

CHINA EASTERN AIRLINES CORP LTD

Form 6-K

September 19, 2014

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 6-K

Report of Foreign Private Issuer

Pursuant to Rule 13a-16 or 15d-16

under the Securities Exchange Act of 1934

For the month of September 2014

Commission File Number: 001-14550

China Eastern Airlines Corporation Limited

(Translation of Registrant's name into English)

Board Secretariat's Office

Kong Gang San Lu, Number 88

Shanghai, China 200335

(Address of principal executive offices)

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

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

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

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

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

SIGNATURES

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

China Eastern Airlines Corporation Limited
(Registrant)

Date September 19, 2014 **By/s/** Wang Jian
Name: Wang
Jian
Title: Joint
Company
Secretary

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

WORLD-CLASS

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Eastern Charm

INTERIM REPORT 2014

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

(Stock Code: 00670)

This interim report is printed on environmentally friendly paper.

The directors of China Eastern Airlines Corporation Limited (the “Company”) hereby present the unaudited interim consolidated financial information of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2014 (which were reviewed and approved by the board of directors and the audit and risk management committee of the Company on 29 August 2014), with comparative figures for the corresponding financial information in 2013.

The interim consolidated financial information of the Group for the six months ended 30 June 2014 is unaudited and does not necessarily indicate annual or future results. Investors should not place undue reliance on the interim consolidated financial information of the Group for the six months ended 30 June 2014.

China Eastern Airlines Corporation Limited Interim Report 2014

DEFINITIONS

In this report, unless the context otherwise requires, the following expressions have the following meanings:

Available freight tonne – kilometres (AFTK)	means the sum of the maximum tonnes of capacity available for the carriage of cargo and mail multiplied by the distance flown for every route
Articles	means the articles of association of the Company
Available seat – kilometres (ASK)	means the sum of the maximum number of seats made available for sale multiplied by the distance flown for every route
Available tonne – kilometres (ATK)	means the sum of capacity available for the carriage multiplied by the distance flown for every route
Board	means the Board of Directors of the Company
CAAC	means the Civil Aviation Administration of China
CEA Holding	means (China Eastern Air Holding Company), the controlling shareholder of the Company
CES Finance	means (CES Finance Holding Co. Ltd), originally named (CES Finance Holding Co. Ltd), a wholly-owned subsidiary of CEA Holding and a substantial shareholder of the Company
CES Global	means (CES Global Holdings (Hong Kong) Limited), a direct wholly-owned subsidiary of CES Finance, an indirect wholly-owned subsidiary of CEA Holding and a substantial shareholder of the Company
China Eastern Airlines, CEA, or the Company	means (China Eastern Airlines Corporation Limited)
China United Airlines	means (China United Airlines Co., Ltd.), a wholly-owned subsidiary of the Company

China Eastern Airlines Corporation Limited Interim Report 2014

DEFINITIONS

Code	means the Corporate Governance Code set out in Appendix 14 to the Listing Rules
Code sharing	means a widely adopted marketing arrangement for all airlines across the world. Pursuant to the code sharing agreements entered into with other airlines, an airline may conduct sales for the seats of code sharing flights operated by other airlines as its own products
CSRC	means the China Securities Regulatory Commission
Directors	means the directors of the Company
Eastern Air Overseas	means () (Eastern Air Overseas (Hong Kong) Co., Ltd.), a wholly-owned subsidiary of the Company
Eastern Air Tourism	means ;() (Eastern Air Tourism Investment (Group) Co., Ltd.), a wholly-owned subsidiary of the CEA Holding
Eastern Logistics	means ; (Eastern Airlines Logistics Co., Ltd.), a wholly-owned subsidiary of the Company
Freight load factor	means the ratio of freight traffic volume to AFTK
Freight tonne – kilometres yield	means the ratio of the sum of freight transportation and related revenue to freight traffic volume
Frequent flyer program	means the promotional method which mainly offers rewards to passengers who frequently take the flights of the airlines by accumulating flight kilometers, so as to nurture their loyalty to the airlines

