

CHINA EASTERN AIRLINES CORP LTD
Form 6-K
December 06, 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 December 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 December 6, 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.

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.

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

(Stock code: 00670)

CONNECTED TRANSACTION

On 6 December 2012, the Company entered into the Agreement with the Vendor, pursuant to which the Company agreed to purchase and the Vendor agreed to sell the Sale Interests in the Target Company.

The Vendor is an indirect non wholly-owned subsidiary of CEA Holding, which is in turn is a substantial shareholder of the Company, and the Vendor is thus a connected person of the Company. Accordingly, the Acquisition constitutes a connected transaction of the Company.

As the relevant applicable percentage ratios set out in the Listing Rules in respect of the Acquisition are less than 5%, the Acquisition is subject to reporting and announcement requirements under Rule 14A.32 of the Listing Rules and is exempt from the approval of the independent shareholders of the Company.

THE AGREEMENT

On 6 December 2012, the Company entered into the Agreement with the Vendor, pursuant to which the Company agreed to purchase and the Vendor agreed to sell the Sale Interests in the Target Company.

Consideration

Pursuant to the Agreement, the Company will pay the Vendor the Consideration in cash. The Consideration will be funded from the Company's internal resources.

The Consideration was determined based on the net asset value of the Target Company and calculated by the appraised value of the proportionate shareholder's interest set out in the Valuation Report prepared by an independent and qualified PRC Valuer appointed by the Vendor, which in turn was prepared on the basis of income approach (discounted cash flow). The Valuation Report was prepared in accordance with the relevant PRC rules and regulations, which state that where PRC state-owned assets are being transferred, assets should be valued based on a market value approach (which includes income approach or cost replacement approach).

The Board confirms that the Valuation Report was independently prepared by the PRC Valuer without any information or documents provided by the Group (save for the provision of base financial statements and shareholders' information by the Target Company to the PRC Valuer to enable the PRC Valuer to conduct its independent valuation). The Board also confirms that the Group was not involved in the preparation of the Valuation Report.

The Board further confirms that in determining the Consideration, apart from the Valuation Report, it also: (a) reviewed the financial statements, operations and business of the Target Company; (b) considered commercial factors, such as the future business potential of the Target Company and the long-term strategic, business and restructuring plans of the Company; and (c) assessed the fairness and reasonableness of the Consideration.

Completion

The Vendor shall transfer the Sale Interests to the Company on the date of execution of the Agreement.

The Company shall pay the Consideration in cash on a one-off basis within ten (10) working days from the date immediately following the date of execution of the Agreement.

The Company and the Vendor shall cooperate on the registration of transfer of the Sale Interests with the relevant PRC authorities. The transfer of the Sale Interests shall be completed after the said registration.

The Company will enjoy any profit or bear any loss of the Target Company in relation to the Sale Interests during the period from the valuation date, being 30 June 2012, to the completion of the said registration.

After completion of the Acquisition, the Target Company will become a wholly-owned subsidiary of the Company.

Information about the parties

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

The Vendor is principally engaged in the operation of, or in the acting as agent in, the import and export of various commodities and technologies, operation of processing with imported materials and the “ (Three Types of Processing plus Compensation Trade)”, the development of countertrade and entrepot trade, development of leasing and trading business of aviation aircraft and aviation equipment and facilities, the business approval and retail in PRC subject to specific provisions.

The Target Company is principally engaged in domestic tourism, cross-province passenger transportation, inbound and outbound tourism, tourist handicraft, traveling consultation, office supplies, computers, general merchandise, arts and crafts and accessories, motorcycles and automated bicycles, and textiles.

The audited net profit (or loss) before and after tax and extraordinary items of the Target Company for the two years ended 31 December 2010 and 2011 respectively were as follows:

| | Year ended 31 December | |
|--|------------------------|---------------|
| | 2011 | 2010 |
| | (RMB) | (RMB) |
| Net profit (loss) before tax and extraordinary items | 10,036,592.54 | 34,579,858.37 |
| Net profit (loss) after tax and extraordinary items | 7,593,697.89 | 27,297,279.80 |

The book value of the net assets of the Target Company based on PRC accounting standards as stated in the Valuation Report as at 30 June 2012 is RMB93,765,093.49. The net asset value of the Target Company based on PRC accounting standards as stated in the Valuation Report as at 30 June 2012 is RMB148,025,000.

