

CHINA EASTERN AIRLINES CORP LTD

Form 6-K

November 23, 2012

**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 November 2012

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 November 23, 2012 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.*

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

**(Stock code: 00670)**

**(1) MAJOR TRANSACTION**

**IN RELATION TO THE PURCHASE OF SIXTY Airbus A320 Series AIRCRAFT**

**AND**

**(2) DISCLOSEABLE TRANSACTION**

**IN RELATION TO THE SALE OF EIGHT CRJ and TEN eMB AIRCRAFT**

**MAJOR TRANSACTION**

On 23 November 2012, the Company (as the purchaser) entered into the Purchase Agreement with Airbus SAS (as the seller) regarding the Acquisition.

The Acquisition constitutes a major transaction of the Company under the Listing Rules as applied by the Stock Exchange and is subject to the approval of the shareholders of the Company.

CEA Holding, which directly or indirectly holds approximately 59.94% of the issued share capital of the Company, does not have any interest or benefit under the Acquisition. No shareholder of the Company (including CEA Holding) would be required to abstain from voting at any general meeting of the Company, if convened, to approve the Acquisition.

The Company will issue and despatch to its shareholders the Circular as soon as possible but no later than 30 November 2012.

#### **DISCLOSEABLE TRANSACTION**

On 23 November 2012, the Company (as the seller) entered into the Disposal Agreement with Airbus SAS (as the purchaser) regarding the Disposal.

The Disposal constitutes a discloseable transaction of the Company under the Listing Rules as applied by the Stock Exchange.

#### **THE PURCHASE AGREEMENT**

On 23 November 2012, the Company (as the purchaser) entered into the Purchase Agreement with Airbus SAS (as the seller) regarding the Acquisition.

To the best knowledge, information and belief of the Directors having made all reasonable enquiry, Airbus SAS and its ultimate beneficial owner(s) are third parties independent of the Company and connected persons (as defined in the Listing Rules) of the Company, and are not connected persons of the Company.

Aircraft to be acquired : The Airbus Aircraft (i.e. sixty brand new Airbus A320 series aircraft)

Consideration : The aircraft basic price of the Airbus Aircraft in aggregate is approximately USD5.392 billion (equivalent to approximately RMB34.239 billion) based on the relevant price catalog in 2012. Such aircraft basic price comprises the airframe price and engine price.

The Purchase Agreement was negotiated and entered into in accordance with customary business and industry practice, under which Airbus SAS has granted to the Company substantive price concessions with regard to the Airbus Aircraft. Such price concessions were determined after arm's length negotiations between the Company and Airbus SAS and as a result, the Consideration is significantly lower than the aircraft basic price of the Airbus Aircraft mentioned above.

Based on the Consideration, the relevant "percentage ratio" calculated under Rule 14.07 of the Listing Rules at the material time is above 25% but less than 100%. Accordingly, the Acquisition constitutes a major transaction of the Company under the Listing Rules as applied by the Stock Exchange.

In respect of the Acquisition, the Company understands its disclosure obligations normally required under Chapter 14 of the Listing Rules, and has therefore on a number of occasions raised the issue with Airbus SAS in order to seek its consent to the Company's disclosing certain otherwise required information (including the Consideration) in this announcement and the Circular. Nonetheless, Airbus SAS, for business reasons and from a commercial perspective, did not accede to the Company's request in this respect, and insisted on the preservation of the confidentiality carried with such information to the extent possible. The Company has made an application to the Stock Exchange for a waiver from strict compliance with the relevant provisions (including Listing Rules 14.58(4) and 14.66(4)) under the Listing Rules in respect of the disclosure of the Consideration.

The Company confirms that the extent of the price concessions granted to the Company under the Purchase Agreement is comparable to price concessions granted to the Company under the previous agreements regarding the purchase of brand new aircraft from Airbus SAS. The price concessions granted to the Company under the Purchase Agreement will mainly affect the depreciation of aircraft in the future operation cost of the Company. The Company believes that the price concessions obtained by the Company under the Purchase Agreement have no material impact on the Company's future operating costs taken as a whole.

The Company has also taken into account the current economic environment, the industry performance and the Company's financial position, and considers that the extent of the price concessions granted to the Company under the Purchase Agreement are fair and reasonable and in the interests of its shareholders.

Payment terms and source of funding

The Consideration is payable by cash in United States dollars in installments, and is, as currently contemplated, being funded through the Company's working capital, bank loans from commercial banks and other sources of financing available to the Company.

Delivery

The Airbus Aircraft are expected to be delivered to the Company in stages from 2014 to 2017.

