

CHINA EASTERN AIRLINES CORP LTD
Form 6-K
August 17, 2015

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 2015

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

Edgar Filing: CHINA EASTERN AIRLINES CORP LTD - Form 6-K

(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 August 17, 2015

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.

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

2015 INTERIM RESULTS ANNOUNCEMENT

The board of directors (the “**Board**”) of China Eastern Airlines Corporation Limited (the “**Company**” or “**CEA**”) hereby presents the interim financial information of the Company and its subsidiaries (collectively, the “**Group**”) for the six months ended 30 June 2015 prepared in accordance with International Financial Reporting Standards (“**IFRS**”) (which were reviewed and approved by the Board and the audit and risk management committee of the Company (the “**Audit and Risk Management Committee**”) on 14 August 2015), with comparative figures for the corresponding period in 2014.

The interim financial information of the Group for the six months ended 30 June 2015 is unaudited and is not necessarily indicative of annual or future results of the Group. Investors should not place undue reliance on the interim financial information of the Group for the six months ended 30 June 2015.

INTERIM FINANCIAL INFORMATION

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2015

		(Unaudited)	
		Six months ended 30 June	
		2015	2014
	Notes	<i>RMB million</i>	<i>RMB million</i>
Revenues	5	44,371	43,094
Other operating income		2,256	1,842
Operating expenses			
Aircraft fuel		(10,562)	(14,949)
Gain on fair value movements of derivative financial instruments		4	6
Take-off and landing charges		(5,082)	(4,579)
Depreciation and amortisation		(5,011)	(4,449)
Wages, salaries and benefits		(7,576)	(6,885)
Aircraft maintenance		(1,896)	(2,080)
Impairment charges		(133)	(4)
Food and beverages		(1,212)	(1,148)
Aircraft operating lease rentals		(2,200)	(2,298)
Other operating lease rentals		(325)	(231)
Selling and marketing expenses		(1,888)	(2,044)
Civil aviation development fund		(878)	(797)
Ground services and other expenses		(2,794)	(2,483)
Indirect operating expenses		(1,348)	(1,393)
Total operating expenses		(40,901)	(43,334)
Operating profit		5,726	1,602
Share of results of associates		71	15
Share of results of joint ventures		(3)	12
Finance income		54	40
Finance costs	7	(1,160)	(1,466)
Profit before income tax		4,688	203
Income tax expense	8	(831)	(159)

Profit for the period	3,857	44
------------------------------	--------------	----

- 2 -

	(Unaudited)	
	Six months	
	ended 30 June	
	2015	2014
<i>Notes</i>	RMB	RMB
	million	million
Other comprehensive income for the period		
<i>Other comprehensive income to be reclassified to profit or loss in subsequent periods:</i>		
Cash flow hedges, net of tax	8	(56)
Fair value movements of available-for-sale financial assets, net of tax	67	(47)
Fair value movements of available-for-sale financial assets held by an associate, net of tax	4	(1)
Net other comprehensive income to be reclassified to profit or loss in subsequent periods	79	(104)
<i>Other comprehensive income not to be reclassified to profit or loss in subsequent periods:</i>		
Actuarial losses on the post-retirement benefit obligations, net of tax	(76)	–
Net other comprehensive income not to be reclassified to profit or loss in subsequent periods	(76)	–
Other comprehensive income, net of tax	3	(104)
Total comprehensive income for the period	3,860	(60)
Profit attributable to:		
Equity shareholders of the Company	3,562	12
Non-controlling interests	295	32
Profit for the period	3,857	44
Total comprehensive income attributable to:		
Equity shareholders of the Company	3,562	(90)
Non-controlling interests	298	30
Total comprehensive income for the period	3,860	(60)
Earnings per share attributable to the equity shareholders of the Company during the period		
– Basic and diluted (RMB)	9	0.2810 0.0009
Dividends	10	– –