China Eastern Airlines Corporation Limited Interim Report 2014

DEFINITIONS

HKSCC	means Hong Kong Securities Clearing Company Ltd., which operates the Central Clearing and Settlement System of Hong Kong. Hong Kong Securities Clearing Company Ltd. is a wholly-owned subsidiary of the Hong Kong Stock Exchange. Securities of H share investors are deposited in concentration in Hong Kong Securities Clearing Company Ltd.
Hong Kong Stock Exchange	means The Stock Exchange of Hong Kong Limited
Listing Rules	means the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
Model Code	means the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules
Overall load factor	means the ratio of total traffic volume to ATK
Passenger – kilometres yield	means the ratio of the sum of passenger traffic and related revenue to passenger traffic volume
Passenger load factor	means the ratio of passenger traffic volume to ASK
Revenue passenger – kilometres (RPK)	means the passenger traffic volume, the sum of the number of passengers carried multiplied by the distance flown for every route
Revenue tonne – kilometres (RTK)	means the total traffic volume, the sum of load (passenger and cargo) in tonnes multiplied by the distance flown for every route
Revenue tonne – kilometres yield	means the ratio of the sum of transportation and related revenue to total traffic volume
Revenue freight tonne – kilometres (RFTK)	means the freight traffic volume, the sum of cargo and mail load in tonnes multiplied by the distance flown for every route
SFO	means the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)

China Eastern Airlines Corporation Limited Interim Report 2014

DEFINITIONS

Shanghai Airlines	means 19978; (Shanghai Airlines Co., Ltd.), a wholly-owned subsidiary of the Company
Shanghai Airlines Tours	means 19978; 36938;() (Shanghai Airlines Tours, International (Group) Co., Ltd.), wholly-owned subsidiary of the Company
SkyTeam Alliance	means the SkyTeam Alliance, one of the three major airlines alliances in the world. Please refer to the website http://www.skyteam.com for more details about the SkyTeam Alliance
Supervisors	means the supervisors of the Company
The Reporting Period	means the six months from 1 January 2014 to 30 June 2014
www.eaemall.com	http://www.eaemall.com is an e-commerce fresh products trading platform under the Company and the first e-commerce system integrated with the entire industry chain, including origin procurement, online sales, aviation transport, self-operated express delivery and real-time information tracking in China. Commodities all over the world are procured directly in their origins and transported by aviation, providing seafood, vegetables and fruits, milk, meat products and various snacks, etc.

China Eastern Airlines Corporation Limited Interim Report 2014**INTERIM FINANCIAL INFORMATION**

Prepared in accordance with International Financial Reporting Standards

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2014

		(Unaudited)	
		Six months ended 30 June	
		2014	2013
	Note	RMB million	RMB million
Revenues	5	43,094	41,624
Other operating income		1,842	655
Operating expenses			
Aircraft fuel		(14,949)	(14,979)
Gain on fair value movements of derivative financial instruments	6	12	
Take-off and landing charges		(4,579)	(4,579)
Depreciation and amortisation		(4,449)	(3,964)
Wages, salaries and benefits		(6,885)	(6,227)
Aircraft maintenance		(2,080)	(2,301)
Impairment charges		(4)	(15)
Food and beverages		(1,148)	(1,089)
Aircraft operating lease rentals		(2,298)	(2,149)
Other operating lease rentals		(231)	(288)
Selling and marketing expenses		(2,044)	(1,873)
Civil aviation development fund		(797)	(751)
Ground services and other charges		(2,483)	(2,522)
Indirect operating expenses		(1,393)	(1,419)
Total operating expenses		(43,334)	(42,144)
Operating profit		1,602	135
Share of results of associates		15	(10)
Share of results of joint ventures		12	9
Finance income		40	1,252
Finance costs	7	(1,466)	(773)
Profit before income tax		203	613

Income tax expense	8	(159)	(80)
Profit for the period	44			533	

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China Eastern Airlines Corporation Limited Interim Report 2014

Prepared in accordance with International Financial Reporting Standards

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2014

	(Unaudited)	
	Six months ended 30 June	
	2014	2013
	RMB	RMB
Note	million	million
Other comprehensive income for the period		
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		
Cash flow hedges, net of tax	(56) 216
Fair value movements of available-for-sale financial assets, net of tax	(47) –
Fair value movements of available-for-sale financial assets held by an associate, net of tax	(1) (4)
Net other comprehensive income to be reclassified to profit or loss in subsequent periods	(104) 212
Other comprehensive loss not to be reclassified to profit or loss in subsequent periods:		
Actuarial losses on the post-retirement benefit obligations, net of tax	–	(55)
Net other comprehensive income not to be reclassified to profit or loss in subsequent periods	–	(55)
Other comprehensive income, net of tax	(104) 157
Total comprehensive income for the period	(60) 690
Profit/(loss) attributable to:		
Equity shareholders of the Company	12	622
Non-controlling interests	32	(89)
Profit for the period	44	533
Total comprehensive income attributable to:		

