 million passenger kilometres, representing an increase of 8.62% from the same period last year. Compared to the same period last year, passenger revenues decreased by 10.66% to RMB14,639 million, accounting for 90.53% of the Group's transportation revenues. It was primarily due to the lack of market demand for air transportation under the global financial crisis, with the most notable impact on our international and regional routes, in which the competition in respect of domestic routes became more intensified, and the revenue per unit dropped accordingly.

Passenger traffic volume on domestic routes was 21,131 million passenger-kilometres, representing an increase of 27.08% from the same period last year. The domestic passenger revenues increased by 5.52% to RMB10,516 million, accounting for 71.83% of total passenger revenues.

Passenger traffic volume on international routes was 6,427 million passenger-kilometres, representing a decrease of 23.39% from the same period last year. The international passenger revenues decreased by 38.27% to RMB3,349 million, accounting for 22.88% of total passenger revenues.

Passenger traffic volume on regional routes was 1,291 million passenger-kilometres, representing a decrease of 16.19% from the same period last year. The regional passenger revenues decreased by 22.29% to RMB774 million, accounting for 5.29% of total passenger revenues.

During the first half of 2009, cargo and mail traffic volume was 1,088 million tonne-kilometres, representing a decrease of 12.33% from the same period last year. The freight transport revenues was RMB1,532 million, accounting for 9.47% of the Group's transport, representing a decrease of 44.65% from the same period last year. It was primarily due to the large drop in transportation prices under the sharp decrease of demand for cargo transportation by air under the impact of the global financial crisis.

Operating expenses

Total operating costs of the Group for the first half of 2009 decreased by 25.12% to RMB16,217 million compared to the same period last year. It was mainly attributable to the substantial decrease in the expenditure on aircraft fuel as compared to the same period last year caused by the drop in international oil prices.

During the first half of 2009, the Group's expenditure on aircraft fuel was RMB5,121 million, representing a decrease of 40.88% compared to the same period last year. It was mainly attributable to the substantial decrease in the average price of aircraft fuel as compared to the same period last year.

During the first half of 2009, the Group's take-off and landing charges were RMB2,673 million, representing an increase of 0.72% from the same period last year.

During the first half of 2009, the Group's gain on fair value movements of fuel option contracts was RMB2,794 million, representing an increase of RMB2,343 million compared to the same period last year.

During the first half of 2009, the Group's depreciation and amortisation were RMB2,529 million, representing an increase of 10.31% compared to the same period last year.

During the first half of 2009, the Group's wages, salaries and benefits expenses were RMB2,270 million, representing an increase of 11.88% compared to the same period last year.

During the first half of 2009, the Group's aircraft maintenance expenses were RMB1,210 million, representing an increase of 11.80% compared to the same period last year.

During the first half of 2009, the Group's in-flight food and beverages expenses were RMB613 million, representing a decrease of 6.90% compared to the same period last year.

During the first half of 2009, the Group's aircraft operating lease rentals were RMB1,267 million, representing a decrease of 6.99% compared to the same period last year.

During the first half of 2009, the Group's other operating lease rentals were RMB192 million, representing an increase of 14.19% compared to the same period last year.

During the first half of 2009, the Group's selling and marketing expenses were RMB860 million, representing an increase of 7.25% compared to the same period last year.

During the first half of 2009, the Group's payment of civil aviation infrastructure levies increased by 14.32% to RMB427 million compared to the same period last year.

During the first half of 2009, the Group's office, administrative and other expenses decreased by 11.66% to RMB1,719 million compared to the same period last year. It was mainly due to the Group's stepped-up efforts in cost control with its implementation of various cost-cut measures.

Other income and other gain

During the first half of 2009, the Group's other income and other gain increased by 177.85% to RMB1,113 million compared to the same period of last year, mainly as a result of the return of civil aviation infrastructure levies paid.

Finance costs

During the first half of 2009, the Group's finance revenue was RMB146 million, and finance costs were RMB1,131 million, primarily comprising the interest expense of RMB930 million on loans from banks, other financial institutions and other payables, representing a decrease of 0.21% compared to the same period last year, and the interest expense of RMB264 million on finance lease obligations, representing a decrease of 21.66% compared to the same period last year.