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION*As at 30 June 2015*

		(Unaudited) As at 30 June 2015	(Audited) As at 31 December 2014
	<i>Notes</i>	<i>RMB million</i>	<i>RMB million</i>
Non-current assets			
Intangible assets	<i>12</i>	11,501	11,500
Property, plant and equipment	<i>13</i>	121,403	109,439
Lease prepayments		2,123	2,206
Advanced payments on acquisition of aircraft	<i>14</i>	21,051	20,260
Investments in associates		1,533	1,086
Investments in joint ventures		502	505
Available-for-sale financial assets		403	433
Other long-term assets		2,647	1,957
Deferred tax assets		170	170
Derivative financial instruments		53	30
		161,386	147,586
Current assets			
Flight equipment spare parts		2,264	2,259
Trade receivables	<i>15</i>	4,119	3,862
Prepayments and other receivables		7,238	6,394
Derivative financial instruments		–	5
Restricted bank deposits and short-term bank deposits		37	38
Cash and cash equivalents		833	1,355
Assets classified as held for sale		2,520	4,330
		17,011	18,243
Current liabilities			
Sales in advance of carriage		5,040	5,064
Trade and bills payable	<i>16</i>	3,265	2,083
Other payables and accruals		20,306	19,215
Current portion of obligations under finance leases	<i>17</i>	5,217	4,596
Current portion of borrowings	<i>18</i>	29,129	28,676
Income tax payable		499	229
Current portion of provision for return condition checks for aircraft under operating leases		1,022	1,267
Derivative financial instruments		5	–

	64,483		61,130	
Net current liabilities	(47,472)	(42,887)
Total assets less current liabilities	113,914		104,699	

- 4 -

		(Unaudited)	(Audited)
		As at	As at
		30 June	31
		2015	December
	<i>Notes</i>	RMB	RMB
		million	million
Non-current liabilities			
Obligations under finance leases	17	39,741	34,099
Borrowings	18	30,351	30,513
Provision for return condition checks for aircraft under operating leases		2,314	2,617
Other long-term liabilities		2,925	2,756
Post-retirement benefit obligations		2,893	2,822
Deferred tax liabilities		–	26
Derivative financial instruments		96	95
		78,320	72,928
Net asset		35,594	31,771
Equity			
Capital and reserves attributable to the equity shareholders of the Company			
– Share capital	19	12,674	12,674
– Reserves		20,862	17,300
		33,536	29,974
Non-controlling interests		2,058	1,797
Total equity		35,594	31,771

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY*For the six months ended 30 June 2015*

	Six months ended 30 June 2015					
	(Unaudited)					
	Attributable to equity holders of the Company					
	Share capital	Other reserves	Retained earnings	Subtotal	Non-controlling interests	Total equity
	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>
Balance at 1 January 2015	12,674	16,485	815	29,974	1,797	31,771
Total comprehensive income for the period	–	–	3,562	3,562	298	3,860
– Profit for the period	–	–	3,562	3,562	295	3,857
– Other comprehensive income for the period	–	–	–	–	3	3
Dividends paid to non-controlling interests in subsidiaries	–	–	–	–	(37)	(37)
Balance at 30 June 2015	12,674	16,485	* 4,377	* 33,536	2,058	35,594

Six months ended 30 June 2014

(Unaudited)

Attributable to equity holders of the Company

	Share capital <i>RMB million</i>	Other reserves <i>RMB million</i>	Accumulated losses <i>RMB million</i>	Subtotal <i>RMB million</i>	Non- controlling interests <i>RMB million</i>	Total equity <i>RMB million</i>
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

* These reserve accounts comprise the unaudited consolidated reserve of RMB20,862 million in the unaudited interim condensed consolidated statement of financial position.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW*For the six months ended 30 June 2015*

	(Unaudited)	
	Six months ended 30 June	
	2015	2014
	<i>RMB million</i>	<i>RMB million</i>
Cash flows from operating activities		
Profit before tax	4,688	203
Adjustments to reconcile profit before tax to net cash flows:		
Depreciation of property, plant and equipment	4,941	4,389
Depreciation of investment properties	–	5
Amortisation of intangible assets	70	58
Amortisation of other long-term assets	177	354
Impairment of an investment in an associate	33	–
Impairment of available-for-sale financial assets	100	–
Gain on disposal of property, plant and equipment	(135)	(12)
Fair value adjustment of derivative financial instruments	(4)	(6)
Gain on investment in associates and joint ventures	(113)	(35)
Finance income	(54)	(40)
Finance costs	1,160	1,466
Provisions for flight equipment spare parts	–	4
(Increase)/decrease in flight equipment spare parts	(5)	20
Increase in trade and other receivables and prepayments	(1,738)	(665)
Increase/(decrease) in trade and other payables	1,713	(320)
Cash generated from operations	10,833	5,421
Income tax paid	(592)	(159)
Net cash flows from operating activities	10,241	5,262