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Equity shareholders of the Company	(90)	786
Non-controlling interests	30		(96)
Total comprehensive income for the period	(60)	690
Earnings per share attributable to the equity shareholders of the Company during the period			
– Basic and diluted (RMB)	9	0.0009	0.0536
Dividends	10	–	–

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China Eastern Airlines Corporation Limited Interim Report 2014**INTERIM FINANCIAL INFORMATION**

Prepared in accordance with International Financial Reporting Standards

Condensed Consolidated Statement of Financial Position

As at 30 June 2014

	Note	(Unaudited) As at 30 June 2014 RMB million	(Audited) As at 31 December 2013 RMB million
Non-current assets			
Intangible assets	12	11,494	11,490
Property, plant and equipment	13	97,366	92,783
Investment properties	14	234	–
Lease prepayments		2,239	2,155
Advanced payments on acquisition of aircraft	15	22,090	16,296
Investments in associates		1,087	1,064
Investments in joint ventures		445	433
Available-for-sale financial assets		405	411
Other long-term assets		2,080	2,369
Deferred tax assets		389	389
Derivative financial instruments		13	68
		137,842	127,458
Current assets			
Flight equipment spare parts		2,281	2,305
Trade receivables	16	3,587	3,524
Prepayments and other receivables		4,722	4,058
Derivative financial instruments		9	–
Restricted bank deposits and short-term bank deposits		880	383
Cash and cash equivalents		3,152	1,995
Assets classified as held for sale		470	344
		15,101	12,609

Current liabilities			
Sales in advance of carriage		3,196	3,536
Trade and bills payable	17	4,111	3,463
Other payables and accruals		17,605	18,145
Current portion of obligations under finance leases	18	3,605	2,980
Current portion of borrowings	19	24,157	23,285
Income tax payable		88	215
Current portion of provision for return condition checks for aircraft under operating leases		1,454	1,454
Derivative financial instruments		11	3
		54,227	53,081
Net current liabilities		(39,126)	(40,472)
Total assets less current liabilities		98,716	86,986

China Eastern Airlines Corporation Limited Interim Report 2014

Prepared in accordance with International Financial Reporting Standards

Condensed Consolidated Statement of Financial Position

As at 30 June 2014

		(Unaudited) As at 30 June 2014 RMB million	(Audited) As at 31 December 2013 RMB million
	Note		
Non-current liabilities			
Obligations under finance leases	18	24,703	20,155
Borrowings	19	34,290	27,315
Provision for return condition checks for aircraft under operating leases		2,611	2,763
Other long-term liabilities		2,809	2,402
Post-retirement benefit obligations		5,615	5,615
Deferred tax liabilities		66	30
Derivative financial instruments		120	124
		70,214	58,404
Net asset		28,502	28,582
Equity			
Capital and reserves attributable to the equity shareholders of the Company			
– Share capital	20	12,674	12,674
– Reserves		14,138	14,228
		26,812	26,902
Non-controlling interests		1,690	1,680
Total equity		28,502	28,582

China Eastern Airlines Corporation Limited Interim Report 2014

INTERIM FINANCIAL INFORMATION

Prepared in accordance with International Financial Reporting Standards

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2014

	Six months ended 30 June 2014 (Unaudited)				Non-controlling interests	Total equity
	Attributable to equity holders of the Company					
	Share capital	Other reserves	Accumulated losses	Subtotal		
	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million
Balance at 1 January 2014	12,674	16,823	(2,595)	26,902	1,680	28,582
Total comprehensive income for the period	–	(102)	12	(90)	30	(60)
– Profit for the period	–	–	12	12	32	44
– Other comprehensive income for the period	–	(102)	–	(102)	(2)	(104)
Dividends paid to non-controlling interests in subsidiaries	–	–	–	–	(20)	(20)
Balance at 30 June 2014	12,674	16,721	(2,583)	26,812	1,690	28,502