Operating profit/(loss)

The Group's profit attributable to equity holders for the six months ended 30 June 2009 was RMB985 million, while its profit per share attributable to equity holders was RMB0.20 (the weighted average number of ordinary shares the Company issued and outstanding as at 30 June 2009 was 4,954.304 million shares).

Liquidity, capital resources and capital structure

The Group generally finances its working capital requirements through business operations and short-term bank loans. As at 30 June 2008 and 2009, the Group had cash and cash equivalents of RMB4,618 million and RMB3,797 million respectively. Net cash generated by the Group's operating activities was RMB1,216 million of inflow and RMB563 million of outflow during the period ended 30 June 2008 and 2009 respectively. Other than expenditure on operating costs, the Group's primary cash requirements in the first half of 2009 were for acquisitions of, and improvements in, aircraft and flight equipment and for payment of related indebtedness. During the period ended 30 June 2008 and 2009, the Group's net cash employed in investment activities was RMB2,991 million and RMB1,840 million respectively. During the period ended 30 June 2008, the net cash generated from the Group's financing activities was RMB4,772 million, mainly for the repayment of long-term loans, finance leases and short-term loans. The net cash inflow from the Group's financing activities during the period ended 30 June 2009 was RMB2,746 million, which was mainly derived from proceeds of bank borrowings.

The Group generally operates with net current liabilities. As at 30 June 2009, the Group's current liabilities exceeded its current assets by RMB34,151 million, and the ratio of long-term loans to equity was 1.27:1. For years, the Group has arranged, and believes it will be able to continue to arrange, short-term loans through domestic banks or foreign-invested banks in China to meet its working capital requirements.

Pledges on assets and contingent liabilities

The Group generally finances its purchases of aircraft through leases secured by its assets. As at 30 June 2009, the total value of the Group's mortgaged assets amounted to RMB9,377 million, representing an increase of 7.50% from RMB 8,723 million as at the end of 2008.

Employees

As at 30 June 2009, the Group had about 44,798 employees, the majority of whom are located in China. The wages of the Group's employees generally consist of basic salaries and performance bonuses. During the first half of 2009, the Group was not involved in any major labour disputes with its employees, nor has it experienced a substantial reduction in the number of employees, nor has the Group encountered any difficulty in recruiting new employees.

Outlook for the second half of 2009

The Group would like to caution readers of this announcement that the Group's 2009 interim results announcement contains certain forward-looking statements, such as descriptions of the Group's work plans for the second half of the year and beyond, and forward-looking statements on the global and domestic economies and aviation markets. Such forward-looking statements are subject to numerous uncertainties and risks, and actual events may be materially different from those indicated in the Group's forward-looking statements.

According to the economic data in respect of the first half of 2009 announced by various countries, signs of stability and recovery have been seen in the global economy. Regarding China, a GDP growth of 7.1% was recorded in the first half of 2009, showing that the proactive fiscal policy and the appropriately loose monetary policy adopted by the Chinese Government have effectively given a huge impetus to the economy. It is expected that the GDP growth of China for the year would reach about 8% and China's economy would become the key pivot for the stability and recovery of the world's economy. The aviation market demand will be boosted under the economic transformation of the PRC, expansion in investment and encouraged consumption of China. The steps to make Shanghai an aviation hub together with the World Expo 2010 Shanghai which is drawing near, will create a lot of business opportunities which are precious to the development of the Group.

In order to sustain the organic growth of the Group, increase its competitiveness and maintain its market share, and to meet the varying market demand and needs of flight route optimization, the Group will introduce seven A320, five B737-700, three B737-800 passenger aircraft to its fleet during the second half of 2009. Meanwhile, the Group will also plan to dispose of some aged aircraft in due course, so as to optimize its aircraft fleet and keep a balanced growth for its transportation capacity.