	(Unaudited)	
	Six months ended 30 June	
	2015	2014
	<i>RMB million</i>	<i>RMB million</i>
Cash flows from investing activities		
Additions of property, plant and equipment	(369)	(414)
Payment of short-term deposits	–	(800)
Advanced payments on acquisition of aircraft	(13,234)	(10,163)
Capital injections in associates	(413)	(53)
Purchases of available-for-sale financial assets	–	(2)
Proceeds from disposal of assets classified as held for sale	1,901	201
Proceeds from disposal of property, plant and equipment	325	406
Gain on disposal of a subsidiary	49	–
Proceeds from maturity of short-term deposits	2	2,449
Interest received	54	38
Dividends received	36	25
Repayment of loans from an associate	247	–
Proceeds from disposal of interests in associates	–	9
Net cash flows used in investing activities	(11,402)	(8,304)
Cash flows from financing activities		
Proceeds from draw down of short-term bank loans	9,288	13,022
Repayments of short-term bank loans	(17,796)	(7,877)
Proceeds from issuance of short-term debentures	9,000	4,000
Repayments of short-term debentures	(4,000)	(4,000)
Proceeds from draw down of long-term bank loans and other financing activities	14,723	3,552
Proceeds from issuance of long-term debentures and bonds	–	3,298
Repayments of long-term bank loans	(6,359)	(4,999)
Principal repayments of finance lease obligations	(2,563)	(1,610)
Interest paid	(1,561)	(1,198)
Dividends paid to non-controlling interests of subsidiaries	(37)	(20)
Net cash flows from financing activities	695	4,168
Net (decrease)/increase in cash and cash equivalents	(466)	1,126
Cash and cash equivalents at beginning of period	1,355	1,995
Effect of foreign exchange rate changes	(56)	31
Cash and cash equivalents at 30 June	833	3,152

NOTES TO THE INTERIM FINANCIAL INFORMATION

1. CORPORATE INFORMATION

China Eastern Airlines Corporation Limited (the “**Company**”), a joint stock limited company, 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 interim financial information was approved for issue by the Company’s Board on 14 August 2015. This interim financial information has not been audited.

2. BASIS OF PREPARATION

This interim financial information for the six months ended 30 June 2015 has been prepared in accordance with International Accounting Standard (“**IAS**”) 34 “Interim Financial Reporting”. The interim financial information does not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the annual financial statements for the year ended 31 December 2014, which have been prepared in accordance with IFRS as issued by the International Accounting Standard Board (“**IASB**”).

As at 30 June 2015, the Group’s retained earnings were approximately RMB4.38 billion and its current liabilities exceeded its current assets by approximately RMB47.47 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 the Group has obtained adequate credit facility from the banks to support the floating capital. As at 30 June 2015, the Group had total unutilised credit facilities of approximately RMB52.3 billion from banks.

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.

– 10 –

3

ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the 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 2014, except for the adoption of new standards and interpretations effective as of 1 January 2015. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The nature and the effect of these changes are disclosed below. Although these new standards and amendments apply for the first time in 2015, they do not have a material impact on the annual consolidated financial statements of the Group or the interim financial information of the Group.

The nature and the impact of each new standard or amendment which is applicable to the Group is described below:

Annual Improvements 2010-2012 Cycle

These improvements are effective from 1 July 2014 and the Group has applied these amendments for the first time in the interim financial information. They include:

IFRS 8 Operating Segments

The amendments are applied retrospectively and clarify that:

An entity must disclose the judgements made by management in applying the aggregation criteria in paragraph 12 of IFRS 8, including a brief description of operating segments that have been aggregated and the economic characteristics (e.g., sales and gross margins) used to assess whether the segments are 'similar'.

The reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker, similar to the required disclosure for segment liabilities.

The Group has presented the reconciliation of segment assets to total assets in previous periods and continues to disclose the same in Note 6 in the 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 financial information does 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 2014.

There have been no changes in the risk management department since the 2014 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 borrowings. The Group finances its working capital requirements through a combination of funds generated from operations and borrowings (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 2015, the Group's net current liabilities amounted to RMB47,472 million (2014: RMB42,887 million). For the six months ended 30 June 2015, the Group recorded a net cash inflow from operating activities of RMB10,241 million (2014: inflow of RMB5,262 million).

The Directors of the Company believe that cash from operations and borrowings will be sufficient to meet the Group's operation requirement for cash. 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 the PRC banks for financing future capital commitments and for working capital purposes.