China Eastern Airlines Corporation Limited Interim Report 2014

Prepared in accordance with International Financial Reporting Standards

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2014

	Six months ended 30 June 2013 (Unaudited) Attributable to equity holders of the Company				Non- controlling interests RMB million	Total equity RMB million
	Share capital RMB million	Other reserves RMB million	Accumulated losses RMB million	Subtotal RMB million		
Balance at 1 January 2013						
As previously reported	11,276	17,075	(5,426)	22,925	1,628	24,553
Prior year adjustments	–	(3,177)	459	(2,718)	(100)	(2,818)
As restated	11,276	13,898	(4,967)	20,207	1,528	21,735
Total comprehensive income for the period	–	164	622	786	(96)	690
– Profit for the period	–	–	622	622	(89)	533
– Other comprehensive income for the period	–	164	–	164	(7)	157
Capital contribution by non-controlling interests in subsidiaries	–	–	–	–	50	50
Dividends paid to non-controlling interests in subsidiaries	–	–	–	–	(19)	(19)
Acquisition of non-controlling interests in subsidiaries	–	–	–	–	(14)	(14)
Issue of shares	1,398	2,175	–	3,573	–	3,573
Balance at 30 June 2013	12,674	16,237	(4,345)	24,566	1,449	26,015

China Eastern Airlines Corporation Limited Interim Report 2014

INTERIM FINANCIAL INFORMATION

Prepared in accordance with International Financial Reporting Standards

Condensed Consolidated Statement of Cash Flow

For the six months ended 30 June 2014

	(Unaudited)	
	Six months ended 30 June	
	2014	2013
	RMB million	RMB million
Cash flows from operating activities		
Profit before tax	203	613
Adjustments to reconcile profit before tax to net cash flows:		
Depreciation and impairment of property, plant and equipment	4,389	3,995
Depreciation of investment properties	5	–
Amortisation and impairment of intangible assets	58	61
Amortisation and impairment of long term assets	354	211
Gain on disposal of property, plant and equipment	(12)	–
Fair value adjustment of derivative financial instruments	(6)	(12)
Gain on investment in an associate and a joint venture	(35)	(11)
Finance income	(40)	(1,252)
Finance costs	1,466	773
Provisions for diminution in value of aircraft equipment parts	4	19
Decrease/(increase) in inventories	20	(105)
Increase in trade and other receivables and prepayments	(665)	(1,862)
(Decrease)/increase in trade and other payables	(320)	1,430
Cash generated from operations	5,421	3,860
Income tax paid	(159)	(80)
Net cash inflow from operating activities	5,262	3,780
Cash flows from investing activities		
Additions of property, plant and equipment	(414)	(2,666)
Payment of short-term deposits	(800)	(2,100)
Advanced payments on acquisition of aircraft	(10,163)	(7,313)
Capital injections in associates	(53)	(197)
Purchases of available-for-sale financial assets	(2)	(47)
Acquisition of a subsidiary	–	(12)
Proceeds from disposal of assets classified as held for sale	201	–

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Proceeds from disposal of property, plant and equipment	406	21
Proceeds from maturity of short-term deposits	2,449	1,467
Interest received	38	64
Dividends received	25	5
Proceeds from disposal of interests in associates	9	3
Net cash outflow from investing activities	(8,304)	(10,775)

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China Eastern Airlines Corporation Limited Interim Report 2014

Prepared in accordance with International Financial Reporting Standards

Condensed Consolidated Statement of Cash Flow

For the six months ended 30 June 2014

	(Unaudited)	
	Six months ended 30 June	
	2014	2013
	RMB million	RMB million
Cash flows from financing activities		
Proceeds from issue of shares	–	3,572
Proceeds from draw down of short-term bank loans	13,022	10,185
Repayments of short-term bank loans	(7,877)	(8,761)
Proceeds from issuance of short-term debentures and bonds	4,000	–
Repayments of short-term debentures and bonds	(4,000)	–
Proceeds from draw down of long-term bank loans	3,552	5,607
Proceeds from issuance of long-term debentures and bonds	3,298	6,985
Repayments of long-term bank loans	(4,999)	(7,110)
Principal repayments of finance lease obligations	(1,610)	(1,374)
Interest paid	(1,198)	(958)
Capital contribution from non-controlling interests of subsidiaries	–	50
Acquisition of non-controlling interests in subsidiaries	–	(14)
Dividends paid to non-controlling interests of subsidiaries	(20)	(19)
Net cash inflow from financing activities	4,168	8,163
Net increase in cash and cash equivalents	1,126	1,168
Cash and cash equivalents at beginning of period	1,995	2,511
Effect of foreign exchange rate changes	31	(7)
Cash and cash equivalents at 30 June	3,152	3,672