In view of the current market operating environment and the Group's actual situation, the Group intends to undertake specific measures in the second half of 2009 as follows:

1. In terms of safety, the Group will strengthen its management basis, effectively set up the SMS safety system, enhance safety knowledge and skills training and improve aircraft maintenance and management, sparing no effort to ensure safety.
2. In terms of passenger traffic, the Group will endeavor to put greater efforts in the flight route optimization and allocation, seating control and pricing management, enhancing the overall revenue and service quality, establishing the infrastructures of transport hubs and consolidating the network transit route services. The Group will focus on the transformation of its sales and marketing division to boost the marketing strength, formulating an improved sales representatives and customer-service managers system, refining the channel management for domestic and overseas markets, exploring the international market for main-stream customers, comprehensively enhancing the marketing strength for long-distance flight routes. Further, the Group will reinforce the establishment of direct sale channels and collaborate with third parties such as e-payment enterprises, telecommunication service providers and banks to launch comprehensive marketing campaigns and integrate the resources for our B2C website, '95530' customer-service hotline and mobile platforms for the purpose of setting up a centralized e-business platform. The Group will put more efforts in exploring the markets of group customers and regular tourists, setting up our customer management and sales system, intensively launching the marketing program for regular tourists to promote the corresponding tourist volume and flight passenger rate. To capitalize on the World Expo 2010 Shanghai, the Group will actively launch its intensive marketing activities, design diversified thematic aviation products, and thereby promote our corporate and brand image.

3. In terms of freight transport, the Group will expand its hub network for freight transport, facilitate the inter-connection of passenger and freight aircraft networks, allocate scheduled truck flights, strengthen the revenue management, standardize the pricing management process, enhance the customer relationship management and increase the proportion of major clients. Besides, the Group will commence the strategic alliance with logistics companies, continue to promote the sale in respect of specialty cargoes, progressively nurture the ability and goodwill in specialty cargo freight as well as the related brand building. We will also launch the comprehensive cargo tracking to keep abreast of the real-time transportation status, consolidate our ground freight service to maintain the competitive edge, shorten the time required for cargo delivery and cut-off, implement and refine the operating modes of peripheral marketing and service control in order to enhance the quality of services rendered by outports.
4. In terms of cost control, the Group will control capital expenditure and restrain the increase in fixed cost at the outset. It will strictly control aircraft fuel consumption, cut down repair and maintenance costs and control the supplies on board and service fees. The costs of overseas crew will also be reduced, with the work flow improved and the service cycle shortened in order to reduce the costs of procurement. In addition, the Group will refine its debt structure for the purpose of capital risk aversion, and reduce the capital costs to seek favourable treatment.
5. In terms of enhancing brand services, the Group will enhance its service capabilities on the basis of hub building. It will further shorten the closing period for check-in on the main airlines, and conduct the “One-ticket Service, Single Check-in for Luggage” activities comprehensively. The Group will also expedite the design and development of service products and improve the service process. In addition, we shall establish a service evaluation standard based on customers’ satisfaction level and enhance the ability to make prompt responses with improved services. In the meantime, the Group will also put greater efforts in the area of service hardware, and focus on the revamping of service facilities of the first and business classes both in the air and on the ground. The Group will also improve the customer services skills and communication abilities of the staff and establish the system of customer-service managers, thereby attaining a higher degree of satisfaction of high-end customers. The Group will continue to put high emphasis on the proper operation of flights, upgrade its emergency responses as well as maintain the leading position in the industry in terms of the flight punctuality rate.
6. In terms of integration and cooperation, the Group will actively procure business integration and cooperation with Shanghai Airlines based on the corporate culture integration as our focus. The Group will further explore any room for business development, enhance the research and discussion on joining of airlines alliance, and to improve the operation of the Company.

FLEET PLANNING

As at 30 June 2009, the details of our aircraft on order, which are scheduled and expected to be introduced and put into service, are as follows:

Year of delivery	Type of aircraft	Number of aircraft
Second half of 2009	A320	7
	B737-700	5
	B737-800	3
2010	A320	14
	B737-700	4
	B737-800	2
2011	A320	11
	B787	3
	B737-700	1

MATERIAL MATTERS

1. Dividends

The Board does not recommend payment of any interim dividend for the six months ended 30 June 2009.

2. Share capital structure*

	Total number of Shares	Approximate Percentage of shareholding (%)
I. A shares		
1. Listed shares with trading moratorium	4,341,375,000	56.08
2. Listed shares without trading moratorium	396,000,000	5.12
II. H shares	3,004,325,000	38.80
III. Total number of shares	7,741,700,000	100

* Please refer to the announcements of the Company dated 26 June 2009 and 2 July 2009 respectively for details.