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

	Less than 1 year <i>RMB million</i>	Between 1 and 2 years <i>RMB million</i>	Between 2 and 5 years <i>RMB million</i>	Over 5 years <i>RMB million</i>
As at 30 June 2015 (Unaudited)				
Borrowings	30,728	12,255	10,633	10,900
Derivative financial instruments	5	4	64	28
Obligations under finance leases	6,215	6,780	17,158	19,964
Trade, bills and other payables	16,124	–	–	–
Total	53,072	19,039	27,855	30,892
As at 31 December 2014 (Audited)				
Borrowings	30,204	9,751	12,532	12,170
Derivative financial instruments	–	18	59	18
Obligations under finance leases	5,453	5,174	13,165	19,272
Trade, bills and other payables	14,163	–	–	–

Total	49,820	14,943	25,756	31,460
--------------	--------	--------	--------	--------

- 12 -

(c) Fair value estimation of financial assets and liabilities*(i) Financial instruments not measured at fair value*

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:

	(Unaudited) 30 June 2015		(Audited) 31 December 2014	
	Carrying amounts	Fair values	Carrying amounts	Fair values
	<i>RMB</i> <i>million</i>	<i>RMB</i> <i>million</i>	<i>RMB</i> <i>million</i>	<i>RMB</i> <i>million</i>
Financial assets				
Deposits relating to aircraft held under operating leases included in other long term assets	406	398	482	466
Financial liabilities				
Long-term bank borrowings	34,722	35,691	30,925	31,914
Guaranteed bonds	10,287	10,300	10,285	10,300
Obligations under finance leases	44,958	45,017	38,695	38,455
Total	89,967	91,008	79,905	80,669

Management has assessed the fair value of cash and cash equivalents, restricted bank deposits and short-term bank deposits, trade and other receivables, trade and bills and other payables, short-term debentures. Given their short term nature, their carrying amounts approximated to the fair values.

The fair values of the deposits relating to aircraft held under operating leases, long-term bank borrowings and obligations under finance leases have been measured using significant observable inputs and calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities.

(ii) Financial instruments measured at fair value

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 2015, 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.

Fair value hierarchy

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

Assets and liabilities measured at fair value:

As at 30 June 2015 (Unaudited)

	Fair value measurement using			
	Quoted prices in active markets (Level 1) <i>RMB million</i>	Significant observable inputs (Level 2) <i>RMB million</i>	Significant unobservable inputs (Level 3) <i>RMB million</i>	Total <i>RMB million</i>
Assets				
Available-for-sale financial assets	265	–	–	265
Derivative financial instruments				
– Interest rate swaps	–	32	–	32
– Forward foreign exchange contracts	–	21	–	21
Total	265	53	–	318
Liabilities				
Derivative financial instruments				
– Interest rate swaps	–	101	–	101
Total	–	101	–	101

As at 31 December 2014 (Audited)

	Fair value measurement using			Total <i>RMB million</i>
	Quoted prices in active markets (Level 1) <i>RMB million</i>	Significant observable inputs (Level 2) <i>RMB million</i>	Significant unobservable inputs (Level 3) <i>RMB million</i>	
Assets				
Available-for-sale financial assets	195	–	–	195
Derivative financial instruments				
– Interest rate swaps	–	8	–	8
– Forward foreign exchange contracts	–	27	–	27
Total	195	35	–	230
Liabilities				
Derivative financial instruments				
– Interest rate swaps	–	95	–	95
Total	–	95	–	95

The fair values of financial instruments traded in active markets were based on quoted market prices at the reporting dates.

The fair value of hedging instruments and other derivative instruments were determined by using valuation techniques. These valuation techniques use applicable models and maximize the use of observable market data where it is available and also use quoted market prices or dealer quotes for reference.

Available-for-sale financial assets are listed A share and listed H share stock investments.

*Assets and liabilities for which fair values are disclosed:***As at 30 June 2015 (Unaudited)**

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>
Assets				
Deposits relating to aircraft held under operating leases included in other long term assets	–	398	–	398
Liabilities				
Long-term bank borrowings	–	35,691	–	35,691
Guaranteed bonds	–	10,300	–	10,300
Obligations under finance leases	–	45,017	–	45,017
Total	–	91,008	–	91,008

As at 31 December 2014 (Audited)

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>
Assets				

Edgar Filing: CHINA EASTERN AIRLINES CORP LTD - Form 6-K

Deposits relating to aircraft held under operating leases included in other long term assets	–	466	–	466
Liabilities				
Long-term bank borrowings	–	31,914	–	31,914
Guaranteed bonds	–	10,300	–	10,300
Obligations under finance leases	–	38,455	–	38,455
Total	–	80,669	–	80,669

– 16 –

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
2015 2014
RMB *RMB million*
million

Traffic revenues		
– Passenger	37,152	35,965
– Cargo and mail	3,217	3,616
Tour operations income	1,481	1,218
Ground service income	1,185	1,159
Cargo handling income	148	93
Commission income	34	53
Others	1,154	990
	44,371	43,094

6

SEGMENT INFORMATION

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 “airline transportation 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 airline transportation operations segment, as their internal reports are separately provided to the CODM. The management is of the opinion that these services have similar economic characteristics and hence 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 and profit or loss, arising from different accounting policies are set out in Note 6(b) below.