Reasons for entering into the Purchase Agreement and benefits expected to accrue to the Company

The Airbus Aircraft will primarily be used to satisfy the increasing demand for domestic medium and short-haul passenger air transportation routes, to increase the Company's capacity in domestic routes, and to enhance the routes network of the Company. The purchase of the Airbus Aircraft will further strengthen the Company's competitiveness in the domestic civil aviation market and increase its operational capacity in domestic routes of the Company.

Without considering the adjustments to be made to the aircraft fleet of the Company as a result of the market conditions and the age of the aircraft, the Acquisition will increase the ATKs of the Company by approximately 12.05% (based on the ATKs of the Company as at 31 December 2011).

As mentioned above, part of the Consideration is, as currently contemplated, being funded through bank loans from commercial banks. The Acquisition may therefore result in an increase in the Company's debt-to-equity ratio, but as the Consideration is payable by installments, it is not expected to have substantial impact on the Company's cash-flow position or its business operations.

The Acquisition has been approved by the Directors, and is subject to approval by the shareholders of the Company. The Acquisition is also subject to approvals by the relevant regulatory authority(ies) in the PRC in compliance with relevant regulatory requirements.

The Directors believe that the terms of the Purchase Agreement (including the price concessions under the Purchase Agreement) are fair and reasonable and in the interests of the Company's shareholders as a whole.

Major transaction The Acquisition constitutes a major transaction of the Company under the Listing Rules as applied by the Stock Exchange and is subject to the approval of the shareholders of the Company.

CEA Holding, which directly or indirectly holds approximately 59.94% of the issued share capital of the Company, does not have any interest or benefit under the Acquisition. No shareholder of the Company (including CEA Holding) would be required to abstain from voting at any general meeting of the Company, if convened, to approve the Acquisition.

The Acquisition is to be approved in writing by CEA Holding pursuant to Rule 14.44 of the Listing Rules, and no general meeting of the Company is required to be convened.

The Company will issue and despatch to its shareholders the Circular as soon as possible but no later than 30 November 2012.

## **THE DISPOSAL AGREEMENT**

On 23 November 2012, the Company (as the seller) entered into the Disposal Agreement with Airbus SAS (as the purchaser) regarding the Disposal.



To the best knowledge, information and belief of the Directors having made all reasonable enquiry, Airbus SAS and its ultimate beneficial owner(s) are third parties independent of the Company and connected persons (as defined in the Listing Rules) of the Company, and are not connected persons of the Company.

Aircraft to be disposed of	<p>The Regional Jets (i.e. eight Canadair Regional Jets (<b>CRJ</b>) and ten Embraer Regional Jets (<b>EMB</b>)). They were delivered to the Company from years 2000 to 2007. The average usage of the Regional Jets is approximately 8.2 years.</p> <p>The Regional Jets are all regional aircraft, currently serving domestic routes.</p>
Consideration for the Disposal Agreement	<p>The consideration for the Disposal Agreement is determined after arm's length negotiation between the parties with reference to the unaudited book value of the Regional Jets as at the Delivery Dates and the condition of each of the Regional Jets as at the Delivery Dates. As at 23 November 2012, the unaudited book value of the Regional Jets is approximately RMB1.535 billion. The consideration price comprises the airframe price, accompanying engine price and accompanying accessories price.</p>
Conditions	<p>Completion of the Disposal is conditional upon the fulfillment or waiver by the relevant parties of, amongst others, the following conditions:</p> <ol style="list-style-type: none"><li>(1) the Company has provided the relevant documentary evidence to prove its title ownership of the Regional Jets to Airbus SAS;</li><li>(2) as at the Delivery Dates, there is no mortgage or priority right over the Regional Jets, or the provision of the relevant release documents in respect of such mortgage or priority right (if any) from the Company to Airbus SAS; and</li><li>(3) the warranties and representations under the Disposal Agreement remain true and accurate.</li></ol>
Payment terms	<p>The consideration for the Disposal Agreement is payable by Airbus SAS by cash in United States dollars in installments after the delivery of the Regional Jets to Airbus SAS.</p>
Delivery	<p>The Regional Jets shall be delivered on the basis of status quo in accordance with requirements of the Civil Aviation Administration of China. The Regional Jets are expected to be delivered to Airbus SAS in stages from 2014 to 2016.</p>