China Eastern Airlines Corporation Limited Interim Report 2014

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 Shanghai Stock Exchange, The Stock Exchange of Hong Kong Limited and The New York Stock Exchange.

This condensed consolidated interim financial information was approved for issue by the Company’s Board on 29 August 2014.

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 2014 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 2013, which have been prepared in accordance with IFRS as issued by the International Accounting Standard Board (“**IASB**”).

As at 30 June 2014, the Group's accumulated losses were approximately RMB2.58 billion and its current liabilities exceeded its current assets by approximately RMB39.13 billion. In preparing the interim financial information, the Board conducts adequate and detailed review over the Group's going concern ability based on the current financial situation.

The Board has taken active actions to deal with the situation that current liabilities exceeded its current assets, and the Board is confident that they have obtained adequate credit facility from the banks to support the floating capital. As at 30 June 2014, the Group had total unutilised credit facilities of approximately RMB53.50 billion from banks.

China Eastern Airlines Corporation Limited Interim Report 2014

Notes to the Condensed Consolidated Interim Financial Information

2. BASIS OF PREPARATION (*cont'd*)

Based on the bank facility obtained by the Group, the past record of the financing and the good working relationship with major banks and financial institutions, 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 the capital expenditure requirements for the upcoming twelve months. Accordingly, the Board believes that it is appropriate to prepare these financial statements 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

The accounting policies adopted in the preparation of the condensed consolidated interim financial information are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2013, except for the adoption of new standards and interpretations effective as of 1 January 2014. However, they do not materially impact the annual consolidated financial statements of the Group or the interim condensed consolidated financial statements of the Group.

The nature and the impact of each new standard/amendment are described below:

Amendments to IAS 32 Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities

IAS 32 Amendments clarify the meaning of “currently has a legally enforceable right to set-off” for offsetting financial assets and financial liabilities. The amendments also clarify the application of the offsetting criteria in IAS 32 to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. The amendments do not have any material impact on the Group.

Amendments to IAS 36 Impairment of Assets

Amendments to IAS 36 Impairment of Assets modifies the disclosure of information relating to the recoverable amount of impaired assets, particularly if that amount is based on fair value less costs of disposal. The amendments do not have any material impact on the Group's financial statements.

China Eastern Airlines Corporation Limited Interim Report 2014

Notes to the Condensed Consolidated Interim Financial Information

3.ACCOUNTING POLICIES (*cont'd*)

Amendments to IAS 39 Financial Instruments: Recognition and measurement – Novation of Derivatives and Continuation of Hedge Accounting

The IAS 39 amendments provide an exception to the requirement of discontinuing hedge accounting in situations where over-the-counter derivatives designated in hedging relationships are directly or indirectly, novated to a central counterparty as a consequence of laws or regulations, or the introduction of laws or regulations. For continuance of hedge accounting under this exception, all of the following criteria must be met: (i) the novations must arise as a consequence of laws or regulations, or the introduction of laws or regulations; (ii) the parties to the hedging instrument agree that one or more clearing counterparties replace their original counterparty to become the new counterparty to each of the parties; and (iii) the novations do not result in changes to the terms of the original derivative other than changes directly attributable to the change in counterparty to achieve clearing. The amendments do not have any material impact on the Group.

Amendments to IFRS 10, IFRS 12 and IAS 27: Investment Entities

Amendments to IFRS 10 include a definition of an investment entity and provide an exception to the consolidation requirement for entities that meet the definition of an investment entity. Investment entities are required to account for subsidiaries at fair value through profit or loss in accordance with IFRS 9 rather than consolidate them. Consequential amendments were made to IFRS 12 and IAS 27 (2011). The amendments to IFRS 12 also set out the disclosure requirements for investment entities. The amendments do not have any material impact on the Group.