- 17 -

The segment results for the six months ended 30 June 2015 are as follows:

	(Unaudited)				
	Airline transport operations	Other segments	Elimination	Unallocated*	Total
	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>
Reportable segment revenue from external customers	42,446	1,865	–	–	44,311
Inter-segment sales	–	192	(192)	–	–
Reportable segment revenue	42,446	2,057	(192)	–	44,311
Reportable segment profit before income tax	4,530	47	–	113	4,690
Other segment information					
Depreciation and amortisation	5,126	60	–	–	5,186
Impairment charge	103	33	–	–	136
Interest income	52	9	(7)	–	54
Finance expenses	974	139	(9)	–	1,104
Capital expenditure	18,551	212	–	–	18,763

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

	(Unaudited)				
	Airline transport operations	Other segments	Elimination	Unallocated*	Total**
	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>
Reportable segment revenue from external customers	41,161	1,487	–	–	42,648
Inter-segment sales	–	185	(185)	–	–
Reportable segment revenue	41,161	1,672	(185)	–	42,648
Reportable segment profit before income tax	47	124	–	35	206

Other segment information

Depreciation and amortisation	4,742	62	–	–	4,804
Impairment charge	4	–	–	–	4
Interest income	30	18	(8)	40
Finance expenses	719	163	(75)	807
Capital expenditure	15,707	84	–	–	15,791

– 18 –

The segment assets and liabilities as at 30 June 2015 and 31 December 2014 are as follows:

	Airline transportation operations <i>RMB million</i>	Other segments <i>RMB million</i>	Elimination <i>RMB million</i>	Unallocated* <i>RMB million</i>	Total <i>RMB million</i>
At 30 June 2015 (Unaudited)					
Reportable segment assets	169,802	8,778	(4,906)	2,438	176,112
Reportable segment liabilities	140,357	7,349	(4,906)	–	142,800
At 31 December 2014 (Audited)					
Reportable segment assets	156,786	8,679	(3,947)	2,024	163,542
Reportable segment liabilities	130,696	7,306	(3,947)	–	134,055

Unallocated assets primarily represent investments in associates and joint ventures, and available-for-sale financial assets. Unallocated results primarily represent the share of results of associates and joint ventures and available-for-sale financial assets.

In 2014, the Group acquired a subsidiary which was under the common control of CEA Holding. The acquisition of this subsidiary under common control has been accounted for using the merger method of accounting in the consolidated financial statements of the Company prepared under the PRC Accounting Standards.

The merger method of accounting involves incorporating the financial statement items of the consolidating entities or businesses in which the common control combination occurs as if they had been consolidated from the date when the consolidating entities or businesses first came under the control of the controlling party.

Hence, the financial statement items of the Group prepared under the PRC Accounting Standards as at 30 June 2014 were re-presented to reflect the inclusion of the acquiree, resulting in the re-presented corresponding information in the Group's reportable segment for the period as shown above.

(a) Information about geographical areas.

The Group's revenues under IFRS by geographical areas 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 overseas markets excluding Regional is classified as international operations.

2) Revenue from ticket handling services, ground services, cargo handling service and other miscellaneous services are classified on the basis of where the services are performed.

	(Unaudited)	
	Six months ended 30 June	
	2015	2014
	RMB million	RMB million
Domestic (the PRC, excluding Hong Kong, Macau and Taiwan)	28,982	28,673
International	13,629	12,514
Regional (Hong Kong, Macau and Taiwan)	1,760	1,907
Total	44,371	43,094

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 geographic areas and hence segment non-current assets and capital expenditure by geographic areas are not presented. Except the aircraft, most non-current assets (except financial instruments) are registered in the PRC.

- (b) **Reconciliation of reportable segment revenue, profit, assets and liabilities under the PRC Accounting Standards to the consolidated figures under IFRS as reported in the interim financial information.**