REASONS FOR ENTERING INTO THE ACQUISITION AND BENEFITS EXPECTED TO ACCRUE TO THE COMPANY

The main purpose of the Acquisition is to resolve the issue of intra-group competition. After the absorption of the former Shanghai Airlines Co., Ltd through share exchange by the Company, its assets, liabilities, business, contracts and all other rights and obligations have been vested with the Company, which led to competition with the existing business of our controlling shareholder, CEA Holding, in the areas of tourism operation.

Accordingly, it is resolved by the Board to acquire the remaining interest in the Target Company at a consideration with reference to its respective appraised value.

The Acquisition can effectively avoid intra-group competition between the Company and CEA Holding in the areas of tourism operation, and can also minimize any possible conflict of interests between the Company and CEA Holding. The Acquisition is not expected to have a material impact on the Company's normal operations and financial condition.

The terms and conditions of the Acquisition are agreed after arm's length negotiations between the parties. The Directors (including the independent non-executive Directors) believe that the terms and conditions of the Acquisition are fair and reasonable and in the interests of the shareholders of the Company as a whole.

LISTING RULES IMPLICATIONS

The Vendor is an indirect non wholly-owned subsidiary of CEA Holding, which is in turn is a substantial shareholder of the Company, and the Vendor is thus a connected person of the Company. Accordingly, the Acquisition constitutes a connected transaction of the Company.

As the relevant applicable percentage ratios set out in the Listing Rules in respect of the Acquisition are less than 5%, the Acquisition is subject to reporting and announcement requirements under Rule 14A.32 of the Listing Rules and is exempt from the approval of the independent shareholders of the Company.

The resolution regarding considering and approving the Acquisition has been passed at the 2012 fifth regular meeting of the Board held on 30 October 2012. As Mr. Liu Shaoyang (a Director and the chairman of the Company), Mr. Xu Zhao (a Director) and Mr. Gu Jiadan (a Director) are part of the senior management of CEA Holding, they may be regarded as having a material interest in the Acquisition. As such, they have abstained from voting at the meeting of the Board convened for the purpose of approving the Acquisition. Save as aforesaid, none of the Directors has any material interests in the Acquisition.

DEFINITIONS

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

“Acquisition” means the acquisition of the Sale Interests by the Company from the Vendor under the Agreement;

“Agreement” means the agreement dated 6 December 2012 entered into between the Company and the Vendor regarding the Acquisition;

“Board” means the board of directors of the Company;

“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;

“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 depository shares are listed on the Stock Exchange, the Shanghai Stock Exchange and the New York Stock Exchange, Inc., respectively;

“Consideration” means the consideration for the Acquisition (being RMB20,693,900) payable by the Company to the Vendor pursuant to the Agreement;

“Directors” means the directors of the Company;

- “Group” means the Company and its subsidiaries;
- “Listing Rules” means the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited;
- “PRC” means the People’s Republic of China;
- “PRC Valuer” means [Pan-China Assets Appraisal Co., Ltd.](#);
- “RMB” means renminbi, the lawful currency of the PRC;
- “Sale Interests” means 13.98% of the entire issued share capital of the Target Company held by the Vendor;
- “Stock Exchange” means The Stock Exchange of Hong Kong Limited;
- “Target Company” means [Shanghai Airlines Tours, International \(Group\) Co., Ltd.](#) is directly held as to 86.02% by the Company and 13.98% by the Vendor as at the date of this announcement;
- “Valuation Report” means the valuation report prepared by the PRC Valuer in respect of the total assets and liabilities of the Target Company as at 30 June 2012; and
- “Vendor” means [Shanghai Aviation Import & Export Co., Ltd.](#), which is indirectly held as to 55% by CEA Holding and 45% by the Company as at the date of this announcement.

By order of the Board

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

6 December 2012