IFRIC 21 Levies

IFRIC 21 clarifies that an entity recognises a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. The interpretation also clarifies that a levy liability is accrued progressively only if the activity that triggers payment occurs over a period of time, in accordance with the relevant legislation. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be recognised

before the specified minimum threshold is reached. The interpretation does not have any material impact on the Group.

The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

China Eastern Airlines Corporation Limited Interim Report 2014

Notes to the Condensed Consolidated Interim Financial Information

4. FINANCIAL RISK MANAGEMENT

(a) Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow 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 2013.

There have been no changes in the risk management department since year end or in any risk management policies.

(b) Liquidity risk

The Group's primary cash requirements have been for day-to-day operations, 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 bank loans (both short-term and long-term). The Group generally finances the acquisition of aircraft through long-term finance leases or bank loans.

The Group operates with a working capital deficit. As at 30 June 2014, the Group's net current liabilities amounted to RMB39,126 million (2013: RMB40,472 million). For the six months ended 30 June 2014, the Group recorded a net cash inflow from operating activities of RMB5,262 million (2013: inflow of RMB3,780 million), a net cash outflow from investing activities and financing activities of RMB4,136 million (2013: outflow of RMB2,612 million), and an increase in cash and cash equivalents of RMB1,157 million (2013: increase of RMB1,161 million).

The Directors of the Company believe that cash from operations and bank loans 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 Directors of the Company believe that the Group has obtained sufficient general credit facilities from PRC banks for financing future capital commitments and for working capital purposes.

China Eastern Airlines Corporation Limited Interim Report 2014

Notes to the Condensed Consolidated Interim Financial Information

4. FINANCIAL RISK MANAGEMENT *(cont'd)*(b) Liquidity risk *(cont'd)*

The table below analyses the Group's financial liabilities that will be settled into relevant maturity groupings based on the remaining period at the balance sheet to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than 1 year RMB million	Between 1 and 2 years RMB million	Between 2 and 5 years RMB million	Over 5 years RMB million
As at 30 June 2014 (Unaudited)				
Borrowings	25,613	19,540	13,054	7,777
Derivative financial instruments	11	19	76	25
Obligations under finance leases	4,273	3,927	11,347	12,890
Trade and other payables	16,443	–	–	–
Total	46,340	23,486	24,477	20,692
As at 31 December 2013 (Audited)				
Borrowings	24,646	7,299	11,504	12,337
Derivative financial instruments	4	–	118	6
Obligations under finance leases	3,446	3,375	9,752	8,956
Trade and other payables	15,758	–	–	–
Total	43,854	10,674	21,374	21,299

China Eastern Airlines Corporation Limited Interim Report 2014

Notes to the Condensed Consolidated Interim Financial Information

4. FINANCIAL RISK MANAGEMENT (cont'd)

(c) Fair value measurement

The carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, were as follows:

	30 June 2014	
	Carrying amounts	Fair values
	RMB million	RMB million
	(Unaudited)	(Unaudited)
Financial assets		
Deposits relating to aircraft held under operating leases included in other long term assets	568	500
Financial liabilities		
Long-term bank borrowings	28,592	28,650
Obligations under finance leases	28,308	29,509
Total	56,900	58,159

The Group enters into derivative financial instruments with various counterparties, principally financial institutions with high credit ratings. Derivative financial instruments, including forward currency contracts and interest rate swaps, are measured using valuation techniques similar to forward pricing and swap models, using present value calculations. The models incorporate various market observable inputs including the foreign exchange spot and forward rates and interest rate curves. As at 30 June 2014, the marked to market value of the derivative asset position is net of a credit valuation adjustment attributable to derivative counterparty default risk. The changes in counterparty credit risk had no material effect on the hedge effectiveness assessment for derivatives designated in hedge relationship and other financial instruments recognised at fair value.