Completion of the Disposal Agreement	<p>The completion of the Disposal will happen upon the conditions as set out in the Disposal Agreement having been fulfilled or waived by Airbus SAS and receiving the consideration for the Disposal Agreement in full.</p>
Reasons for entering into the Disposal Agreement, and benefits expected to accrue to the Company	<p>The disposal of the Regional Jets will streamline the aircraft models operated by the Company, optimize the fleet structure of the Company and lower the unit operation costs of the Company.</p> <p>As the consideration of the Disposal is based on the unaudited book value of the Regional Jets as at the Delivery Dates, the unaudited book value of the Regional Jets will decrease due to depreciation. The Directors expect that there will not be any significant gain or loss expected to accrue to the Company as a result of the Disposal.</p> <p>It is technically not viable to determine the net profit attributable to just the Regional Jets for the two previous financial years, however, there is no change in relation to the net profit attributable to the Regional Jets for the two previous financial years as a result of the Disposal.</p> <p>The ATKs of the Regional Jets in 2011 was approximately 123,837,516 tonne-kilometers, representing approximately 0.66% of the ATKs of the Company. Without considering the adjustments to be made to the aircraft fleet of the Company as a result of the market conditions and the age of the aircraft, the Disposal will decrease the ATKs of the Company by approximately 0.66% (based on the ATKs of the Company as at 31 December 2011).</p> <p>The Directors currently intend to use the proceeds from the Disposal for its normal operating purposes.</p> <p>The Disposal has been approved by the Directors.</p> <p>The Directors believe that the terms of the Disposal Agreement are fair and reasonable and in the interests of the Company's shareholders as a whole.</p>
Discloseable transaction	<p>The Disposal constitutes a discloseable transaction of the Company under the Listing Rules as applied by the Stock Exchange.</p>

## FURTHER INFORMATION

The Company is principally engaged in the business of civil aviation.

The Company and  
Airbus SAS :

Airbus SAS, to the knowledge of the Directors, is principally engaged in the business of aircraft manufacturing and selling aircraft.

## DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms shall have the following meanings:

“Acquisition” means the purchase of the Airbus Aircraft by the Company under the Purchase Agreement;

“Airbus Aircraft” : means sixty brand new Airbus A320 series aircraft;

“Airbus SAS” means Airbus SAS, a company created and existing under the laws of France;

“ATKs” : means the tonnes of capacity available for the transportation of revenue load (passengers and/or cargo) multiplied by the kilometres flown;

“CEA Holding” : means (China Eastern Air Holding Company), a wholly PRC state-owned enterprise and the controlling shareholder of the Company directly or indirectly holding approximately 59.94% of its issued share capital as at the date of this announcement;

“Circular” : means the circular to be issued by the Company to its shareholders containing information required under the Listing Rules in respect of the Acquisition;

“Company” : means (China Eastern Airlines Corporation Limited), a joint stock limited company incorporated in the PRC with limited liability, whose H shares, A shares and American depositary shares are listed on the Stock Exchange, the Shanghai Stock Exchange and the New York Stock Exchange, Inc., respectively;

- “Consideration” : means the actual consideration payable by the Company to Airbus SAS for the purchase of the Airbus Aircraft (taking into account the price concessions);
- “Delivery Dates” : means the respective dates on which the Company delivers each of the Regional Jets to Airbus SAS pursuant to the Disposal Agreement;
- “Directors” : means the directors of the Company;
- “Disposal” : means the sale of the Regional Jets by the Company under the Disposal Agreement;
- “Disposal Agreement” : means the agreement entered into on 23 November 2012 by the Company (as seller) with Airbus SAS (as purchaser) regarding the Disposal;
- “Listing Rules” : means the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited;
- “Regional Jets” : means the eight Canadair Regional Jets (**CRJ**) and ten Embraer Regional Jets (**EMB**) owned by the Company which form the subject matter of the Disposal Agreement;
- “RMB” : means renminbi, the lawful currency of the PRC;
- “PRC” : means the People’s Republic of China;
- “Purchase Agreement” : means the agreement entered into on 23 November 2012 by the Company (as purchaser) with Airbus SAS (as seller) regarding the Acquisition;
- “Stock Exchange” : means The Stock Exchange of Hong Kong Limited;
- “United States” : means the United States of America; and
- “USD” : means United States dollar, the lawful currency of the United States of America.

*For illustration purposes only, an exchange rate of USD1.00 to RMB6.35 is used in this announcement. No representation is made that any amount in RMB or USD is or could have been or could be converted at such rate or at any other rate or at all.*

By order of the Directors  
CHINA EASTERN AIRLINES CORPORATION LIMITED  
WANG JIAN  
Joint Company Secretary

As at the date of this announcement, the Directors are:

Liu Shaoyong	(Chairman)
Ma Xulun	(Vice Chairman, President)
Xu Zhao	(Director)
Gu Jiadan	(Director)
Li Yangmin	(Director, Vice President)
Tang Bing	(Director, Vice President)
Luo Zhuping	(Director)
Sandy Ke-Yaw Liu	(Independent non-executive Director)
Wu Xiaogen	(Independent non-executive Director)
Ji Weidong	(Independent non-executive Director)
Shao Ruiqing	(Independent non-executive Director)

Shanghai, the PRC

23 November 2012