3. Purchase, sale or redemption of securities

During the six months ended 30 June 2009, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of its issued securities (“securities” having the meaning ascribed thereto under Article 1 of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”)), without taking into account any issue of new securities.

4. Corporate governance practices

The Board has reviewed the relevant provisions and corporate governance practices under the codes of corporate governance practices adopted by the Company, and took the view that the Company’s corporate governance practices during the six months ended 30 June 2009 met the requirements under the code provisions in the Code on Corporate Governance Practices set out in Appendix 14 to the Listing Rules.

5. Material litigation and arbitration

In 2005, the family members of certain victims in the aircraft accident (the aircraft was then owned and operated by China Eastern Air Yunnan Company), which occurred in Baotou on 21 November 2004, sued the Company in a U.S. court for compensation. On 5 July 2007, pursuant to several conditions precedent with which the Company has complied, the Superior Court of the State of California ordered the action stayed on the grounds of forum non-conveniens for the purpose of permitting proceedings in the PRC. On 20 February 2008, the plaintiff filed a motion with the Superior Court of the State of California to lift the stay, but the motion was rejected by the court on 6 May 2008. The plaintiff filed a second motion to lift the stay on 10 July 2008. On 27 August 2008, the Superior Court of the State of California rejected the motion of the plaintiff again. After the case entered the procedures on appeal in the Court of Appeal of California, which then issued an opinion on 26 February 2009, dismissing the appeal of the plaintiff and affirming the original order. On 16 March 2009, the Chinese counsel of the plaintiff sued the Company on behalf of the family members of victims in the Beijing No. 2 Intermediate People’s Court. The case is under the filing procedure and no official summons from the court has been received by the Company. The management of the Group believes that a negative outcome of the case will not have an adverse effect on the financial condition and results of operations of the Company. The Group intends to provide updates to the shareholders regarding the progress of the litigation.

Save as disclosed above, the Group was not involved in any other material litigation or arbitration during the six months ended 30 June 2009.

6. Audit Committee

The Audit Committee of the Company has reviewed the accounting principles and methods adopted by the Group with the management of the Company, and has discussed with the Board regarding the internal control and financial reporting issues, including a review of the unaudited interim financial statements of the Group for the six months ended 30 June 2009.

The Audit Committee does not have any difference in opinions on the accounting principles and methodology adopted by the Group.

7. Changes in personnel

Name	Date of Appointment/ Termination	Approval Organization	Position
Termination			
Li Fenghua	3 February 2009	the first extraordinary general meeting in 2009	Director
Cao Jianxiong	3 February 2009	the first extraordinary general meeting in 2009	Director
Wang Taoying	26 March 2009	the 2009 first group meetings of the 5th meetings of the 4th session employee's representatives conference	Employee representative supervisor
Yang Jie	26 March 2009	the 2009 first group meetings of the 5th meetings of the 4th session employee's representatives conference	Employee representative supervisor

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Name	Date of Appointment/ Termination	Approval Organization	Position
Luo Weide	31 March 2009	the 23rd meeting of the 5th session of the Board	Chief Financial Officer
Peter Lok	13 June 2009	the 2008 Annual General Meeting	Independent non-executive director
New Appointment			
Liu Shaoyong	3 February 2009	the first extraordinary general meeting in 2009	Director
Liu Shaoyong	3 February 2009	the 20th meeting of the 5th session of the Board	Chairman
Ma Xulun	3 February 2009	the first extraordinary general meeting in 2009	Director
Yan Taisheng	26 March 2009	the 2009 first group meetings of the 5th meetings of the 4th session employee's representatives conference	Employee representative supervisor
Feng Jinxiong	26 March 2009	the 2009 first group meetings of the 5th meetings of the 4th session employee's representatives conference	Employee representative supervisor
Wu Yongliang	31 March 2009	the 23rd meeting of the 5th session of the Board	Chief Financial Officer
Sandy Ke-Yaw Liu	13 June 2009	the 2008 Annual General Meeting	Independent non-executive director

8. Changes of Directors and supervisors under Rule 13.51B(1) of the Listing Rules

Changes of Directors and supervisors disclosed pursuant to Rule 13.51B(1) of the Listing Rules are set out as follows:

Mr. Ma Xulun became a director of (China Cargo Airlines Co., Ltd.) (a subsidiary of the Company) with effect from 4 January 2009 and became the chairman of such company with effect from 5 January 2009.