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4. FINANCIAL RISK MANAGEMENT (*cont'd*)

(d) Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

As at 30 June 2014 (Unaudited)

	Fair value measurement using			
	Quoted prices In active Markets (Level 1) RMB million	Significant observable inputs (Level 2) RMB million	Significant Unobservable inputs (Level 3) RMB million	Total RMB million
Assets				
Available-for-sale investments:				
– Equity investments	167	–	–	167
Derivative financial instruments				
– Interest rate swaps	–	13	–	13
– Forward foreign exchange contracts	–	9	–	9
Total	167	22	–	189
Liabilities				
Derivative financial instruments				
– Interest rate swaps	–	120	–	120
– Forward foreign exchange contracts	–	11	–	11
Total	–	131	–	131

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4. FINANCIAL RISK MANAGEMENT (*cont'd*)

(d) Fair value hierarchy (*cont'd*)

As at 31 December 2013 (Audited)

	Fair value measurement using			
	Quoted prices In active Markets (Level 1)	Significant observable inputs (Level 2)	Significant Unobservable inputs (Level 3)	Total
	RMB million	RMB million	RMB million	RMB million
Assets				
Available-for-sale financial assets:				
– Equity investments	177	–	–	177
Derivative financial instruments				
– Interest rate swaps	–	55	–	55
– Forward foreign exchange contracts	–	13	–	13
Total	177	68	–	245
Liabilities				
Derivative financial instruments				
– Interest rate swaps	–	124	–	124
– Forward foreign exchange contracts	–	3	–	3
Total	–	127	–	127

China Eastern Airlines Corporation Limited Interim Report 2014**Notes to the Condensed Consolidated Interim Financial Information****5. REVENUES**

The Group is principally engaged in the 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	
	2014	2013
	RMB	RMB
	million	million
Traffic revenues		
– Passenger	35,965	34,665
– Cargo and mail	3,616	3,531
Tour operations income	1,218	1,476
Ground service income	1,159	979
Cargo handling income	93	117
Commission income	53	35
Others	990	821
	43,094	41,624

6. SEGMENT INFORMATION

(a) **CODM, office of the General Manager, reviews the Group’s internal reporting in order to assess performance and allocate resources.**

The Group has one reportable operating segment, reported as “air transport operations”, which comprises the provision of passenger, cargo, mail delivery, ground service and cargo handling income.

Other services including primarily tour operations, air catering and other miscellaneous services are not included within the air transport 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.

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Notes to the Condensed Consolidated Interim Financial Information

6. SEGMENT INFORMATION *(cont'd)*(a) *(cont'd)*

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 and profit or loss, arising from different accounting policies are set out in Note 6(c) below.

The segment results for the six months ended 30 June 2014 are as follows:

	(Unaudited)				
	Air	Other	Elimination	Unallocated*	Total
	transport	operation			
	operation	segments			
	RMB	RMB	RMB	RMB	RMB
	million	million	million	million	million
Reportable segment revenue from external customers	41,161	1,430	–	–	42,591
Inter-segment sales	–	185	(185)	–
Reportable segment revenue	41,161	1,615	(185)	42,591
Reportable segment profit before income tax	47	123	–	35	205
Other segment information					
Depreciation and amortisation	4,742	62	–	–	4,804
Impairment charge	4	–	–	–	4
Interest income	30	18	(8)	40
Finance costs	719	163	(75)	807
Capital expenditure	15,707	84	–	–	15,791

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6. SEGMENT INFORMATION *(cont'd)*(a) *(cont'd)*

The segment results for the six months ended 30 June 2013 are as follows:

	(Unaudited)				
	Air				
	transport	Other		Unallocated*	Total
	operation	segments	Elimination	RMB	RMB
	RMB	RMB	RMB	million	million
	million	million	million		million
Reportable segment revenue from external customers	39,860	1,619	–	–	41,479
Inter-segment sales	–	106	(106)	–	–
Reportable segment revenue	39,860	1,725	(106)	–	41,479
Reportable segment profit before income tax	467	138	–	11	616
Other segment information					
Depreciation and amortisation	4,200	64	–	–	4,264
Impairment charge	19	–	–	–	19
Interest income	67	11	–	–	78
Finance costs	691	82	–	–	773
Capital expenditure	10,599	103	–	–	10,702

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6. SEGMENT INFORMATION *(cont'd)*

(a) *(cont'd)*

The segment assets and liabilities as at 30 June 2014 and 31 December 2013 are as follows:

	Air transport operations RMB million	Other segments RMB million	Elimination RMB million	Unallocated* RMB million	Total RMB million
At 30 June 2014 (Unaudited)					
Reportable segment assets	142,081				