9. Miscellaneous

a. On 10 December 2008, CEA Holding entered into an A share subscription agreement (the “Original A Share Subscription Agreement”) with the Company to subscribe for new A shares to be issued by the Company. Simultaneously with the entering into of the Original A Share Subscription Agreement, (CES Global Holding Limited) (CES Global) (Hong Kong) Limited (“CES Global”) entered into an H share subscription agreement with the Company (the “Original H Share Subscription Agreement”) to subscribe for new H shares to be issued by the Company. Subsequently, the parties made adjustments to certain terms of the Original A Share Subscription Agreement and the Original H Share Subscription Agreement; on 29 December 2008, CEA Holding entered into a revised A share subscription agreement with the Company and CES Global entered into a revised H share subscription agreement with the Company. The Original A Share Subscription Agreement and the Original H Share Subscription Agreement were cancelled accordingly. On 26 February 2009, the relevant resolutions in respect of the subscriptions of newly issued A shares and H shares by CEA Holding and CES Global respectively were passed at the extraordinary general meeting and the respective class meetings of shareholders. The aforesaid agreements have been approved by relevant regulatory bodies, and the change in the company’s share capital has been completed. For details, please refer to the announcements of the Company issued in Hong Kong dated 10 December 2008, 24 December 2008, 29 December 2008, 26 February 2009, 13 May 2009, 22 May 2009, 23 June 2009, 28 June 2009, 2 July 2009 and 3 July 2009 and its circulars dated 8 January 2009 and 10 February 2009.

CEA Holding has given the following undertakings in relation to the enforcement of the aforesaid agreements: 1. Within 3 years of completion of the aforesaid issuance, it shall not transfer its interests in the shares of the Company obtained pursuant to such issuance; 2. it shall, on a best-effort basis, enable the Company to obtain the relevant land use rights certificates and property ownership certificates in relation to its capital contribution to the Company, and complete relevant legal procedures in relation to the transfer of property rights; and CEA Holding shall bear all obligations in relation to the losses caused to the Company as a result of the failure of CEA Holding in completing the relevant procedures for transferring the relevant property rights in a timely manner, and shall indemnify all the losses suffered by the Company in this regard.

b. On 15 January 2009, CEA Holding (as the principal), (Eastern Air Group Finance Company Limited) (the Company''') (as the trustee) and the Company (as the borrower) entered into an entrusted loan agreement in Shanghai, pursuant to which, the Company would obtain a short-term loan of RMB5.55 billion from CEA Holding through the Finance Company. CEA Holding, holding 59.67% of the Company's entire share capital prior to the issuance of A shares and H shares as referred to in the above paragraph, is the controlling shareholder and a connected person of the Company. Since CEA Holding is also the controlling shareholder of the Finance Company, the Finance Company is a connected person of the Company. Pursuant to the Listing Rules of the Shanghai Stock Exchange, this transaction constitutes a connected transaction of the Company. This transaction has been considered by the 19th ordinary meeting of the 5th board of directors of the Company and has been unanimously approved by all the independent Directors by means of written consent. The connected Directors have abstained from voting. Details are set out in the announcement of the Company issued in Hong Kong dated 15 January 2009.

c. Pursuant to the framework renewal agreements governing continuing connected transactions related to daily operations, which was considered and approved by the Board in its third regular meeting 2008 held on 29 April 2008, considered and approved by the Shareholders' meeting held on 30 June 2008, and considered and approved by the Board in its fifth regular meeting 2008 held on 28 October 2008, and the new framework agreement governing import and export agency services, which was considered and approved by the Board in its second regular meeting 2009 held on 15 April 2009, revisions have been made to the estimated caps for transactions for 2009 and 2010. Estimated and actual figures for 2009 are set out as follows:

Category	Incurred up to 30 June 2009 (RMB)	Estimated 2009 annual caps for transactions as approved (RMB)
Financial Services Agreement (balance of deposit)	707 million	2,500 million
Catering Services Agreement	154.60 million	540.39 million
Import and Export Agency Agreement	21.26 million	60 million
Maintenance Services Agreement	4.32 million	18 million
Property Leasing Agreement	27.57 million	60 million
Advertising Agency Services Agreement	0.64 million	23.50 million
Sales Agency Services Agreement (agency fee)	0.13 million	17.15 million
Automobile Repairing Services Agreement	13.57 million	35 million

- d. On 30 April 2009, the Company entered into the Aircraft Sale and Purchase Agreements and the Aircraft Lease Agreements with [31199;36035](#); (Bank of Communications Financial Leasing Co., Ltd.) in connection with two Airbus A340 series aircraft, pursuant to which, the Company will sell and lease back the two Airbus A340 series aircraft. Details are set out in the announcement of the Company issued in Hong Kong dated 30 April 2009.
- e. On 15 June 2009, the Company entered into the aircraft purchase agreement with Airbus SAS in Shanghai, regarding the purchase of twenty Airbus A320 series aircraft (with engines). Details are set out in the announcement of the Company issued in Hong Kong dated 17 June 2009.
- f. The principal place of business of the Company in Hong Kong has been changed from 5th Floor, McDonald's Building, 48 Yee Wo Street, Hong Kong to Unit B, 31/F., United Centre, 95 Queensway, Hong Kong. Details are set out in the announcement of the Company issued in Hong Kong dated 3 July 2009.
- g. On 10 July 2009, the Board resolved, among others, to convene an extraordinary general meeting and the respective class meetings for the grant of specific mandates to the Board (i) to issue not more than 1,350,000,000 new A Shares to not more than 10 specific investors (subject to the maximum number of specific investors as permitted by PRC laws and regulations at the time of the issuance) including CEA Holding, at an issue price of not less than RMB4.75 per A Share ("A Share Specific Mandate"); and (ii) to issue not more than 490,000,000 new H Shares to CES Global, at an issue price of not less than HK\$1.4 per H Share ("H Share Specific Mandate").

In relation to and as part of the transactions contemplated under the A Share Specific Mandate, on 10 July 2009, CEA Holding entered into the A Share Subscription Agreement with the Company, pursuant to which, CEA Holding agreed to subscribe for, and the Company agreed to issue, not more than 490,000,000 new A Shares at the subscription price of not less than RMB4.75 per A Share.

In relation to and as part of the transactions contemplated under the H Share Specific Mandate, on 10 July 2009, CES Global entered into the H Share Subscription Agreement with the Company, pursuant to which, CES Global agreed to subscribe for, and the Company agreed to issue, not more than 490,000,000 new H Shares at the subscription price of not less than HK\$1.40 per H Share.

The extraordinary general meeting and the respective class meetings of the Company are scheduled to be held on 7 September 2009 for considering, among others, A Share Specific Mandate and H Share Specific Mandate and transactions contemplated thereunder. Details are set out in the announcement of the Company dated 10 July 2009 and the circular of the Company dated 24 July 2009, both issued in Hong Kong.

h. On 10 July 2009, the Company entered into an absorption agreement with 上海航空有限公司 (Shanghai Airlines Co., Ltd) (“Shanghai Airlines”) in relation to the absorption of Shanghai Airlines by way of the issuance of new A Shares in exchange for the existing issued shares of Shanghai Airlines on the basis of 1.3 A Shares for every existing issued share of Shanghai Airlines. A separate extraordinary general meeting and respective class meetings will be convened by the Company for the purpose of approving the intended absorption proposal. Details are set out in the announcement of the Company issued in Hong Kong dated 10 July 2009.

By order of the Board
CHINA EASTERN AIRLINES CORPORATION LIMITED
Liu Shaoyong
Chairman

Shanghai, PRC
10 August 2009

The directors of the Company as at the date of this announcement are:

Liu Shaoyong	(Chairman)
Li Jun	(Vice Chairman)
Ma Xulun	(Director, President)
Luo Chaogeng	(Director)
Luo Zhuping	(Director, Company Secretary)
Hu Honggao	(Independent Non-executive Director)
Wu Baiwang	(Independent Non-executive Director)
Zhou Ruijin	(Independent Non-executive Director)
Xie Rong	(Independent Non-executive Director)
Sandy Ke-Yaw Liu	(Independent Non-executive Director)